

February 1, 2022

Best's Methodology and Criteria

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Greg Williams
908 439 2200 Ext. 5815
Greg.Williams@ambest.com

Robert Raber
908 439 2200 Ext. 5696
Robert.Raber@ambest.com

Mahesh Mistry
+44 20 7626 6264 Ext. 325
Mahesh.Mistry@ambest.com



Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Outline

- A. Market Overview/Background
- B. Best's Performance Assessment for DUAEs Process
- C. Key Assessment Factors
- D. Developing the Performance Assessment
- E. Analyzing New DUAE Formations

Best's Performance Assessment Methodology (BPAM) is independent from and not associated with Best's Credit Rating Methodology (BCRM) and uses a performance assessment scale and guidelines that are separate and distinct from the BCRM, as outlined in this document.

A. Market Overview/Background

A *Best's Performance Assessment (PA) for Delegated Underwriting Authority Enterprises (DUAEs)* is a forward-looking, independent, and objective non-credit opinion indicative of a DUAE's relative ability to perform services on behalf of its insurance partners. The PA is a comprehensive analysis consisting of a quantitative and qualitative assessment of Underwriting Capabilities, Governance and Internal Controls, Financial Condition, Organizational Talent, and Depth and Breadth of Relationships, as described in **Section C. Key Assessment Factors**.

The DUAE role is an essential part of the insurance distribution model. AM Best generally defines a DUAE as a third party entity that is appointed by a (re)insurer, through contractual agreements, to perform underwriting, claims handling, and/or administrative functions on behalf of its partners. In this methodology, DUAE is used as a blanket term to capture Managing General Agents (MGAs), Managing General Underwriters, Coverholders, Program Administrators, Program Underwriters, Underwriting Agencies, Direct Authorizations, and Appointed Representatives. AM Best recognizes that each DUAE may have unique characteristics but believes that the application of this methodology is sufficiently comprehensive in capturing the key factors that are necessary to assign a PA to any of these entities. Best's PA for DUAEs provides insight to market participants, such as carriers and agents, that are contemplating a partnership with a DUAE.

By collaborating with brokers, wholesalers, and retail agents, DUAEs can place business with (re)insurers based on their risk appetite. DUAEs can also offer a variety of services beyond generating sales leads and performing administrative functions. For example, a (re)insurer may delegate underwriting authority to its DUAE partners to bind policies and collect premiums, although the ultimate responsibility for underwriting risk remains with the (re)insurer.

Globally, the function of a DUAE varies; however, AM Best believes there are key assessment factors that are indicative of a DUAE's relative ability to perform services on behalf of its insurance partners, regardless of geographic location. The role of a DUAE to generate growth, provide specialized market expertise, and undertake administrative functions is consistent worldwide.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

DUAE Example

One of the most common DUAE designations is an MGA. The decision to partner with an MGA presents a series of benefits and risks to a (re)insurer. AM Best realizes that the value of an MGA as a distribution partner can greatly impact a (re)insurer's financial strength and reputation, given that underwriting authority is often granted to an MGA. Similarly, the brokers, wholesalers, and retail agents that interact with an MGA look to the MGA to provide competitive products. In many cases, MGAs have special expertise or distribution capabilities that the (re)insurer may not always have available or would otherwise be expensive to develop in house.

The typical model for MGAs is seen in the distribution of specialty and niche risks in personal and commercial lines in the property/casualty market and certain segments of the life/health markets. Based on their specialized programs, MGAs can provide insurers looking to expand into specialty markets with underwriting expertise and administrative services. These products are often targeted to specific industries, markets, or niche areas that the insurer has not been able to access through other distribution channels.

MGAs using emerging technology, often with the guidance/partnership of insurtech startups, implement mechanisms to streamline, enhance, and provide additional insight into the underwriting and administrative processes. Increasingly, MGAs have broadened their servicing capabilities by incorporating insurtech into their underwriting, claims, marketing, and compliance functions. MGAs can also apply their insurance distribution expertise when their focus is on using various forms of alternative risk transfer (ART) and traditional capital.

The PA for DUAEs provides an insurance carrier with an independent perspective on the DUAE—in this case, a potential MGA partner.

B. Best's Performance Assessment for DUAEs Process

The foundation of Best's PA for DUAEs requires ongoing dialogue with management, which is facilitated by an analyst. The analyst manages the continuous interaction with company management and conducts the fundamental analysis. The analyst monitors the financial condition of the DUAE, in addition to any market and company developments that could impact the assessment. Once assigned, the PA is generally updated on an annual basis; however, a review of the PA can take place any time that AM Best becomes aware of a significant development that may have an impact on the assessment.

The ongoing monitoring and dialogue with management occurs through scheduled meetings, as well as through interim discussions on key trends and emerging issues, as needed. These meetings afford the analyst the opportunity to review factors that may affect the assessment such as the company's strategic goals, financial objectives, and management practices.

The PA is intended to be assigned to those DUAEs that have underwriting authority and are principally responsible for underwriting risk. AM Best's assessment will typically be performed at the legal entity level of the DUAE. If there are multiple legal entities present, the assessment will be performed on each entity individually. Certain synergies amongst members of the enterprise however may be recognized in the analysis of the key assessment factors. In certain cases, there may be

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

significant commonalities and/or strategic rationales that are revealed in the legal entity assessments which may lead AM Best to take a group view of a set of DUAEs.

Assessment Affiliation Code

AM Best reviews cases in which common operations exist and the DUAEs collectively operate as one coordinated group. In these situations, a “g” affiliation code would be assigned to each of the DUAEs and these designated entities would receive the same PA. Examples of commonalities amongst the legal entities, which would make a DUAEligible for a “g” affiliation code, are listed below:

The same management team is shared amongst the DUAEs

A DUAElentity is necessary for licensing

The DUAElis material to the group's operations and strategy

The DUAEl's performance is generally consistent with other group members

The DUAElshave common underwriting practices and/or common products

The DUAElshave fully integrated in operations, making it difficult to operate independently

Each DUAElis readily identifiable with other members of the group

An analyst first collects the required information from the DUAEl relating to the key assessment factors shown in **Exhibit C.1: Best's PA for DUAElsh**. This information is then assessed in conjunction with a meeting with senior representatives of the enterprise to gain a broader understanding of the organization's strengths and weaknesses. After a comprehensive review, a determination is made as to whether further information is required.

The completion of the analysis leads to a recommended PA and outlook for the DUAEl, which is reviewed and voted on by an assessment committee. The assessment committee's approach ensures consistency across PAs. PAs for DUAElsh are initially determined and periodically updated through the assessment committee process. After the assessment committee votes on the PA, the assessment is communicated to the DUAEl. This process is outlined in **Exhibit B.3: Best's PA for DUAElsh Process**.

