A.M. Best
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Understanding Best's Credit Ratings



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Understanding Best's Credit Ratings (UBCR)

1. 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, 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. (A.M. 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 A.M. Best.

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 4: Opinion Characteristics and Identifiers for additional information on Non-Participating 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 A.M. Best'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 A.M. Best, 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 8: 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 and identifiers, 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, the applicable *Best's Rating Methodology (BRM)* Criteria Procedures, and models as part of their deliberations.

The development of operational policy and procedure, BRM 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 ***BRM***.

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

d. Not an Investment Advisor or Consultant

A.M. Best 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, A.M. Best 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 *"Compensation Disclosure"* available on the A.M. Best website.

e. Credit Rating Default / Recovery / Impairment

Default or Recovery

A.M. Best 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., impairment) 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"*.

A.M. Best, 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 any of the following non-rating designation symbols: default status ("d"); regulatory supervision ("e" or "E"); or liquidation ("f" or "F").

Definition of Impairment

For purposes of its long-term impairment rate and one-year rating transition studies, A.M. Best 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.

2. Rating Process

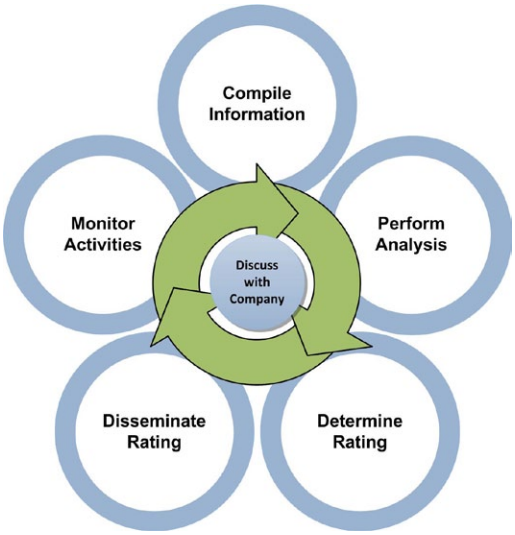
a. General Information

The foundation of A.M. Best's Credit Rating process is an ongoing dialogue with the rated company's management, which is facilitated by a Rating Analyst. Each interactively rated entity is assigned to a Rating Analyst. The Rating Analyst manages the ongoing interaction with company management and conducts the fundamental credit analysis described in A.M. Best's rating criteria. The Rating Analyst monitors the financial and non-financial results and significant developments for each rated entity or issue in his/her portfolio. While ratings are generally updated on an annual basis, a rating review can take place any time A.M. Best becomes aware of a significant development that may have an impact on the rating.

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

BCRs are initially determined and periodically updated through a defined rating committee process. The rating committee itself consists of analytical staff and is generally chaired by senior rating officers. The committee approach ensures rating

consistency across different business segments and maintains the integrity of the rating process. The rating process consists of the following broad components pictured below.



b. Compile Information

To develop an initial BCR, or to update an existing BCR, the Rating Analyst may gather detailed public and proprietary financial information and use this information to develop a tailored meeting agenda for a rating meeting when a rating is participatory. A scheduled rating meeting with the company is a key source of additional quantitative and qualitative information, including the clarification of information previously received or obtained. Key executives are present to discuss their areas of responsibility, including strategy, distribution, underwriting, reserving, investments, claims, enterprise risk management (ERM), and overall financial results and projections.

i. Material Sources of Information

In arriving at a rating decision, A.M. Best relies primarily on information provided by the rated entity, although other sources of information may be used in the analysis. Typical information provided includes a company's annual and quarterly (if available) financial statements, presented in accordance with the customs or regulatory requirements of the country of domicile. Other information and documents that may be reviewed include, but are not limited to: interim management reports on emerging issues, regulatory filings, certified actuarial and loss reserve reports, investment guidelines, internal capital models, Own Risk and Solvency Assessment (ORSA) reports, annual business plans, Best's Supplemental Rating Questionnaire (SRQ) or other supplemental information requested by A.M. Best, information provided through scheduled rating meetings and other discussions with management, and information available in the public domain.

