



## ***A.M. Best Rating Questions & Answers***

**November 2009**

### **1. What is A.M. Best?**

A.M. Best is a credit rating organization for financial and health care service industries, including insurance companies, banks, hospitals, and health care system providers.

A.M. Best's financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. The rating is based on a comprehensive evaluation of a company's balance sheet, operating performance and business profile.

### **2. What are the possible A.M. Best ratings?**

A.M. Best issues an annual financial strength rating and a rating outlook.

***Financial strength ratings*** are letter grades—16 grades are possible, ranging from A++ (superior) to F (in liquidation) or S (rating suspended until more information is available).

***Rating outlooks*** are assigned, along with the letter grade, to indicate the potential direction of a company during a period of time (12-36 months), based on market conditions:

- “Positive” indicates a possible rating upgrade due to favorable market conditions
- “Negative” indicates a possible rating downgrade due to unfavorable market conditions
- “Stable” indicates low likelihood of a possible rating change due to stable market conditions

More information about Best's ratings can be found at:

<http://www.ambest.com/ratings/guide.asp>

### **3. What is American Community's current rating?**

American Community has been given a rating of **C+**. Along with the C+ is a “negative outlook,” based on current economic and market conditions. With an unstable national economy, many companies (including those outside the insurance industry) have had a ratings downgrade this year.

It is important to note that American Community has been in business for 71 years. We've faced financial and economic challenges in the past and emerged stronger as a result.



#### **4. How will this rating affect health insurance policies? Claims?**

We've taken stringent measures to protect our customers and our ability to pay their claims. American Community's balance sheet includes an adequate, risk-based surplus level. That means we have enough funds set aside to maintain our current business. Our reserves and surplus stand at \$99 million.

In addition, the company has and will continue to implement several strategic measures to improve future operating results and achieve our goal of profitability.