Assessment Outlooks

A Positive, Negative, or Stable outlook determination is assigned in tandem with the assignment of a PA (**Exhibit B.1: Assessment Outlooks**). The outlook indicates the potential future movement of a PA (e.g., from PA-2 to PA-1) over an intermediate time period, generally defined as 36 months. An outlook generally does not indicate movement within an Assessment Category (e.g., from 21 to 22 in the PA-3 [Strong]) when no change to the PA is anticipated. A Stable outlook does not preclude movement up or down in the PA, nor does a Positive or Negative outlook necessarily lead to a change in the PA.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Exhibit B.1: Assessment Outlooks

Assessment Outlook	Definition
Positive	A Positive outlook indicates that the continuation of favorable trends may lead to a positive change in the performance assessment.
Stable	A Stable outlook indicates that if current trends continue, movement in the performance assessment is unlikely.
Negative	A Negative outlook indicates that the continuation of unfavorable trends may lead to a negative change in the performance assessment.

Following the communication of the initial assessment, the DUAE has the option to make the Best's PA public, which is disseminated through the AM Best website; maintain the assessment on a private basis; or no longer participate in the process. For PAs intended to be made public, the assessment committee determination is communicated to the DUAE before it is publicly disseminated. Private PAs are disseminated directly to the company following the conclusion of the assessment committee.

If a DUAE decides to maintain the assessment on a public or private basis, the DUAE is subject to AM Best's surveillance procedures for the assessment. The PA is monitored on an ongoing basis. In the event of material changes that may have an impact on the overall assessment or outlook of the DUAE, the PA may be placed under review with positive, negative or developing implications. If a DUAE decides to withdraw its PA, AM Best must opine on a final PA before the assessment is withdrawn. If the circumstances under which the initial PA was published are no longer accurate, AM Best reserves the right to withdraw the publication of any existing PA.

Under Review

An assessment may be placed under review in the event of a sudden or unexpected change that may impact the PA. Examples of events that may lead to a PA being placed under review include the sale of the DUAE; significant change in the DUAE's financial condition; unanticipated change in the DUAE's leadership; substantial governance breach of the DUAE; or other factors that could lead to a change in the underlying components of the current PA.

The under review designation may be positive, negative, or developing (**Exhibit B.2: Under Review Designations**) and will generally remain in place until the impact of the issue(s) on the PA is determined. The timeframe may vary depending on the specific circumstances, but resolution of the under review is generally expected within six months.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

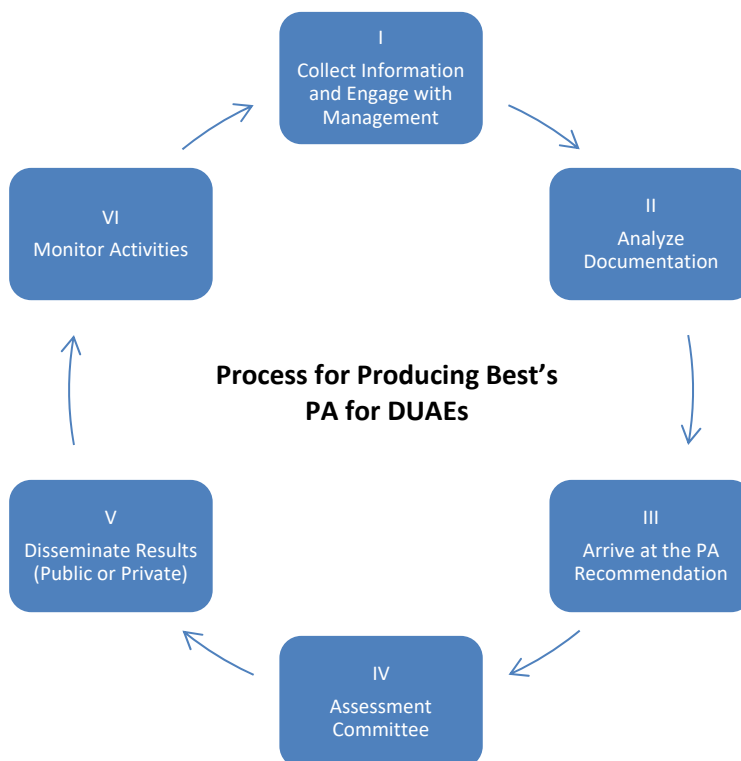
Exhibit B.2: Under Review Designation

Under Review Designation	Definition
Positive	A positive under review designation indicates that, based on information currently available, there is a reasonable likelihood that the performance assessment may be higher at the conclusion of the under review.
Negative	A negative under review designation indicates that based on information currently available, there is a reasonable likelihood that the performance assessment may be lower at the conclusion of the under review.
Developing	A developing under review designation indicates that, based on information currently available, there is sufficient uncertainty as to conditions surrounding the under review and that the performance assessment may be higher, lower or unchanged at the conclusion.

In conjunction with the assignment of a PA for a DUAЕ, a summary report outlining the key assessment factors and an explanation of its features is provided to the DUAЕ.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Exhibit B.3: Best's PA for DUAEs Process



DUAE Ownership Structures

Understanding the structure of a DUAE and that of the organization within which it sits, is an essential aspect of a DUAE's ability to perform services. Organizational structure may vary from a single legal entity to a more complex group with many legal entities. The structure may include several DUAEs and a divisional management structure which may cut across both the activities of each DUAE and other activities within a group. When completing a performance assessment, AM Best looks to gain a clear understanding of:

- Legal entity structure within which the DUAE operates and its rationale
- Commitments between the legal entities
- Authorizations and/or commercial arrangements to access those authorizations by group entities
- Divisional management structure, responsibilities and reporting lines
- The nature of how activity is and will be allocated between legal entities and management divisions, including, where there is more than one DUAE in a group, between the DUAEs

These aspects will be considered as they relate to a DUAE, including the DUAE's interactions with any parent organization. The aim is to appreciate the influence of the structure on a DUAE's capabilities and performance and to fully understand the activities of the entity being assessed.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

C. Key Assessment Factors

AM Best uses both quantitative and qualitative elements to assess the strengths and weaknesses of the DUAЕ. An assessment of five key components: Underwriting Capabilities, Governance and Internal Controls, Financial Condition, Organizational Talent, and Depth and Breadth of Relationships is performed.

