

Good, Better, Best

By Debbi Sellers

WCIA provides recommendations to our members regarding indemnification language and insurance requirements for a variety of contracts, which can be found in our ADM.21 risk guideline located in WCIA's Liability Resource Manual. A source of confusion for some members is the recommendation that insurance companies meet certain A.M. Best ratings. For example, in service contracts, WCIA recommends the insurance be placed with insurers with a current A.M. Best rating of not less than A: VII. Members often inquire about who is A.M. Best and what does a rating of A:VII mean?

A.M. Best was founded in 1899 and has grown into the largest credit rating agency in the world specializing in the insurance industry. A.M. Best's mission is to provide timely, accurate, comprehensive and insightful information to anyone interested in the creditworthiness of insurance companies and insurance-linked securities. Its rating services assesses the creditworthiness of and/or reports on over 16,000 insurance companies worldwide. The credit ratings summarize A.M. Best's opinion on an insurance company's ability to pay claims, debts and other financial obligations in a timely manner. An insurer will be rated from A+ to D. Insurers are also assigned a financial size category which is a convenient indicator of the company's size. The financial size category is represented by roman numerals ranging from Class I (smallest) to Class XV (largest).

On the next page is A.M. Best's guide to interpreting the letter rating assigned to an insurer:

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.
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 "-".*

The financial size categories are as follows:

FSC	Adjusted Policyholders' Surplus		FSC	Adjusted Policyholders' Surplus
I	Less than 1		IX	250 to 500
II	1 to 2		X	500 to 750
III	2 to 5		XI	750 to 1,000
IV	5 to 10		XII	1,000 to 1,250
V	10 to 25		XIII	1,250 to 1,500
VI	25 to 50		XIV	1,500 to 2,000
VII	50 to 100		XV	2,000 or greater
VIII	100 to 250			
<i>Note: Ranges are in millions of U.S. dollars</i>				

A.M. Best provides a multitude of helpful information that can be found on their website at www.AMBest.com. You can also create an account for yourself, at no cost, which will allow you to look up insurance companies to determine if their rating meets or exceeds requirements outlined in your contracts or agreements.

The Liability Resource Manual's ADM.21 guideline, Insurance and Indemnity Requirements for Contracts, provides sample indemnification language as well as recommendations on the types of insurance and amounts of limits for a variety of contracts. Guideline [ADM.21](#) is located on the WCIA website. You must be logged in to view.

Your assigned WCIA Risk Management Representative can assist you with insurance questions related to a contract as well as questions regarding an insurer's A.M. Best rating.