

Financial Solidity

You buy insurance to protect you financially and provide peace of mind. Select a company that is likely to be financially sound for many years

How can I assess the financial strength of an insurance company?

Four independent agencies—A.M. Best, Fitch, Moody's and Standard & Poor's—rate the financial strength of insurance companies. Each has its own rating scale, its own rating standards, its own population of rated companies, and its own distribution of companies across its scale. Each agency uses numbers or pluses and minuses to indicate minor variations in rating from another rating class.

The agencies disagree often enough so that you should consider a company's rating from two or more agencies before judging whether to buy or keep a policy from that company. Moreover, agencies will announce changes of ratings on any day. It's probably prudent to check annually on the ratings of any company you're interested in.

Some points for using the ratings:

- Don't rely only on what the insurance companies say about their ratings from these agencies. Companies are likely to highlight a higher rating from one agency and ignore a lower one from another agency, or to select the most favorable comments from a rating agency's report.
- To use the ratings from more than one independent agency, you need to understand that each agency's rating code is different from the others. For example, an A+ from A.M. Best is the next-to-top rating of its 15 categories, but an A+ from Fitch or S&P is their 5th-highest rating (out of 24 categories for Fitch, and out of 19 categories for S&P). Moreover, Moody's doesn't have an A+ rating.

However, the ratings can be classified into "secure" and "vulnerable" mega-categories. Here, as of August 2008, are the rating scales for each of the "secure" rating classes, and all the "vulnerable" classes combined (source, except for Weiss: The Insurance Forum, September 2008 issue).

SECURE AND VULNERABLE INSURANCE RATINGS

Rating Agency	Category	Description	# of companies in category	% of rated companies in category
A.M. Best	A	Superior	37	3.8
	A	Superior	149	15.4
	A	Excellent	194	20.1
	A-	Excellent	285	29.5
	B	Very good	128	13.3
	B	Very good	99	10.3
	B and lower	Vulnerable	63	6.5
Fitch	AAA	Exceptionally strong	10	3.2
	AA	Very strong	46	14.5
	AA	Very strong	50	15.8
	AA-	Very strong	56	17.7
	A	Strong	64	20.2
	A	Strong	45	14.2
	A-	Strong	16	5.0
	BBB	Good	17	5.4
	BBB	Good	5	1.6
	BBB-	Good	2	1.9
		BB and lower	Vulnerable	2
Moody's	Aaa	Exceptional	6	3.2
	Aa1	Excellent	11	5.9
	Aa2	Excellent	36	19.1
	Aa3	Excellent	51	27.1
	A1	Good	19	10.1
	A2	Good	15	8.0
	A3	Good	10	5.3
	Baa1	Adequate	12	6.4
	Baa2	Adequate	1	0.5
	Baa3	Adequate	12	6.4
		Ba1 and lower	Vulnerable	15
S & P	AAA	Extremely strong	21	5.8
	AA	Very strong	23	6.4
	AA	Very strong	69	19.1
	AA-	Very strong	49	13.6
	A	Strong	38	10.5
	A	Strong	77	21.3
	A-	Strong	29	8.0
	BBB	Good	19	5.3
	BBB	Good	9	2.5
	BBB-	Good	10	2.8
		BB and lower	Vulnerable	17

*2004 figures; updated information not available

**As of March 25, 2003

RATINGS AGENCY CONTACT INFORMATION

Agency	Web site	Address	Phone number
A.M. Best Company, Inc	www.ambest.com	Ambest Rd. Oldwick, NJ 08858	908-439-2200
Fitch Ratings	www.fitchibca.com	1 State Street Plaza New York, NY 10004	1-800-75-FITCH
Moody's Investor Services*	www.moodys.com	99 Church Street New York, NY 10007	212-553-0300
Standard & Poor's Insurance Ratings Services*	www2.standardandpoors.com	55 Water Street New York, NY 10004	212-438-2000

*To use these Web sites, you have to register, but the service is free.

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