Components of Best's PA for DUAЕs

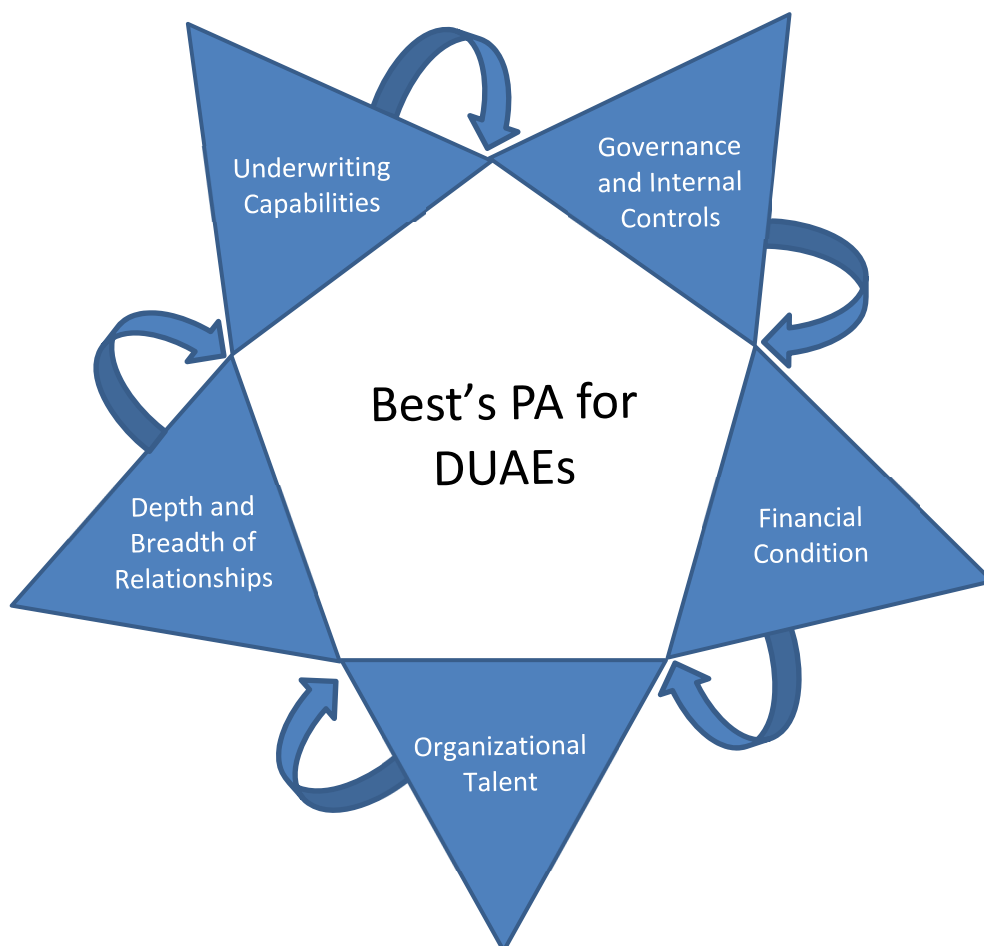
AM Best's assessment of a DUAЕ is performed through the development of Best's PA for DUAЕs. The components of the performance assessment are shown in **Exhibit C.1: Best's PA for DUAЕs**. The PA is an aggregation of the sub-assessment assigned to each component. A better overall PA indicates that the DUAЕ is more likely to achieve greater long-term stability through effective business underwriting, maintain a strong financial profile, have excellent access to business, provide high-level service, and maintain strong business relationships and governance, as opposed to a DUAЕ that receives a lower PA.

Three of the components, Underwriting Capabilities, Governance and Internal Controls and Financial Condition, can receive up to a maximum of ten points. The other two components, Organizational Talent and Depth and Breadth of Relationships, can receive a maximum of five points. The sub-assessments for each component are aggregated and then translated into a PA, as explained further in **Section D. Developing the Performance Assessment**.

Understanding the DUAЕ's strategy and long-term goals are key parts of the PA, interwoven throughout the PA components. Strategy is important to the PA because it directly affects the future success of a DUAЕ. AM Best recognizes the wide-ranging nature of strategic direction. Aspects AM Best seeks to understand as regards strategy will typically include the nature and scale of a DUAЕ's competitive advantage, how such advantages will be sustained and leveraged and how new advantages might possibly be generated. Adaptability to market conditions is considered as part of understanding the strategic direction of the enterprise, along with the role played by the structure of a DUAЕ in meeting its strategic goals. Additionally, the sustainability and viability of business relationships for both carriers, agents, and intermediaries are important considerations. AM Best acknowledges that priorities can vary by DUAЕ.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Exhibit C.1: Best's PA for DUAEs



Best's PA for DUAEs = Underwriting Capabilities + Governance and Internal Controls + Financial Condition + Organizational Talent + Depth and Breadth of Relationships

Assessing the Components

Underwriting Capabilities

Given that (re)insurers partner with DUAEs for their access to specific business and specialized expertise, AM Best recognizes that the profitability of the business written by the DUAE is essential for forming long-lasting relationships with (re)insurers. The following outlines the elements of the underwriting capabilities component.

Quality of Underwriting

When assessing performance metrics, AM Best uses a variety of quantitative and qualitative measures. In addition to considering a company's most recent underwriting performance, the analysis may consider and assess historical trends, expected future performance, measures of central tendency, and volatility of results. Methods of standardization such as calculating certain risk-adjusted performance

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

metrics may also be used to properly adjust returns for the degree of risk exposure necessary to generate those returns. To assess the effectiveness of the DUAЕ's underwriting controls, audits by the risk-bearing entities may be considered. The requested documentation for the analysis will vary on a case by case basis dependent upon the DUAЕ's product offerings and complexity.

AM Best considers the structure and performance of the underwriting portfolio by segment and program to ascertain the underlying profitability of the portfolios based on both underwriting results and calendar year results. AM Best also considers a DUAЕ's prospective underwriting margins, monitoring trends, and volatility of results. With regard to the long-term sustainability of a scheme, AM Best will seek to understand how the structure benefits all parties in the transaction, which entails assessing the underwriting approach, commission, fee and expense structures, and reserving approach—in particular, any estimated reserves that could influence results, such as incurred but not reported reserves (IBNR). AM Best understands that the availability of underwriting data will vary by DUAЕ depending on the DUAЕ's business model.

As part of its review, AM Best expects to assess whether specific underwriting features in the general agency agreement/contract between the agent and the insurance company are being honored—such as the maximum premium volume allowable, the maximum limit of liability, and any exclusions that have been set. Subject to the size and complexity of the DUAЕ, AM Best expects to review a sampling of the contracts.

Underwriting Results

To assess previous underwriting results, AM Best expects to review the premium and loss histories of a DUAЕ's programs. Typically, the program results should reflect amounts for the previous five years that may include the following items: written premium, earned premium, paid loss and loss adjustment expense (LAE), case incurred loss and LAE, and IBNR.

Underwriting Competitive Advantage

AM Best recognizes that a purely quantitative analysis may not completely capture the sustainability of a company's performance. Management's ability to adapt to changes in the operating environment is also an important contributor to performance over time. As part of considering the qualitative aspects of profitability, AM Best assesses management's appreciation of what drives the DUAЕ's underwriting performance and considers management's ability to steer performance.

