

# Insurance Carrier Ratings: What are they & why should it matter?

You may have heard the phrase “A-rated” and wondered what that really means. What is an “A” rated insurance carrier and why should it matter? Insurance carrier ratings look similar to school report cards, and, in a way, they are. Most homeowners want a carrier with a high financial stability rating.

There are many companies that monitor the strength of insurance providers, but the most common ones you'll run into are A.M. Best, Standard and Poor's, Moody's, and Demotech. For more than 100 years, A.M. Best has been recognized as the industry standard for insurance carrier ratings. A.M. Best is the most prevalent insurance-specific agency and is the one most commonly used by major insurers. Each rating agency uses proprietary scales to rate an insurance company. As a result, one company's rating isn't necessarily equivalent to another's. These rating agencies consider a wide variety of factors, but look at how well the business is doing financially, how responsibly it is run, and external factors like vulnerability to natural disasters.

## A.M. Best Ratings

A.M. Best ranks each insurance carrier with a letter grade and often a plus or minus. Ratings might also include a second plus or minus, called a “notch,” that further expresses the degree of the rating.

A+ or A++	Superior
A or A-	Excellent
B+ or B++	Good
C+ or C++	Marginal
C or C-	Weak
D	Poor
E	Under state supervision
F	Going into liquidation
S	Suspended

The A.M. Best rating is an indicator of the company's ability to meet ongoing insurance obligations. Their rating is based on a comprehensive, quantitative, and qualitative evaluation of a company's balance sheet, operating performance, and business profile. A.M. Best's rating system has a proven track record in indicating insurance companies that may, over time, encounter financial difficulties. As such, A.M. Best's rating is recognized worldwide as the benchmark for assessing and comparing insurers' financial strengths.

## A Note on Demotech Ratings

Demotech joined the ratings arena in 1985 and specializes in providing ratings and detailed financial analysis of regional and specialty insurers. Many consumers prefer an A.M. Best over Demotech rating, but if you live in a coastal area or certain hard to insure areas, you may need to rely on Demotech. A company with neither a Demotech nor an A.M. Best rating should be a cause for concern.



## What it all means to you?

Considering the financial stability of an insurance carrier before purchasing coverage is important because the insurer has an ongoing financial obligation. Generally, an “A” rated insurance company is considered one that performs at the top of its industry in creditworthiness (the ability to repay creditors and pay any claims presented) as well as how it performs financially when compared to its peers. The stronger the financial strength rating of an insurance company, the more likely it is that it will not experience financial failure and perhaps even close its doors. You need a company you can depend on to be around when it is most needed.

Gulfshore Insurance represents the top-rated insurance companies that specialize in insurance protection for successful individuals and families: AIG, Berkley One, Chubb, Cincinnati, PURE, and Vault. Our preference is to place our clients’ personal risk management programs with these Admitted Carriers that receive superior financial ratings from the national rating agencies. We value their financial stability, breadth of coverage, loss prevention services, and their track record of settling claims promptly and fairly. In situations where the Specialty Providers are not the right fit for our clients, our agency represents up to 20 other companies, allowing us to find appropriate solutions to fit our clients’ needs.

