

**A.M. BEST RATING SERVICES, INC.**  
**CRPC GLOSSARY**

**Subject Matter:** CRPC Glossary

**Effective Date:** 21 August 2025

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## A

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- Analytical Record** The collection of all information about the entity(ies) being analyzed both received and produced by A.M. Best Rating Services, Inc., used in the production of a Best's Credit Rating or other non-rating opinion. Information will only be retained as part of the Analytical Record if it is deemed analytically relevant. The information comprising the Analytical Record can be received in forms such as, (but not limited to): physical, hard-copies of documents; electronic copies (emails, instant messages, downloaded files); and, documentation of oral communication.
- Analytical Team** The Rating Analyst and Reviewer assigned to a Rating Unit, responsible for its Best's Credit Ratings and/or other non-rating opinions.
- Analytical Training Team** The Analytical Training Team within the Criteria, Research and Analytics department is responsible for executing and tracking the training, testing, and certification of Rating Analysts to ensure enhancement of analytical knowledge.

## B

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- Best's Credit Rating (BCR)** 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 or structure.
- Best's Rating Methodology (BRM)** The collection of methodologies comprised of comprehensive explanations of principles organized as topical guidance known as Criteria Procedures used to guide the application of quantitative and qualitative analysis supported by various assumptions made throughout the process. Where applicable, models may be incorporated to construct a consistent analytical framework for the development of analytical opinions and the ultimate issuance of Best's Credit Ratings or other non-rating opinions.
- Best's Rating Methodology (BRM) Item** A general reference to all the individual components which comprise Best's Rating Methodology such as: a methodology as a whole (e.g., Best's Credit Rating Methodology); the Criteria Procedures within a methodology (e.g., Evaluating Country Risk), or models used by a methodology (e.g., Universal Best's Capital Adequacy Ratio).

## C

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### Call for Comment

The process by which A.M. Best Rating Services, Inc. invites the public to provide comment on a new or Materially changed Best's Rating Methodology (BRM) Item prior to its implementation. Comments will be reviewed and considered in the development/revision of BRM or BRM Items.

### Centralized Release Function (CRF)

The department responsible for facilitating the appropriate dissemination and recordkeeping of CRPC Policies, CRPC Procedures and Best's Rating Methodology under which A.M. Best Rating Services, Inc. operates. Department representatives review the development/revision documentation prior to dissemination to ensure adherence to CRPC Policy and Procedure and appropriate approval has been received. This function promotes compliance with the laws and rules established by the various regulatory bodies who oversee the work of credit rating agencies in their respective jurisdictions.

### Compliance Team

The Compliance Team is responsible for enforcing global regulatory obligations throughout the entire organization of A.M. Best Rating Services, Inc.

### Corporate Rating Committee (CRC)

A committee comprised of senior members within the Rating Evaluation, Assessment and Determination Function who possess the title of Senior Director or higher, convened to deliberate on Rating Proposals and/or other non-rating opinions which may contain deviations to methodology or procedure, or more complex components.

### Country Risk Tier (CRT)

A tiered ranking structure assigned to countries to address country-specific risk factors which could adversely affect an insurer's ability to meet its financial obligations.

### Credit Rating Policy Committee (CRPC)

The internal body comprised of members who are independent from the reporting lines of sales, marketing and the determination of ratings. Members are designated by the A.M. Best Rating Services, Inc. Board of Directors as responsible for facilitating the establishment, maintenance, appropriateness and documentation of policies, procedures, and methodology (including its models and assumptions) pertaining to the production of Best's Credit Ratings and/or other non-rating opinions.

### Credit Report

A report, completed on a Rating Unit at the completion of a Standard Rating Update, which captures the relevant analytical information supporting the Rating Action. The report may be modified at the completion of an Event Driven or Issue Only Rating Action as needed.

### Criteria Procedure

The topical guidance within a methodology providing guidance regarding the unique considerations and actions necessary in conducting quantitative and qualitative analysis on an insurer, issuer or financial obligation not fully captured in the core methodology for the determination of Best's Credit Ratings or other non-rating opinions.

<a href="#">Criteria Team</a>	The Criteria Team within the Criteria Research and Analytics department is responsible for making revisions to and developing new Best's Rating Methodology (BRM) Item(s) (i.e., methodologies, Criteria Procedures and models) at the direction of the Credit Rating Policy Committee (CRPC) who will provide oversight and guidance throughout the process.
<a href="#">CRPC Analytical Procedure</a>	An A.M. Best Rating Services, Inc. Board of Directors approved document outlining a set of specific steps to be executed in relation to the determination and/or dissemination of a Best's Credit Rating or other non-rating opinion.
<a href="#">CRPC Control Procedure</a>	An A.M. Best Rating Services, Inc. Board of Directors approved document outlining a set of specific steps to be executed or overseen by the Credit Rating Policy Committee in relation to assuring control over the development, review and validation of Best's Rating Methodology and/or the rating process.
<a href="#">CRPC Policy</a>	An A.M. Best Rating Services, Inc. Board of Directors approved document establishing the principal framework which guides a set of procedures undertaken or overseen by the Credit Rating Policy Committee to assure, proper, complete and timely execution of regulatory, business and/or operational requirements.
<a href="#">CRPC Procedure</a>	A general reference to the collective procedural documents under the management of the Credit Rating Policy Committee. CRPC Procedures are comprised of two types of procedures: CRPC Control Procedures and CRPC Analytical Procedures.