Proprietary Data and Analytics

Data and the ability to effectively use it are key elements of underwriting performance. AM Best considers the role, nature, and use of data in a DUAЕ and assesses the DUAЕ's data collection and monitoring procedures. The use of data analytics that benefit the underwriting approach is key to the DUAЕ's success. AM Best expects to review a DUAЕ's data quality and usage in relation to premium pricing, loss reserve development patterns, and IBNR as part of the ongoing assessment of the DUAЕ.

Commission Structure

A mutually beneficial commission structure will typically support the financial success of a DUAЕ and its carrier partners, so it is important that AM Best understands the scope of the agreements. The analysis will depend on the complexity of the commission structures in place, whether they vary from

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

program to program, or policy to policy. How often commission goals are met will be considered in the analysis. AM Best will view commission structures that benefit both the DUAE and the insurer favorably.

Claims Management

DUAEs may be involved in managing claims through a variety of methods that may include outsourcing to a TPA, partnering with the insurance carriers and/or using internal management. Regardless of the method employed, AM Best will look to understand how these claims management methods impact underwriting performance. Timely and accurate reserving practices ensure realistic expectations for a DUAE's carrier partners. The ability to effectively resolve claims in a timely manner is critical for continued profitability regardless of size or type of business. AM Best seeks to understand the level of claims automation and if the automation benefits the DUAE in offsetting administrative costs.

Experience of Underwriting Staff

The experience and financial track record of the staff is critically important to the success of a DUAE. The experience of the underwriting staff is assessed by a review of staff members' designations, the years of experience the staff has underwriting a certain program, and the staff's (commitment to/pursuit of) continued education. Ultimately, the experience should translate into profitable performance.

Technology in the Underwriting Process

Technology in the underwriting process provides a variety of benefits to a DUAE—for example, using technology to enhance premium pricing mechanisms or improving efficiency of claims management systems. Historically, many in the insurance industry have found ways to adapt to an ever-changing market environment without becoming sophisticated technology players. Underwriters rely on diverse sources such as employees, customers, and consultants to keep up with current innovation developments and opportunities. Underwriters may also make investments and form partnerships to address innovation needs, especially when faced with challenges requiring innovation outside of their core competencies.

Limitations on Exceptions/Risk Appetite

Setting limitations on exceptions to underwriting or pricing guidelines for sales and marketing reasons can improve or erode a DUAE's underwriting profitability. Enforcement of preset limitations to prevent overriding above the permitted underwriting authority ensures that the DUAE and insurer are aligned with regard to the amount of risk the DUAE is willing to take and helps accurately price the risk exposures. Adherence to the preset limitations (for example, applying credits and debits, binding risks that may be in a list of excluded classes, etc.) is crucial to the profitability of the program.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Exhibit C.2: Underwriting Capabilities

Assessment	Points	Key Characteristics
Exceptional	10	The DUAЕ's underwriting performance is assessed as exceptional. The DUAЕ has a profitable book of business with expert experienced underwriters. Commission structures are mutually beneficial for the insurer and the DUAЕ. The DUAЕ consistently demonstrates timely and accurate reserving practices and exceptional claims management abilities. Data collection and monitoring processes are exceptional and enhance the DUAЕ's underwriting analytics. Innovative processes and technology are used effectively throughout the enterprise. Underwriting controls are exceptional. If participation in profit sharing is present, risk management efforts offer sufficient protection.
Excellent	8	The DUAЕ's underwriting performance is assessed as excellent. The DUAЕ has a profitable book of business written by experienced underwriters who use technology in most of their processes and have a plan to continue their technological partnerships. Commission structures are mutually beneficial for the insurer and the DUAЕ. The DUAЕ demonstrates timely and accurate reserving practices and excellent claims management abilities. Data collection and monitoring processes are excellent and enhance the DUAЕ's underwriting analytics. Underwriting controls are excellent. If participation in profit sharing is present, risk management efforts offer sufficient protection.
Strong	6	The DUAЕ's underwriting performance is assessed as strong. The DUAЕ's underwriting is usually profitable. The DUAЕ adheres to underwriting guidelines and is supported by appropriate underwriting expertise. The DUAЕ has adopted technology for some of its processes. Commission structures appear mutually beneficial for the insurer and the DUAЕ. The DUAЕ usually demonstrates timely and accurate reserving practices and the strong claims management abilities. Data collection and monitoring processes are strong and enhance the DUAЕ's underwriting abilities. It has strong underwriting controls in place. If participation in profit sharing is present, risk management efforts offer sufficient protection.
Fair	4	The DUAЕ's underwriting performance is assessed as fair. Its underwriting profitability is mixed. The DUAЕ has adequate underwriting expertise and sometimes adheres to general agency contract provisions. It recognizes that technology is important but has not implemented a plan to include it in its regular practices. It is unclear whether commission structures are mutually beneficial for the insurer and the DUAЕ. The DUAЕ inconsistently demonstrates timely and accurate reserving practices and fair claims management abilities. Data collection and monitoring processes are present. Underwriting controls are fair, and staff has some experience. If participation in profit sharing is present, risk management efforts are lacking sufficient protection.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Weak	2	The DUAЕ's underwriting performance is assessed as weak. The DUAЕ's underwriting profitability is weak. There is a lack of adherence to general agency contract provisions, and underwriting guidelines are loosely followed. The DUAЕ relies on outdated processes and technology. Commission structures are not mutually beneficial for the insurer and the DUAЕ. The DUAЕ does not demonstrate timely and accurate reserving practices nor the ability to manage claims in an effective manner. Data collection and monitoring processes are not present or unused. Underwriting controls are weak or non-existent. Underwriting staff is inexperienced. If participation in profit sharing is present, risk management efforts are not present or are lacking sufficient protection.
-------------	---	--

The key characteristics described for each assessment are ideal scenarios and are not intended to be prescriptive.

Governance and Internal Controls

Although the level of sophistication will vary, strong governance and internal controls ensure risks are managed effectively across an organization, regardless of size. Appropriate licenses, policies and procedures, a disaster recovery plan, tracking of service measures, and broker contracts in line with regulatory requirements are essential to enforcing uniform internal controls. The qualitative analysis of each element is described in greater detail below.

Alignment of Interests

It is important that contractual and other relationships with brokers, carriers, and employees create helpful incentives. Managing intra-group arrangements and financial relationships with connected parties to ensure interests are aligned is also important. Alignment of interests incentivizes balanced risk-taking. When interests are aligned, commercial, economic, and reputational risks are taken into consideration; therefore, AM Best seeks to understand how underwriting and claims exceptions are granted to determine if there is a balanced approach. Additionally, in a soft market cycle, alignment of interests can be a key differentiator and can also support a DUAЕ's securing abilities. A mission statement that reflects the DUAЕ's strategic goals is desirable.

Systems

DUAЕs and the carriers that they partner with often share systems that tend to increase operational efficiency and the effectiveness of capturing program data in real time. When integrated systems are not present, ensuring that the DUAЕ's data is compatible with the internal systems of its partners is imperative to facilitate real time monitoring of the DUAЕ's performance and compliance with the agreement amongst the partners.