A.M. Best 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. For all Rating Actions, 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 A.M. Best is unable to obtain the information deemed necessary to appropriately review and analyze the rated entity (before or after the initial rating release or subsequent rating update), or if the quality of the information is deemed unsatisfactory, A.M. Best reserves the right to take a Rating Action based on reasonable assumptions, withdraw any existing interactive rating, or cease the initiation of any new BCR.

ii. Quality of Information

While the information obtained from material source(s) is believed to be reliable, its accuracy is not guaranteed. A.M. Best 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 A.M. Best's BCRs or rating reports.

c. Perform Analysis

The analytical process incorporates a host of quantitative and qualitative measures that evaluate potential risks 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 the assessment of operating plans, philosophy, management, risk appetite and the implicit or explicit support of a parent or affiliates.

d. Determine the Rating

All BCR's are initially determined and subsequently updated by a rating committee. The Rating Analyst prepares 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 a Rating Analyst presenting information and findings to committee members. All rating recommendations are voted on and approved by committee. Rating committee members are all Rating Analysts who have the relevant skills and knowledge to develop the type of rating opinion being discussed. Rating opinions reflect a thorough analysis of all information known by A.M. Best and believed to be relevant to the rating process.

For BCR's intended to be made public, the rating committee determination is communicated to the entity (or its representatives) being rated before being publicly disseminated. Private BCR's 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) may be appealed (see Rating Appeal Process) or a withdrawal request can be made.

i. Committee Process

A.M. Best 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 director level or higher. The senior Rating Analyst with voting privileges that is present will serve as chair and must possess the title of director or higher. For a Corporate Rating Committee (CRC), all members of the ratings analytics group who possess a title of senior director or higher are considered standing members. There must be five members in attendance to constitute a quorum. 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's vote breaking all ties.

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, A.M. Best 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 and in consideration of the rating dissemination window established in section e below. 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 and 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

A.M. Best reserves the right to release a Rating Action at any time, at its sole discretion (except where prohibited by law). A.M. Best is under no obligation to accept or wait for an appeal request nor does A.M. Best grant any explicit right to appeal a rating committee determination.

The rated entity, or entity seeking a rating, may be permitted an opportunity to appeal a rating committee determination. In these cases, the entity must present additional

information 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. The appeal request and basis for the appeal must be provided prior to the dissemination of the Rating Action and no later than two calendar days following the rating notification if the Rating Action has not been disseminated. 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.

In cases where A.M. Best has accepted an appeal request, the appeal process must be complete (i.e., the Rating Action must be disseminated) within 21 calendar days from the accepted appeal date. If the appeal cannot be completed within this timeframe, the rating(s) will be placed Under Review with Developing Implications on an interim basis until the appeal can be completed. Where required by local 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 the Rating

Under normal business circumstances BCRs are disseminated within three calendar days following the finalization of the rating committee determination. Any delay in dissemination must be recorded and must include the reason for the delay. A.M. Best considers an unpublished rating committee determination to be material non-public information (MNPI) and works to disseminate the Rating Action as soon as practicable. Should circumstances arise whereby the unpublished rating committee determination may be subject to an elevated potential for misuse, A.M. Best reserves the right to disseminate the Rating Action immediately.

Note: Analysts are reminded of their obligation to protect MNPI from inappropriate use and dissemination.

The primary distribution method for the public dissemination of BCRs is the A.M. Best website; in some cases, it 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 A.M. Best in any medium. Notification of the rating committee determination to the requesting party serves as the dissemination of a private BCR.

f. Monitoring Activities

Once an interactive BCR is disseminated publicly or privately, A.M. Best monitors and updates the rating by regularly analyzing the company's creditworthiness. Rating analysts monitor current entity-specific developments (e.g., financial statements, public documents, news events) and trending industry conditions to evaluate their potential

impact on ratings. Significant developments can result in an interim rating evaluation, as well as modification of the rating or outlook.

g. Rating Withdrawal Process

A.M. Best 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 A.M. Best decision to withdraw a rating may, for example, be due to lack of reliable information available to A.M. Best or non-participation by company management with A.M. Best that hinders the interactive rating process. Alternatively, the rated entity may also request A.M. Best 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.

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

A Credit Rating incorporates 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. 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 A.M. Best (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 A.M. Best. All hypothetical scenarios must be presented to A.M. Best 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. A.M. Best considers a RES opinion to be material non-public information and a RES opinion is not publicly disseminated by A.M. Best. The soliciting entity may further disseminate on a limited basis as outlined in accordance with its contractual agreement with A.M. Best.

