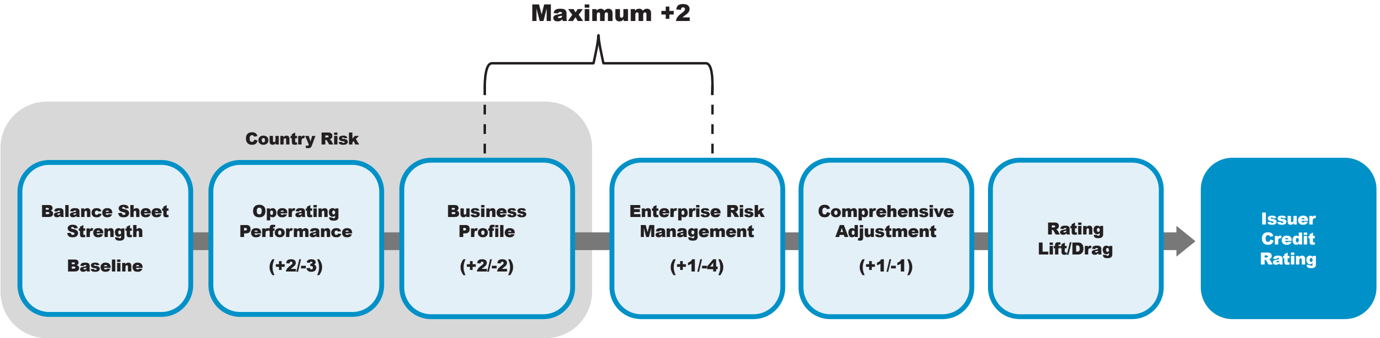
Best's Credit Rating Methodology (BCRM)

A Best's Credit Rating (BCR) represents an independent opinion of an insurer's financial strength and its ability to meet its ongoing insurance policy and contract obligations. It serves as a valuable, transparent, forward-looking opinion that consumers, insurance agents, financial advisors, banks and other financial institutions can use to understand the financial strength and creditworthiness of insurance companies worldwide.

The rating process, as outlined in the Best's Credit Rating Methodology (BCRM), includes a transparent, in-depth evaluation of balance sheet strength, operating performance, business profile and enterprise risk management. The outcome is a BCR, which includes Best's Financial Strength Ratings (FSR), Issuer Credit Ratings (ICR), and Issue Credit Ratings (IR).

The AM Best Rating Process



Balance Sheet Strength

Balance sheet strength is the foundation for evaluating a company's financial security and its ability to meet current and future financial obligations. Its assessment consists of rating unit analysis, insurance holding company impact assessment and country risk evaluation. Also considered are the quality and appropriateness of reinsurance programs, quality and diversification of assets, adequacy of reserves, financial and operating leverage, liquidity, quality of capital and internal economic capital models.

Country Risk

Country-specific factors that could affect a company's ability to meet its financial obligations are incorporated into the balance sheet strength, operating performance and business profile analysis.

Operating Performance

Operating performance, a leading indicator of future balance sheet strength and long-term financial stability, is determined by analyzing sources of earnings, and the degrees and trends in its profitability. The assessment focuses on the stability, diversity, and sustainability of those sources of earnings, and includes review of underwriting, investment performance, and total operating earnings.

Business Profile

The evaluation includes a review of market position; degree of competition; distribution channels; pricing sophistication and data quality; management quality; product/geographic concentration; and product, regulatory, event, and market risks, as well as innovation.

Enterprise Risk Management

The impact of ERM is based on an insurer's development and implementation of its risk management framework, and its risk management capability relative to risk profile.

Comprehensive Adjustment

A comprehensive adjustment is applied if a rated organization has an uncommon strength or weakness that could impact the overall rating evaluation, but was not captured in the rating process.

Rating Lift /Drag

Rating lift applies to a rated entity when explicit support is received from an associated organization that is financially stronger, and/or the rated entity is considered materially important to the stronger organization. Conversely, drag applies when an entity is negatively impacted by its association with an organization that is financially weaker.

For more information, please visit: http://www3.ambest.com/ambv/ratingmethodology/

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