Audits and Other Management Reports

AM Best reviews the results of any internal audit. The internal audit serves as a self-evaluation for a DUAЕ and can be a useful tool to identify areas for improvement, such as the need to update policies and procedures. AM Best also reviews other internal reports that analyze trends and identify underwriting practices. Often using standardized forms, carriers/insurers may conduct external audits on their DUAЕ partners and share the results. When a DUAЕ has been subject to this type of external audit, AM Best will request that the DUAЕ share the audit results for its review.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Policies and Procedures

Internal policies and procedures should explain the steps for a required task clearly and consistently. Additionally, policies and procedures should comply with industry standards and regulatory requirements. Standardized policies or standard operating procedures provide employees with manuals for fulfilling their job responsibilities to meet the company's expectations. For example, a minimum financial strength rating may be required for a DUAЕ to enter into partnerships with (re)insurers. DUAЕs should also supply their data security policies, cyber insurance policies, and document retention plan for review.

Disaster Recovery Plan

The presence of a disaster recovery plan ensures business continuity after an unexpected catastrophic event or crisis. A strong disaster recovery plan outlines the steps necessary to maintain key business operations; data backup; recovery point objectives; security procedures at an alternative site; and designated maximum tolerable downtimes. The DUAЕ should test, audit, and update its disaster recovery process annually—ideally, testing is built into the policies and procedures.

Key Person Risk Plan

AM Best reviews key person risk when an individual owner's incapacitation would be detrimental to the future of the DUAЕ. For some DUAЕs, the key person may be the only individual capable of running the business. Some DUAЕs are often family-owned businesses, with a single person controlling most of the enterprise's operations. In these cases, AM Best expects to review continuity/succession plans to address the possibility that the key individual may be unable to undertake the typical duties that are part of daily operations.

Service Measures

Tracking service measures gives an organization a transparent view of its strengths and the areas needing improvement—AM Best recognizes that this is an essential part of assessing a customer or business partner's satisfaction with the experience. This measure can be captured through a customer retention percentage, third-party scores, complaint escalation rate, regulatory/consumer complaints or other forms of customer/business partner satisfaction measures. Other indicators of service measures include the following:

- Turnaround time from the receipt of submission to the delivery of quotes and how this task is accomplished
- Tracking complaints or compliments
- Quality of claims handling as determined by accurate reserving, customer satisfaction and timely resolution

Binding Contracts

General agency agreements (with business addendums) between DUAЕs and insurance companies/carriers outline the responsibilities of both parties to the agreement. The agreement typically addresses a number of areas, such as how funds are held by the DUAЕ and remitted to the insurer, as well as establishing the amount of funds the DUAЕ can hold. It also typically addresses underwriting guidelines, the handling of expenses, commission payment structures, record maintenance, audit requirements, and measures taken for noncompliance. AM Best expects to

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

review a representative sampling of the contracts. AM Best seeks to understand the core product lines and markets that the company operates within, and how the structure of these programs work in relation to its business partners. Sample contracts may be requested across different segments or markets to understand any important differences between contracts.

Broker Contracts

Contracts establishing a partnership between the DUAЕ and the agent/broker outline the responsibilities of both entities. These contracts detail the level of compliance and financial protection with regard to the DUAЕ. Transparency during the onboarding process contributes to the success of the partnership. Key contract items to be reviewed are loss history, restrictions to binding authority, requirement of errors and omissions (E&O) policies, the agent/broker license, and the terms of indemnification. Ownership of specialty blocks of business is also important. AM Best assesses the DUAЕ's ability to retain profitable contracts. The nature of a DUAЕ's contracts with its brokers is reviewed to assess the brokers' flexibility to move a block of business to another DUAЕ and any consequences as a result of the transfer of retail agents or policyholders to another party that may affect the DUAЕ's ability to generate profitable business.

Partnership with TPAs

Partnerships between third party administrators (TPAs) and DUAЕs or their insurance partners can enhance or detract from a DUAЕ's value, depending on the TPA's service measure reputation and its longevity in the industry. If a DUAЕ uses a TPA to integrate technology into its underwriting processes, this can strengthen a DUAЕ's ability to differentiate itself from similar DUAЕs. Doing business with an unresponsive TPA may hurt a DUAЕ's relationship with its customers as well as the insurers and damage its own reputation. Analyzing the partnerships that DUAЕs enter into is necessary for a complete picture of their staffing.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Exhibit C.3: Governance and Internal Controls

Assessment	Points	Key Characteristics
Exceptional	10	The DUAЕ's governance and internal controls are assessed as exceptional. The DUAЕ regularly tests and updates its policies and procedures. It has a proven, effective disaster recovery plan and is able to implement it to resume critical business functions typically within 24 hours. It receives a large number of customer compliments and has detailed, insightful service measures. Internal compliance or an external contractor reviews its broker contracts. Additional binding contracts are also reviewed and adhered to. Transparent and effective shared systems and data transfer capabilities are in place with its carrier partners and the alignment of interests is clear. The DUAЕ partners with TPAs that have enhanced the function, innovation, and efficiency of the DUAЕ. The DUAЕ maintains a mission statement that reflects its strategic goals.
Excellent	8	The DUAЕ'S governance and internal controls are assessed as excellent. The DUAЕ has policies, procedures, and a disaster recovery plan that is tested and updated yearly. They track service measures and address customer complaints in a timely manner. Internal compliance or an external contractor reviews its broker contracts and additional binding contracts. The DUAЕ has shared systems with its carrier partners and the alignment of interests is clear. It partners with TPAs that have benefitted the function, innovation, and efficiency of the DUAЕ. The DUAЕ maintains a mission statement that reflects its strategic goals.
Strong	6	The DUAЕ'S governance and internal controls are assessed as strong. The DUAЕ has policies, procedures, and a disaster recovery plan in place but has not tested or updated them. It tracks service measures but does not address customer complaints in a timely manner. Internal compliance or an independent external third party reviews its broker contracts. It has binding contracts but they are not systematically reviewed. Data is compatible with carrier partners but systems are not fully integrated. There is alignment of interest with partners. The TPAs the DUAЕ partners with are adequate. The DUAЕ maintains a mission statement.
Fair	4	The DUAЕ'S governance and internal controls are assessed as fair. The DUAЕ plans to implement policies, procedures, or disaster recovery plans. It has a plan to track service measures but has not implemented it. It uses standardized broker contracts and some elements are missing from binding contracts. It has a plan to integrate systems with carrier partners and it is unclear if there is alignment of interests. The TPAs the DUAЕ partners with do not enhance the function of the DUAЕ. The DUAЕ maintains a mission statement that does not reflect its strategic goals.
Weak	2	The DUAЕ's governance and internal controls are assessed as weak. The DUAЕ does not have documented policies, procedures, or a disaster recovery plan. Systems and data are incompatible with carrier partners. There is no alignment of interests. The DUAЕ does not track service measures and uses non-standard broker contracts that are tailored without review by internal compliance or an outside contractor, or are missing key requirements. Other binding contracts are either absent or not adhered to. The DUAЕ partners with weak TPAs. The DUAЕ does not maintain a mission statement.