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 A.M. Best'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 A.M. Best 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 A.M. Best. 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 A.M. Best (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 A.M. Best and its subsidiaries. A RAS is not a Credit Rating; however, 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 A.M. Best to run its proprietary capital model, Best's Capital Adequacy Ratio (BCAR), and perform other quantitative analysis. The assessment does not involve any direct interaction with company management and analytical personnel following the initial RAS request due to the prohibition on contact between Rating Division and the entity. As a result of this restriction, the analytics performed are heavily quantitative in nature. The RAS opinion is disseminated via letter directly to the soliciting entity and not released publicly by A.M. Best. The soliciting entity may further disseminate on a limited basis as outlined in accordance with its contractual agreement with A.M. Best.

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 A.M. Best 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 A.M. Best.

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.

4. 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 A.M. Best for the BCR opinion;
- The entity/issuer pays a fee for Credit Rating services;
- Consistent with prior representations in an engagement letter or other agreement, ratings letter, or terms and conditions sent to the issuer, A.M. Best assigns a BCR opinion to a subsequent issue of that issuer, and the issuer has not made a request in writing for A.M. Best to either not assign or withdraw the BCR.

b. Unsolicited Credit Rating

A Credit Rating assigned that is not a Solicited Credit Rating. A.M. Best 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 A.M. Best reserves the right to issue a Non-Participating Credit Rating due to the potential market benefit of the continued production of the rating, currently, **A.M. Best does not issue Non-Participating Credit Ratings**.

e. European Union Endorsed Credit Rating

A Credit Rating issued by an A.M. Best operating company outside of the EU that is endorsed for use within the EU by an A.M. Best subsidiary operating within the EU. See the following *Endorsement Disclosure Statement* for additional information.

5. Opinion Modifiers

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

a. Syndicate Credit Rating Modifier – (s)

A Credit Rating assigned to a syndicate operating at Lloyd's that meets A.M. Best'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 A.M. Best 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 A.M. Best'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 A.M. Best'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 Issuer Credit Rating (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.

6. 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:

a. 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.

b. 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.

c. 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.

7. 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 A.M. Best'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.

a. Group Affiliation (g)

An insurance company in a rating unit that is assigned the group (g) affiliation code is viewed as integral to the group's primary business due to its financial, operational, and or strategic importance. The assessment of the insurance company's importance to the overall organization considers whether the insurer meets most of the following criteria:

- It is critical to the group's strategy and ongoing success.
- It is fully integrated in the group's operations and management.
- It is material to the group's business profile.
- It's divestiture would lead to a major shift in business strategy.
- It carries the group name or is easily identified with the group.
- It is a significant contributor to the group's earning.
- The parent would be willing to provide explicit support if needed.
- It has a track record of supporting the group's strategy.
- It is necessary for rate flexibility.
- It is necessary for licensing.

In addition to these items, A.M. Best also considers whether the group demonstrates its commitment to a subsidiary or affiliate through the use of explicit financial support during the (g) review. Such support can take the form of capital contribution or a contractual arrangement that exhibits commitment, regardless of the subsidiary's fundamental importance to the group. The evaluation of explicit support includes a subjective review of the expected permanence of commitment to a subsidiary. Examples of explicit support include the following:

- Significant net quota share with parent or lead insurer
- Material stop loss agreement with parent or affiliate
- Material capital injection in the previous five years (excluding initial capitalization)
- Guarantee or net worth maintenance agreement

For those insurers that have received a (g) affiliation code, A.M. Best expects that the group would continue to support that insurer, to the extent of its financial ability, in almost any eventuality. The sale or closing of an insurer that has received a (g) would imply an unexpected shift in the group's strategy. To ensure that the assignment of a (g) continues to be appropriate, A.M. Best maintains contact with company management and monitors each company's performance and its strategic role in the group.

b. Pooled Affiliation (p)

A group whose member companies pool assets, liabilities, and operating results maintains, in theory, the same operating performance and balance sheet strength

across all companies in the pool. 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. Intercompany pooling agreements assigned a pooled (p) affiliation code by A.M. Best generally contain the following:

