

# How to assess the financial strength of an insurance company

## Financial Planning

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### IN THIS ARTICLE

Ratings Agency Contact Information

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Five independent agencies—A.M. Best, Fitch, Kroll Bond Rating Agency (KBRA), Moody's and Standard & Poor's—rate the financial strength of insurance companies. Each has its own rating scale, its own rating standards, its own population of rated companies, and its own distribution of companies across its scale. Each agency uses numbers or plusses and minuses to indicate minor variations in rating from another rating class.

The agencies disagree often enough so that you should consider a company's rating from two or more agencies before judging whether to buy or keep a policy from that company. Moreover, agencies will announce changes of ratings on any day. It's probably prudent to check annually on the ratings of any company you're interested in.

Some points for using the ratings:

- Don't rely only on what the insurance companies say about their ratings from these agencies. Companies are likely to highlight a higher rating from one agency and ignore a lower one

from another agency, or to select the most favorable comments from a rating agency’s report.

- To use the ratings from more than one independent agency, you need to understand that each agency’s rating code is different from the others. For example, an A+ from A.M. Best is the next-to-top rating of its 15 categories, but an A+ from Fitch, Kroll or S&P is their 5th-highest rating (out of 24 categories for Fitch, 22 categories for Kroll and out of 19 categories for S&P). Moreover, Moody’s doesn’t have an A+ rating.

However, the ratings can be classified into “secure” and “vulnerable” mega-categories.

## Ratings Agency Contact Information

All of the ratings agencies can be found on the Web, or reached by phone.

Agency	Website	Address	Phone number
A.M. Best Company, Inc	<a href="http://www.ambest.com">www.ambest.com</a>	Ambest Rd. Oldwick, NJ 08858	908-439-2200
Fitch Ratings	<a href="http://www.fitchibca.com">www.fitchibca.com</a>	1 State Street Plaza New York, NY 10004	1-800-75-FITCH
Kroll Bond Rating Agency, Inc. (KBRA)	<a href="http://www.kbra.com">www.kbra.com</a>	845 Third Avenue, 8 <sup>th</sup> Fl New York, NY 10022	646-731-2368
Moody’s Investor Services*	<a href="http://www.moodys.com">www.moodys.com</a>	99 Church Street New York, NY 10007	212-553-0300
Standard & Poor’s Insurance Ratings Services*	<a href="http://www2.standardandpoors.com">www2.standardandpoors.com</a>	55 Water Street New York, NY 10004	212-438-2000

\*To use these Web sites, you have to register, but the service is free.

**Back to top**