The key characteristics described for each assessment are ideal scenarios and are not intended to be prescriptive.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Financial Condition

The financial condition component of the assessment reviews the financial strength of the DUAЕ by assessing audited financial statements, proof of two or more years of positive net worth, opportunities for risk-sharing, the presence and maintenance of surety bonds for claims payment protection, and errors and omissions coverage for the protection of the (re)insurer. Given the risk to the carrier of accepting business from a DUAЕ, the DUAЕ will often deposit collateral for the benefit of the (re)insurer, or the (re)insurer will obtain a corporate or personal guarantee from the DUAЕ to ensure that funds are available to address unforeseen risks. AM Best believes a review of these elements provides insight into a DUAЕ's financial stability and its capability to generate profitable business for (re)insurers.

Analysis of Financial Results and Metrics

Fundamental to the PA analysis is a review of the DUAЕ's financial statements. AM Best expects that established DUAЕs will provide at least three years of audited financial statements subject to organizational structure. Unaudited financial statements may also be reviewed, but limited disclosure and the absence of an independent audit may result in a lower assessment for this component. The analysis may include a review of the appropriate financial information of the significant owners or individuals with a controlling interest. AM Best's analysis includes a review of the following:

- Cash flow evaluation

AM Best will evaluate cash flow in order to understand the constraints and flexibility that arise for management. The impact on cash flow of items outside the income statement such as commitments in respect of acquisitions and obligations to repay borrowings will be incorporated into the analysis, as will expected recruitment and reorganization costs.

- Stability and sources of income

Stability of income depends on the business a DUAЕ is writing, the sustainability of its relationships, the nature of its commission, fee or other income arrangements and likely changes to all these items over time. DUAЕs may additionally have various sources of income outside of their insurance related activities. AM Best will seek to reach an understanding of the stability and sources of income that reflects a comprehensive analysis of a DUAЕ's operations.

- Leverage and coverage measures as appropriate to assess financial flexibility/areas of potential financial stress/major financial commitments

Ratios will be assessed in the context of the profile and variability of income and cash flow. Financial commitments arising from corporate transactions, reorganizations and from the recruitment and retention of key talent will be factored into the assessment. AM Best will consider if appropriate debt to EBITDA ratios have been and are going to be maintained.

- Covenant commitments and the DUAЕ's relationships with its funders may be important, especially where borrowings are significant.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Financial Strength and Impact from Related Parties

A DUAЕ is typically a service based business but its financial strength is nevertheless essential to its partners. Financial strength helps to ensure a DUAЕ's viability, its ability to respond to challenges and the extent to which it can be relied upon to meet medium or longer-term service commitments, such as those that may be associated with run-off claims.

AM Best will therefore consider the strength or weakness of a DUAЕ's balance sheet and the support or hindrance that might come from related parties, including investors. The segregation of client funds, usually involving premium trust funds, is expected and cannot be breached.

Exhibit C.4: Financial Condition

Assessment	Points	Key Characteristics
Exceptional	10	The DUAЕ's financial performance indicators and financial flexibility are assessed as exceptional. The financial structure and composition of the group demonstrates stability in its operations and complements the risk undertaken. Stability of income has been exceptional and sustainable, with clear strategies for continued growth. Commitments and the integrity of contracts provide further reassurance to business partners.
Excellent	8	The DUAЕ's financial performance indicators and financial flexibility are assessed as excellent. Stability of income is consistently excellent, and opportunities for growth are recognized. The DUAЕ maintains excellent risk-sharing strategies and its financial structure is solid. Partners with financially sound insurers.
Strong	6	The DUAЕ's financial performance indicators and financial flexibility are assessed as strong. Income is stable. The DUAЕ is backed by financially stable partners, and it has developed strong risk-sharing strategies.
Fair	4	The DUAЕ's financial performance indicators and financial flexibility are assessed as fair. It has generally recorded profitable results over market cycles, but strategies for growth are unclear. The DUAЕ has developed appropriate strategies to mitigate risks. Insurer partnerships are fair.
Weak	2	The DUAЕ's financial performance indicators and financial flexibility are assessed as weak. There are many areas of potential financial stress. Insurer partnerships are not secure and lack adequate capital support. Risk mitigation is not in place or is unenforceable.

The key characteristics described for each assessment are ideal scenarios and are not intended to be prescriptive.

Organizational Talent

DUAЕs operate on personal relationships and often grow through acquisitions. The organizational talent component of the assessment gauges the strength or weakness of relationships between the DUAЕ and its employees or partnerships, and whether these positively or negatively impact its relationships with customers. A DUAЕ with strong talent will have the high quality and time-tested expertise necessary to ensure the longevity of its customer relationships and program offerings. A DUAЕ should maintain talent that is appropriate for its size and complexity. For example, larger DUAЕs may need actuaries and claims managers, which may not be necessary for smaller DUAЕs.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Tenure

High employee turnover can be costly for an organization and is often destructive to long-lasting relationships. Over time, an employee can begin to anticipate a customer's needs based on their prior experience with that customer once they have established a trusting relationship that emphasizes the importance of customer experience. This would factor positively into a DUAЕ's PA. The tenure metric also includes an analysis of the number of employees at the DUAЕ. AM Best will compare a DUAЕ's level of tenure to prevailing industry standards.

Training Programs

Employee training programs provide employees knowledge of industry trends, help ensure compliance in a dynamic regulatory environment, and facilitate the consistent onboarding of staff, setting expectations so that employees are fully prepared for their positions. Training can fall into a variety of categories, from improving interpersonal skills and managing stress, to training that educates staff on specific skill sets. Offering tuition reimbursements for pursuing professional designations and furthering an employee's education relevant to an employee's job function is also reviewed. DUAЕ management should be able to demonstrate to AM Best that key staff have the appropriate skill levels.

Executive Experience

Efficient operations are dependent upon experienced executive leadership that can adapt to change. Management's track record and experience are important considerations in the PA analysis. A review of how the strategic direction provided by management to ensure the company's objectives are met is part of the assessment of this element.

Organizational Structure

Organizational structure establishes and defines employees' reporting responsibilities and ensures that a company is aware of any staffing gaps or overstaffing. AM Best expects DUAЕs to design operational structures that support their programs and allow for nimble and flexible frameworks. AM Best analyzes a DUAЕ's structure in relation to its strategy and the nature and scale of its operations. As a result, there will be differences in key personnel roles between DUAЕs, including the need for actuaries, claims managers, and IT professionals. Any risk or benefits that arise from changes in personnel and the ability to retain seasoned staff, attract new quality staff, and ensure business continuity are also factored into the assessment.