## D

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<a href="#">Document Retention System</a>	The internal A.M. Best Rating Services, Inc. computer program used to manage retention of the analytically relevant material pertaining to the production of Best's Credit Ratings and other non-rating opinions. The current computer system in use is the Document Management System (DMS).
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## E

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<a href="#">Event Driven Rating Update (Event Driven)</a>	A Rating Update, performed outside the Standard Rating Update type and necessitated by a material financial or strategic event (e.g., significant reserve charge, merger or acquisition, etc.), or as the result of an emerging trend, on an entity/issuer to assess and address any potential impact to its outstanding Best's Credit Rating.
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## F

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**Financial Strength Rating (FSR)** An independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts 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.

I

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**Insignificant Error** An error by which the implementation of a corrective action does not have a likelihood to alter an outstanding Best’s Credit Rating.

**Insurance Holding Company (IHC)** A company owning the controlling interest or otherwise demonstrably exerting control of one or more insurance entities or operations in which the insurance activities constitute a significant portion of combined holding company and insurance-related total assets and operations (typically more than two-thirds of consolidated assets and/or revenues).

**Issue Credit Rating (IR)** An independent opinion of credit quality assigned to an issued security that gauges 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.

**Issue Only Rating Update (Issue Only)** A Rating Update, performed outside the Standard Rating Update type, and required when a new security is issued or when an entity requests the withdrawal of a published Best’s Credit Rating on an existing security.

**Issuer Credit Rating (ICR)** An independent opinion of an entity’s ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis. 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.

## M

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### Material

A change in any component of Best's Rating Methodology (BRM) is considered Material when the change has a direct or indirect impact on a significant number of Best's Credit Ratings (BCRs). A change is deemed to have a "direct impact" on BCRs when the subject change in the BRM Item, in and of itself, is expected to lead to a revision in a published BCR. A change is deemed to have an "indirect impact" on BCRs when the subject change in a BRM Item constitutes a fundamental change in: the underlying assumptions; the respective weight of the driving qualitative and quantitative factors considers in its application; or the way such driving factors are assessed.

### Methodology Review (MR)

The annual process by which Best's Rating Methodology Items are reviewed and updated as needed to ensure they take into account all information available and relevant given current market and industry conditions.

### Multilevel Movement Review (MMR)

The review process by which all Rating Actions resulting in rating movements of more than two Issuer Credit Rating (ICR) notches either in a single Rating Action, or in aggregate over a 365 day period in a single direction, are examined to determine if the movement evidences a deficiency in Best's Rating Methodology or CRPC Analytical Procedures.

## N

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### National Scale Rating (NSR)

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 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.

## O

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### Operational Staff

Employees within the Rating Operations department serving in the capacity of systems or process support, or quality assurance, that may execute administrative tasks around the rating process.

## P

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### Policy Development Team

The Policy Development Team within the Rating Operations department is responsible for making revisions to and developing new policies and procedures at the direction of the Credit Rating Policy Committee (CRPC) who will provide oversight and guidance throughout the process.

### Preliminary Credit Assessment (PCA)

An independent, unmonitored, point-in-time 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 the expectations of A.M. Best Rating Services, Inc. relative to the execution of such business plans. Although the opinion is expressed using the Best's Credit Rating scales, it is not a Best's Credit Rating.

## R

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### Rating Action

The public or private dissemination of any of the following: (1) assignment of an initial Best's Credit Rating (BCR); (2) an upgrade, downgrade or affirmation of an existing BCR, including changes in associated outlooks; (3) movement of a BCR to a non-rating designation (excluding requests for withdrawal by a rated entity and BCRs on entities or securities which are no longer in existence); (4) the assignment of Under Review to an existing BCR; (5) a change, application or removal of a rating modifier or affiliation code (excluding a change from "p" to "r" or "r" to "p" within an existing group) on an existing BCR; or, (6) a publicly disseminated Preliminary Credit Assessment assigned to an obligor, security, or money market instrument before the publication of an initial BCR.

### Rating Analyst

An employee within one of the Rating Evaluation, Assessment and Determination Function departments who is responsible for developing Rating Proposals and/or who participates in providing financial surveillance, conducting analysis, and deliberating on Best's Credit Ratings or other non-rating opinions.

### 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 expressed in a range of outcomes based solely on the data provided as there is no interaction between company management and Rating Evaluation, Assessment and Determination Staff. Although the opinion is expressed using the Best's Credit Rating scales, it is not a Best's Credit Rating.

