



Claims Paying Ability

The DBRS® claims paying ability rating scale gives an indication of the risk that a borrower will not fulfill its full obligations in a timely manner. Claims paying ratings measure the capacity of an insurance company to pay its policyholder claims as they fall due. The rating for claims paying ability is the highest rating for an insurance company, since claims paying ability ranks ahead of all debt.

IC-1

A claims paying rating of IC-1 represents superior credit quality. Companies attaining this rating category typically have above average strength in the key areas of asset quality, core profitability, and the balance sheet. The entities would also normally be characterized as companies with critical mass and some degree of market leadership in their core products.

IC-2

A claims paying rating of IC-2 represents satisfactory credit quality. Companies in this category usually have no major long-term structural problems and are normally of sufficient size to have an influence in their key markets. Core profitability may be a weakness, but overall, IC-2 credits are considered to have the strength to work through any short-term negative factors that may exist.

IC-3

A claims paying rating of IC-3 represents adequate credit quality. While the overall strength of insurance companies in this rating classification is acceptable, there are often weaknesses in asset quality, core earnings, and/or capital that make the company more susceptible to stress in periods of adverse economic conditions and create the possibility of poor experiences in the areas of claims and persistency. With some IC-3 credits, a better rating is restricted by competitive weaknesses or the presence of negative qualifying factors.

IC-4

A claims paying rating of IC-4 is speculative. Insurance companies rated in this category normally have a meaningful weakness in at least one or two of the key areas of asset quality, capital, and profitability, and often lack critical mass and competitive strength in their key markets.

IC-5

A claims paying rating of IC-5 is highly speculative. Major weaknesses create a high degree of uncertainty regarding the ability of the company to pay its claims on a continuing basis in the future, especially in periods of economic recession and/or adverse claims and persistency experience.



D

A security rated D implies the issuer has either not met a scheduled claims payment or the issuer has made it clear it will miss such a payment in the near future. In some cases, DBRS may not assign a D rating under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the D rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated by DBRS.