Exhibit C.5: Organizational Talent

Assessment	Points	Key Characteristics
Exceptional	5	The DUAЕ's organizational talent is assessed as exceptional. The DUAЕ has appropriate staffing and low turnover. When additional staff are hired, onboarding and training are sufficient for employees to perform their job duties. Additional training is an ongoing requirement for staff and includes a focus on industry information and regulatory updates. The executive team clearly communicates the company's vision and has a transparent approach to improve processes. Organizational structure is well defined, and there is a clear path of reporting duties and opportunities for development.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Excellent	4	The DUAЕ's organizational talent is assessed as excellent. The DUAЕ has appropriate staffing. Training is required and tracked once a year for important industry and regulatory updates. The executive team has high levels of experience. Organizational structure is well defined, and there is a clear path of reporting duties and opportunities for development.
Strong	3	The DUAЕ's organizational talent is assessed as strong. Turnover for key staff is moderate. Training is not required or tracked but is available. The executive team has adequate experience. The organizational structure is clear.
Fair	2	The DUAЕ's organizational talent is assessed as fair. Turnover of key staff is moderate to high; turnover levels overall are moderate. The DUAЕ recognizes that it needs a training program and has a plan to implement one. There are gaps in certain areas but there is a plan to hire additional personnel. The organizational structure is unclear. Executive experience is fair, yet recognizes the need for improvement.
Weak	1	The DUAЕ's organizational talent is assessed as weak. Turnover at all levels is high and the DUAЕ lacks executive direction. There is little organizational structure and reporting lines are unclear. Executives are inexperienced or lack clear direction for the organization. There are no training programs.

The key characteristics described for each assessment are ideal scenarios and are not intended to be prescriptive.

Depth and Breadth of Relationships

Number of Programs and Markets

AM Best measures the number of programs a DUAЕ offers. A well-rounded portfolio of programs in a DUAЕ's area of expertise spreads the risk and helps ensure that the DUAЕ can survive well into the future, such as in the case of the termination of key partner(s). The number of markets/insurers a DUAЕ represents is a key part of the review, which also looks at how quickly a key relationship can be replaced if one is terminated. However, AM Best acknowledges that, in some cases, a DUAЕ's value may be derived more from its niche expertise or access to business rather than the level of program diversification.

Consistency of Relationships

The ability to maintain consistency in its relationships with partners will likely contribute to the DUAЕ's overall success because effective communication and interaction with key stakeholders adds value to operations and promotes longevity. AM Best reviews a DUAЕ's historical relationships during its existence and will consider the tenure and growth of those relationships in its evaluation of this element.

Geographic Reach

The geographic locations of the programs offered indicates if a DUAЕ has a concentrated risk pool or if its portfolio is diversified and can maintain continuity in the event of an unexpected disaster in one area. AM Best acknowledges however, that DUAЕs that specialize as niche market players may have inherent strengths. Additionally, awareness of the different regulatory governance in each geographic region in which a DUAЕ writes business is important. AM Best focuses on the main characteristics of a DUAЕ's programs and on the issues that make it more or less risky, taking into account any diversification benefits.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Retention of Clients

A DUAЕ's renewal percentage indicates how successful the DUAЕ is at retaining its business. Satisfied customers will continue to renew their policies; a high renewal percentage for a well-performing program indicates strong underwriting practices. AM Best expects to review the DUAЕ's history of non-renewals and to understand the reasons for the turnover of business.

Exhibit C.6: Depth and Breadth of Relationships

Assessment	Points	Key Characteristics
Exceptional	5	The DUAЕ's depth and breadth of relationships are assessed as exceptional. The DUAЕ has many programs available in all areas of its domiciled country or internationally or have highly specialized access to niche business. It retains a high percentage of clients and has shown continued growth. It successfully launches new programs regularly and is innovative in its approaches. It has consistent and long-standing relationships.
Excellent	4	The DUAЕ's depth and breadth of relationships are assessed as excellent. The DUAЕ has a profitable book of business spread among many programs with experienced partners. Its client retention rate is high and it has a plan for growing its programs. It has stable relationships with some longevity.
Strong	3	The DUAЕ's depth and breadth of relationships are assessed as strong. The DUAЕ has an appropriately diverse number of programs in a variety of geographic regions or access to select business. Its client retention rate and growth rates are stable. It has stable relationships.
Fair	2	The DUAЕ's depth and breadth of relationships are assessed as fair. The DUAЕ has adequate relationships with insurers and an adequate number of programs but would find it difficult to replace contracts if terminated. Its client retention rates are adequate and its relationships are somewhat consistent.
Weak	1	The DUAЕ's depth and breadth of relationships are assessed as weak. The DUAЕ has weak relationships with insurers and a low client retention rate. It sources low volumes of business or offers a low number of programs, concentrated geographic reach, or lacks expertise. It is characterized by high client volatility, with an inability to maintain relationships.

The key characteristics described for each assessment are ideal scenarios and are not intended to be prescriptive.

D. Developing the Performance Assessment

The assignment of a PA for a DUAЕ follows the summation of the sub-assessments for each component.

Exhibit D.1 below provides a detailed example of how the PA is developed.

Exhibit D.1: PA Example

DUAЕ XYZ is a mid-sized underwriting enterprise licensed as an MGA and located in the United States. It writes program-based commercial insurance with multiple insurers. Its financials show that it has had positive net worth for two years. The DUAЕ does not participate in risk-sharing with insurers and has the appropriate surety bonds, as required by the National Association of Insurance Commissioners (NAIC).

Best’s Performance Assessment for Delegated Underwriting Authority Enterprises

The underwriting practices of DUAЕ XYZ are strong in some areas and lacking in others. Three of its five programs perform well. Two programs have been formed within the past two years and have not been profitable. The binding contracts between DUAЕ XYZ and its insurer partners have no preset limitations on exceptions but do not generally allow exceptions to the DUAЕ’s underwriting practices, which creates confusion among its underwriting staff.

DUAЕ XYZ’s policies and procedures are available on the company’s intranet, but there is no process to update or review them. It has a plan to roll out a disaster recovery plan. For processing complaints, it has an e-mail inbox that is checked daily. On average, it receives one or two complaints a week. The DUAЕ’s broker contracts are compliant with regulatory requirements for MGA/broker contracts, and the DUAЕ uses standardized contracts for each relationship. It does not have the ability to have the contracts signed electronically, so all contracts are either signed and scanned, faxed, mailed or emailed. Its systems are separate from those of its carrier partners, although it has a plan in place to integrate them in the future.

DUAЕ XYZ does conduct internal audits yearly. All underwriting staff have CPCU designations and are required to enroll in continuing education courses yearly.