### Rating Committee (RC)

A committee comprised of at least six Rating Analysts where at least two Rating Analysts hold the title of Director or higher, all of whom will have at least six months credit rating agency experience along with the appropriate knowledge and experience necessary, convened to deliberate on Rating Proposals.

### Rating Evaluation Service (RES)

A service solicited by currently rated entities (no third parties) which 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. Although expressed using Best's Credit Rating scales, a RES is not a Best's Credit Rating.

Rating Evaluation,  
Assessment and  
Determination (READ)  
Function

The process by which a Rating Proposal is developed utilizing Best's Rating Methodology, detailed analytics, financial models and other tools by Rating Analysts, as overseen by READ Management and as executed through rating committees. The READ process is entirely independent of sales and marketing activities and concerns of A.M. Best Rating Services, Inc. and/or A.M. Best Company.

Rating Evaluation,  
Assessment and  
Determination (READ)  
Management

Consists of the AMBRS Chief Rating Officer and the Managing Directors within the READ Function.

Rating Evaluation,  
Assessment and  
Determination (READ)  
Staff

The collective reference to all Rating Analysts within the READ Function.

Rating Proposal

The recommendation prepared by a Rating Analyst which includes a proposed Rating Action or other non-rating opinion, and contains the supporting analytical assessment and documentation, including models, tools or other records relied on for the development of the proposal.

Rating Review

A regular periodic review of the Best's Credit Ratings (BCRs) associated with a Rating Unit conducted generally at six months and no later than twelve months following the most recent Rating Action of a BCR, to assess if there is a need for a Rating Update.

Rating System

The internal A.M. Best Rating Services, Inc. computer program used throughout the rating process to assign, manage, surveil, assess, document and disseminate Best's Credit Ratings. The current computer system in use is the Best's Credit Rating System (BCRS).

Rating Unit

The basis established by A.M. Best Rating Services, Inc. for the analysis, deliberation and determination of a company's Best's Credit Rating (BCR). A Rating Unit may consist of a single legal entity, or it may be a collection of legal entities whose financial fortunes are so intertwined that they are most appropriately analyzed as a whole so that the rating determination may factor in the benefits and/or burdens across the organization.

Rating Update

The general term for any instance in which an outstanding Best's Credit Rating is reviewed in accordance with Best's Rating Methodology and CRPC Procedures for the purpose of proposing a Rating Action. Rating Updates are comprised of three types of updates: Issue Only, Event Driven and Standard.

Reviewer

A senior Rating Analyst, with the appropriate experience and knowledge, assigned to a Rating Unit who is responsible for guiding the Rating Analyst through the analysis and inspecting their work product for adherence to CRPC Procedures and Best's Rating Methodology in the development of a Rating Proposal.

## S

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**Shadow Credit Assessment (SCA)**

An internal, 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 Rating Services, Inc. rates) or of a consolidation of several entities, used for analytical purposes only. Although expressed using existing Best's Credit Rating scales, an SCA is not a Best's Credit Rating.

**Significant Error**

An error by which the implementation of a corrective action has the likelihood of altering an outstanding Best's Credit Rating.

**Standard Rating Update**

The scheduled analysis of all surveillance and up-to-date financial information completed in accordance with Best's Rating Methodology and CRPC Procedures, for the purposes of proposing a new, or updating an existing, Best's Credit Rating for an entity or security.

**Substantial**

Revisions to a CRPC Policy or CRPC Procedure which amount to anything more than: (1) edits to grammar, format, font or numbering within the CRPC Policy or CRPC Procedure; or, (2) updates to any references to other documents, updates to terminology or nomenclature; or, (3) revisions to other language within the CRPC Policy or CRPC Procedure which do not substantively alter the purpose or procedural steps of the CRPC Policy or CRPC Procedure, as determined by the Credit Rating Policy Committee.

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**Training System**

The internal A.M. Best Rating Services, Inc. computer program used to manage, facilitate and/or administer training of the analytical staff. The current computer system in use is the Cornerstone on Demand program.

**Trivial and Immaterial Issue**

An issue that amounts to a printing, interface, ease of use or other such immaterial model or criteria update.

**U**

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**Ultimate Parent**

The entity that owns the majority interest or otherwise clearly exerts control over the insurance entity(ies) or operations within the overall ownership structure of an organization. In most cases a company meeting this criteria will be identified as the Ultimate Parent.

**Under Review**

A Best's Credit Rating (BCR) modifier indicating that a previously published BCR has the potential for near-term change (typically within six months) due to a recent event or an abrupt change in the financial condition of the entity/issuer to which the BCR applies. The Under Review modifier also indicates whether the implications are negative, positive or developing and will remain attached to the BCR until A.M. Best Rating Services, Inc. is able to determine the impact of the circumstances which prompted the Rating Action.



## W

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### Working Group (WG)

An internal body established by READ Management and comprised of READ Staff who possess the requisite knowledge to provide guidance on the application of specific components of Best's Rating Methodology (BRM) for the determination of Best's Credit Ratings (BCRs) or non-rating opinions.

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