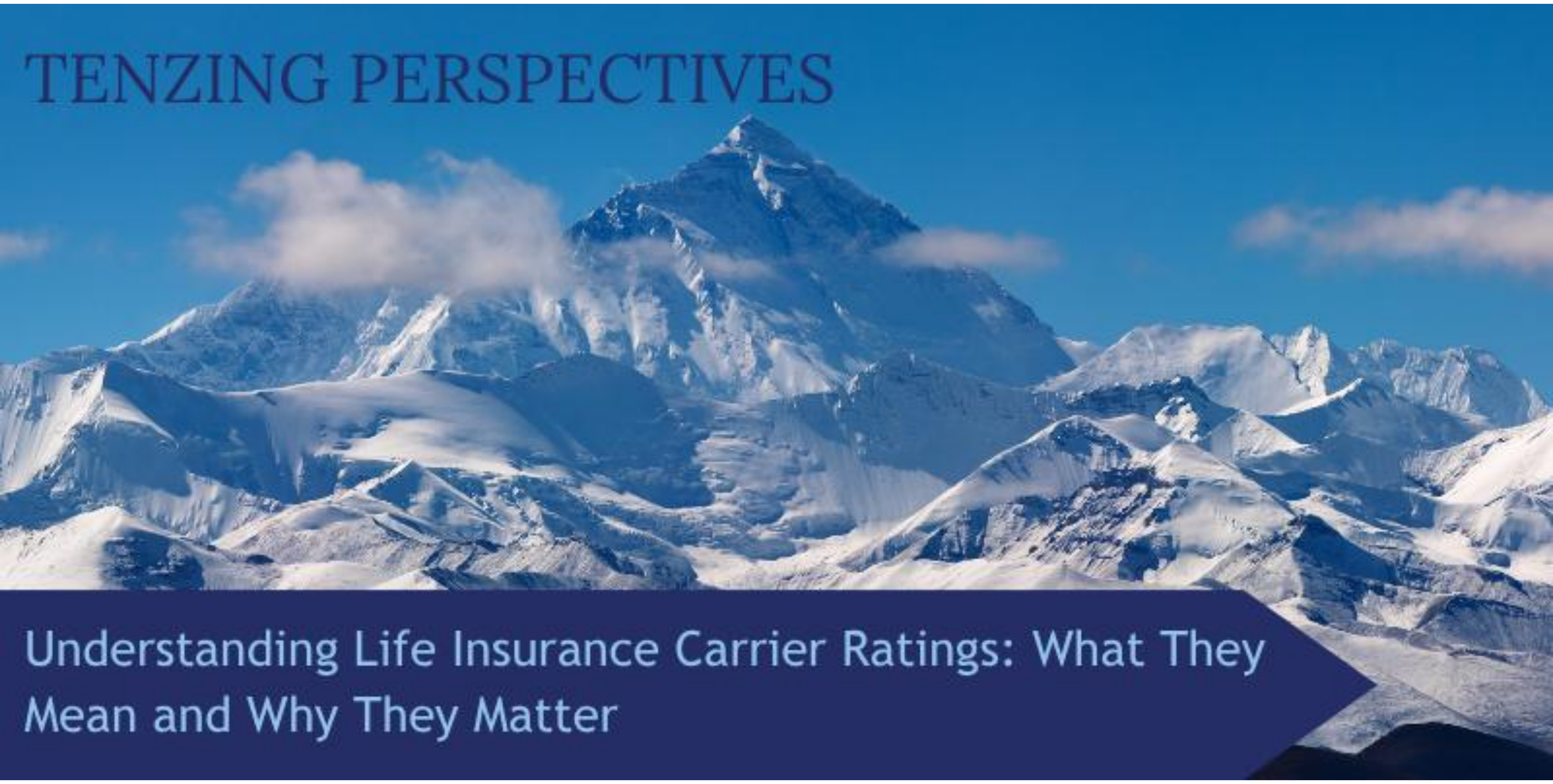
TENZING
INSURANCE STRATEGIES



TENZING PERSPECTIVES

Understanding Life Insurance Carrier Ratings: What They Mean and Why They Matter

When you buy a life insurance policy, you're entering into a long-term contract that may last for decades. But how can you be sure the insurance company will be there to deliver on its promise?

That's where carrier ratings come in. These scores, provided by independent credit rating agencies, serve as a snapshot of a life insurer's financial strength and claims-paying ability. While ratings are not guarantees, they help advisors and clients alike make informed decisions when selecting a carrier.

Why Ratings Matter

Life insurance is designed to be a stable and lasting solution. Understanding the financial stability of a life insurance company is key to ensuring the policy you choose will perform as expected—not just today, but 30 or 40 years from now.

Though carrier failures are rare—fewer than 0.15% annually according to A.M. Best—they do happen. Most failures involve smaller carriers with limited surplus capital and diversification. That's why size and strength matter, and why ratings are a vital due diligence tool.

Meet the Big Four: The Main Rating Agencies

Four agencies are recognized by the SEC as Nationally Recognized Statistical Rating Organizations (NRSROs). Each uses its own scale and methodology:

Agency	Focus	Top-Tier Rating	Lowest Rating	Notable Info
A.M. Best	Insurance-specific financial strength	A++	F	Highly regarded for its focus on claims-paying ability.
Moody's	Creditworthiness and risk	Aaa	C	Strong emphasis on capital adequacy and diversification.
Fitch Ratings	Financial performance & risk	AAA	D	Uses forward-looking analytics and stress testing.
S&P Global	Credit risk and stability	AAA	D	Analyzes capital adequacy, earnings, and risk profile.

A high rating from all four suggests a well-capitalized, conservatively managed carrier.

Beyond the Letters: Other Financial Strength Indicators

- **Surplus Capital**: The buffer beyond policy reserves. Carriers with $500M+ in surplus are judged as significantly less likely to fail.
- **Risk-Based Capital (RBC) Ratio**: Measures how much capital a company holds relative to its risk exposure. Higher is considered better.
- **Investment Quality**: Life insurers typically invest in high-quality bonds. Ratings consider how well these assets match long-term obligations.
- **COMDEX Score**: A composite ranking (1–100) that averages a carrier's ratings across agencies. It's helpful for quick comparisons, but not a standalone metric.

What Happens if a Carrier Fails?

Even in the rare case of insolvency, state regulators step in. Each state has a guaranty association that provides a safety net, often covering up to $300,000 in death benefits or more, depending on state law. Regulators may also attempt to rehabilitate or sell the carrier.

Reinsurance: A Hidden Layer of Protection

Many top insurers also partner with reinsurers—highly rated financial institutions that share the risk. This added layer strengthens the carrier's ability to meet its obligations under extreme scenarios.

Bottom Line

Carrier ratings aren't everything, but they're a key part of evaluating the long-term stability of your life insurance policy.

At Tenzing Insurance Strategies, we help you look beyond the surface—assessing financial strength, regulatory oversight, and reinsurance relationships—to help ensure your policy is backed by a stable and capable insurer.

For more information on how we assess carrier strength as part of our due care process, contact us today or visit tenzingins.com.

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