Executive leadership of DUAЕ XYZ has appropriate experience and actively recruits new talent. The training program is extensive and it develops new content every year to stay up to date with industry changes. The executive staff founded DUAЕ XYZ seven years ago. Most of its staff has stayed and grown with the company.

DUAЕ XYZ recognizes that it does not use technology to its full ability and has a project under way to onboard insurtech vendors and complete a cost analysis to determine how much value the partnership will add to its underwriting practices. For claims handling, it partners with an underperforming third party administrator that has continually set inadequate reserves for outstanding claims, but it does not have an exit strategy in place.

It writes five different types of programs that are available in coastal states across the country. The renewal percentage is 90% for its three well-established programs, and 44.7% for its two new programs.

DUAЕ XYZ’s strategy is unlikely to change and the expectation is that the company will continue in a similar manner over the next few years with occasional introductions of new programs, supporting a Stable outlook.

Underwriting Capabilities	6	Strong
Governance and Internal Controls	4	Fair
Financial Condition	4	Fair
Organizational Talent	3	Strong
Depth and Breadth of Relationships	1	Weak

PA-4
Fair
Outlook Stable

PERFORMANCE ASSESSMENT **18**

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

The PA measures the DUAЕ's relative ability to perform services on behalf of its insurance partners. Minimum and maximum point eligibility are established in **Section C. Key Assessment Factors**. If there is significant weakness in a particular component, particularly in the weighted categories of Underwriting Capabilities, Governance and Internal Controls, and Financial Condition, the overall PA is likely to be lower. The sum of the points received for each of the components is translated into a PA ranging from PA-1 Exceptional to PA- 5 Weak.

Best's Performance Assessment Scale

Exhibit E.1: Best's PA Scale

Assessment Categories	Assessment Symbols	Assessment Ranges	Key Characteristics
Exceptional	PA-1	34-40	The DUAЕ's relative ability to perform services on behalf of its insurance partners is exceptional. It has a diverse or niche profitable book of business. It is staffed with expert underwriters that use technology in every aspect of their business. Exceptional governance and internal controls enable the DUAЕ to effectively manage risks, which translates into superior and improved profitability. Financial performance indicators are exceptional and sustainable, with a clear path towards continued growth. It partners with a broad range of strong, high profile insurers and its relationships with outside parties are stable and long-term. Internal controls are regularly updated and enforced through periodic reviews of policies and procedures and risk management reviews.
Excellent	PA-2	27-33	The DUAЕ's relative ability to perform services on behalf of its insurance partners is excellent. The DUAЕ has a profitable book of diversified or niche business spread among many programs, with experienced underwriters who use technology in most of their processes. Excellent governance and internal controls enable them to appropriately manage risk and continuously generate profit. Its financial performance indicators are excellent and the DUAЕ benefits from stable, long-term partnerships with financially strong insurers.
Strong	PA-3	20-26	The DUAЕ's relative ability to perform services on behalf of its insurance partners is strong. It has a diverse portfolio and appropriate underwriting expertise. It also has a clear plan in place to implement technology into its processes or integrate shared systems with carrier partners. Financial performance indicators are stable and sustainable. Programs perform well and have been profitable for a number of years, with financially secure insurance partnerships. Governance and internal controls and risk-management processes are appropriate for the DUAЕ's size.

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

Fair	PA-4	13-19	The DUAЕ's relative ability to perform services on behalf of its insurance partners is fair. It has some niche or diversified risk, and underwriting expertise is adequate. Financial guarantees mitigate the risk posed by partnerships with financially insecure insurers. Financial performance indicators seem adequate. The DUAЕ recognizes the importance of technology and system integration with carrier partners but does not consistently apply these principles throughout the organization. Governance and internal controls are present but are ineffective or may lack proper coverage for the DUAЕ's size.
Weak	PA-5	Up to 12	The DUAЕ's relative ability to perform services on behalf of its insurance partners is weak. Underwriting expertise is less than adequate and risk concentration or lack of specialization is present. The DUAЕ's financial performance indicators are either weak, unavailable, or inadequate. Insurance partners are financially insecure, or lack financial guarantees. The company relies on manual processes, with little to no investment in technology or system integration with carrier partners. Governance and internal controls are deficient.

The key characteristics described for each Assessment Category are ideal scenarios and are not intended to be prescriptive.

E. Analyzing New DUAЕ Formations

New companies are formed for many different purposes, using a variety of business models. For example, an insurtech that wants to increase its profitability may change its business model to that of a DUAЕ. In other cases, a new company may be a more traditional start-up venture lacking a financial performance history. Due to this, it is likely that AM Best would assess startup DUAЕs more conservatively and their PAs will generally be lower.

A new or startup DUAЕ's strategy to begin operations is important for both its launch and continued success. AM Best recognizes that assigning a PA to a new or startup DUAЕ requires a flexible approach, because the historical information needed to assess a DUAЕ's ability to perform services to insurance partners may not be available.

Requirements for a Newly Formed DUAЕ

For AM Best to proceed with an initial PA for a DUAЕ that has been in existence or has qualified as a DUAЕ for less than two fiscal years, a DUAЕ must have the following:

- A clearly defined two-year business plan that outlines its partnership criteria to ensure that it will generate profit, along with a thorough description of products offered, pricing standards, and marketing strategy
- Financial statements or reports certified by an officer of the DUAЕ for any completed fiscal years
- Interim financial statements or reports for the latest year of operation

Best's Performance Assessment for Delegated Underwriting Authority Enterprises

- Experienced management and the appropriate staff and operational infrastructure (or that are adequately addressed in a detailed implementation plan, which may include use of third party servicers) to support initial activities and meet regulatory requirements
- Management, board members, strategic investors, investment bankers, actuaries or other advisers available for discussions with AM Best, to provide comprehensive disclosure of requested information
- A follow-up process to assess the effectiveness of the initial business plan and to monitor the company's strategic and financial development
- Senior management and underwriters' track record

Published by A.M. Best Rating Services, Inc.
METHODOLOGY AND CRITERIA

A.M. Best Rating Services, Inc.
Oldwick, NJ

PRESIDENT & CEO Matthew C. Mosher
EXECUTIVE VICE PRESIDENT & COO James Gillard
EXECUTIVE VICE PRESIDENT & CSO Andrea Keenan

SENIOR MANAGING DIRECTORS Edward H. Easop, Stefan W. Holzberger, James F. Sneek

AMERICAS

WORLD HEADQUARTERS

A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY

A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON

A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 6th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM

A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*

A.M. Best - MENA, South & Central Asia*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Representative Office

ASIA-PACIFIC

HONG KONG

A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE

A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000

Best's Financial Strength Rating (FSR): 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.

Best's Issuer Credit Rating (ICR): 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.

Best's Issue Credit Rating (IR): 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).

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, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) 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 AM Best.

