
Understanding an Insurance Carrier's Ratings and Comdex

The primary and most reliable sources for insightful information and data relating to an insurance company's financial strength are the four rating agencies: A.M. Best, Fitch, Moody's and S&P. These rating agencies assemble and analyze great quantities of financial and business-related information about the insurers that they rate. Their goal is to develop an in-depth understanding of each insurer's ability to meet its obligations to policyholders on an ongoing basis. Each agency has its own rating categories. The page that follows lists each agency's categories along with a rank number that indicates where each rating ranks among those of each rating firm. Equivalent rank numbers do not mean equivalences of ratings. Insurers receiving ratings shown in the shaded area represent those falling into what the rating agency considers to be a "vulnerable" category. Insurers receiving ratings above the shaded area are considered "secure" by the rating agencies.

Comdex. The challenge with using ratings from multiple agencies is their incompatible rating scales and possible confusion as to the meanings of the ratings themselves. Therefore, many rely on an insurer's Comdex ranking when evaluating financial strength. An insurer's Comdex ranking is not itself a rating, but rather a composite rating expressed as the average percentile of a company's rating (i.e., the proportion of rated insurers that are rated lower). It gives an insurer's standing, on a scale of 1 to 100, in relation to other rated insurers. For example, a Comdex of 90 means that the composite of the insurer's ratings place it in the 90 percentile of rated companies (i.e., 10 percent are rated higher and 90 percent lower).

It is important to note the following:

- An insurer's Comdex ranking can change if the rating agencies' ratings of other insurers change.
- An insurer's Comdex ranking can change if the insurer drops one of the rating agencies.
- An insurer's Comdex ranking will decrease due to the existence of other stronger life insurers.
- An insurer's Comdex ranking will increase due to the existence of other weaker life insurers.

Due to the relational nature of an insurer's Comdex ranking, it should be considered in context. Please refer to the section of this piece titled "The Comdex in Context."

Rating Agency Categories and Rating Rank

Indicates that insurer's financial strength may be considered considered "vulnerable."

Rank Number	A.M. Best	Standard & Poor's	Moody's	Fitch Ratings
1	A++ <i>Superior</i>	AAA <i>Extremely Strong</i>	Aaa <i>Exceptional</i>	AAA <i>Exceptionally Strong Excellent</i>
2	A+ <i>Superior</i>	AA+ <i>Very Strong</i>	Aa1 <i>Excellent</i>	AA+ <i>Very Strong</i>
3	A <i>Excellent</i>	AA <i>Very Strong</i>	Aa2 <i>Excellent</i>	AA <i>Very Strong</i>
4	A- <i>Excellent</i>	AA- <i>Very Strong</i>	Aa3 <i>Excellent</i>	AA- <i>Very Strong</i>
5	B++ <i>Very Good</i>	A+ <i>Strong</i>	A1 <i>Good</i>	A+ <i>Strong</i>
6	B+ <i>Good</i>	A <i>Strong</i>	A2 <i>Good</i>	A <i>Strong</i>
7	B <i>Fair</i>	A- <i>Strong</i>	A3 <i>Good</i>	A- <i>Strong</i>
8	B- <i>Fair</i>	BBB+ <i>Good</i>	Baa1 <i>Adequate</i>	BBB+ <i>Good</i>
9	C++ <i>Marginal</i>	BBB <i>Good</i>	Baa2 <i>Adequate</i>	BBB <i>Good</i>
10	C+ <i>Marginal</i>	BBB- <i>Good</i>	Baa3 <i>Adequate</i>	BBB- <i>Good</i>
11	C <i>Weak</i>	BB+ <i>Marginal</i>	Ba1 <i>Questionable</i>	BB+ <i>Moderately Weak</i>
12	C- <i>Weak</i>	BB <i>Marginal</i>	Ba2 <i>Questionable</i>	BB <i>Moderately Weak</i>
13	D <i>Poor</i>	BB- <i>Marginal</i>	Ba3 <i>Questionable</i>	BB- <i>Moderately Weak</i>
14	E <i>Under State Supervision Weak</i>	B+ <i>Weak</i>	B1 <i>Poor</i>	B+ <i>Very Weak</i>
15	F <i>In Liquidation</i>	B <i>Weak</i>	B2 <i>Poor</i>	B <i>Weak</i>
16		B- <i>Weak</i>	B3 <i>Poor</i>	B- <i>Weak</i>
17		CCC+ <i>Very Weak</i>	Caa1 <i>Very Poor</i>	CCC+ <i>Very Weak</i>
18		CCC <i>Very Weak</i>	Caa2 <i>Very Poor</i>	CCC <i>Very Weak</i>
19		CCC- <i>Very Weak</i>	Caa3 <i>Very Poor</i>	CCC- <i>Very Weak</i>
20		CC <i>Extremely Weak</i>	Ca <i>Extremely Poor</i>	CC <i>Extremely Weak</i>
21			C <i>Lowest</i>	C <i>Distressed</i>

The Comdex in Context

Comdex Number

	A.M. Best	S&P	Fitch	Moody's
88	A++ Superior	AAA Extremely Strong	AAA Extremely Strong	Aaa Exceptional
		AA+ Very Strong	AA+ Very Strong	Aa1 Excellent
78	A+ Superior	AA Very Strong	AA Very Strong	Aa2 Excellent
		AA- Very Strong	AA- Very Strong	Aa3 Excellent
65	A Excellent	A+ Strong	A+ Strong	A1 Good
		A Strong	A Strong	A2 Good
A- Excellent	A- Strong	A- Strong	A- Strong	A3 Good
		BBB+ Good	BBB+ Good	Baa1 Adequate
B++ Very Good	BBB Good	BBB Good	BBB Good	Baa2 Adequate
		BBB- Good	BBB- Good	Baa3 Adequate
B+ Good	BB+ Marginal	BB+ Marginal	BB+ Moderately Weak	Ba1 Questionable
		BB Marginal	BB Moderately Weak	Ba2 Questionable
B Fair	BB- Marginal	BB- Marginal	BB- Moderately Weak	Ba3 Questionable

Rating categories below "B" are not shown.

- If an insurance company had the lowest "A" ratings from each of the four major ratings agencies, the company would have a Comdex number of 65.
- If an insurance company had ratings one notch above the lowest "A" ratings from each of the four major ratings agencies, the company would have a Comdex number of 78.
- If an insurance company had ratings two notches above the lowest "A" ratings from each of the four major ratings agencies, the company would have a Comdex number of 88.

The ratings on this piece are current as of July 1, 2020 and were obtained from VitalSales Suite, a product of EbixExchange.