- Provide joint and several liability (or reapportionment language)
- Share all premiums, losses, and expenses based on the pooling percentages, with the allocation of each being consistent with the allocation of unstacked surplus among the pool members (pool percentages may need to be reallocated periodically because of the investment performance and dividend activity of individual pool members)
- Provide coverage for prior-year loss reserve development exposure
- Provide run-off provisions of liabilities on policies incepted prior to termination
- Have a common ultimate parent with ownership measured as greater than 50%, or control of the board of directors along with common management of each of the pooled members consistent with the lead company
- Stipulate at least 90 days' notice before the pool can be disbanded or a company can removed from it
- Describe the process for removing an individual company from the pool and reallocating liabilities

c. Reinsured Affiliation (r)

A.M. Best assigns the reinsured (r) rating affiliation code to a company in a group that reinsures substantially all its insurance risk with an affiliated reinsurer. Intercompany reinsurance agreements that qualify for the reinsured (r) rating affiliation code generally contain the following provisions:

- Quota share of all gross premiums, losses, and expenses written by the company unless regulatory restrictions apply (cases with applicable regulatory restrictions are subject to additional review; in these instances, A.M. Best expects to review regulatory documentation, and the retained percentage could be as high as the level required by regulation, provided this does not exceed a maximum of 20%)
- A contract that contains no loss caps or loss corridors
- Requirement of at least 90 days' notice before the reinsurance can be terminated
- A reinsurance contract that includes coverage for the runoff of all liabilities incurred on policies incepted prior to termination
- Coverage for any prior-year loss-reserve development exposure through the reinsurance arrangement
- Common ultimate ownership by the assuming company with the reinsured company, or common control through the board of directors together with common management

8. 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. An ICR may be displayed with a rating identifier or modifier that denotes a unique aspect of the opinion.

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.

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).*

Understanding Best's Credit Ratings (UBCR)

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 Issuer Credit 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 A.M. Best.

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. 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 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. An FSR may be assigned to insurance companies and insurance operating holding companies.

Understanding Best's Credit Ratings (UBCR)

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 "-".*

Financial Strength 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 A.M. Best.

Best's Issue Credit Rating - IR

A Best's Issue Credit 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. In addition, an IR may be displayed with a rating identifier or other modifier that denotes a unique aspect of the opinion.

The generally accepted market conventions, "investment grade" and "speculative grade", have established themselves over time as a way to describe a range of rating categories; "aaa" through "bbb" as "investment grade" and "bb" through "c" as "speculative grade". These terms are market

conventions and should not be considered as investment advice, a recommendation or an endorsement.

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 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.

Best's Long-Term Issue Credit 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 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).*

Understanding Best's Credit Ratings (UBCR)

Best's Short-Term Issue Credit 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 Issue Credit 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 (e/f [Issuer Credit] or E/F [Financial Strength] designations) or in default (d [Issuer Credit] 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 A.M. Best.

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. For more information on the ICR to NSR mapping chart and other relevant information refer to *"Best's Rating Methodology"* available on the A.M. Best website. In addition, an NSR may be displayed with a rating identifier or modifier that denotes a unique aspect of the opinion.

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.

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).*

9. Annex

BEST'S ISSUER CREDIT RATING GUIDE – (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. 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 Issuer Credit 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 A.M. Best.

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. (A.M. 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 A.M. Best.

BCRs are distributed via the A.M. Best website at *www.ambest.com*. For additional information regarding the development of a BCR and other rating-related information and definitions, including outlooks, modifiers, identifiers and affiliation codes, please refer to the report titled "Understanding Best's Credit Ratings" available at no charge on the A.M. Best website. BCRs are proprietary and may not be reproduced without permission.

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BEST'S FINANCIAL STRENGTH RATING GUIDE – (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. In addition, an FSR may be displayed with a rating identifier, modifier or affiliation code that denotes a unique aspect of the opinion.

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 "-".*

Financial Strength 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 A.M. Best.

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. (A.M. 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 A.M. Best.

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BEST'S ISSUE CREDIT RATING GUIDE – (IR)

A Best's Issue Credit 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. 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 Credit 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 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 Issue Credit 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 Issue Credit 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 (e/f [Issuer Credit] or E/F [Financial Strength] designations) or in default (d [Issuer Credit] 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 A.M. Best.

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. (A.M. 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 A.M. Best.

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BEST'S NATIONAL SCALE RATING GUIDE – (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. For more information on the ICR to NSR mapping chart and other relevant information refer to "Best's Rating Methodology" available on the A.M. Best website. 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

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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