

How Can I Determine the Financial Strength of My Insurance Company?

How do you compare one life insurance company with another? What features do you examine? What criteria do you use? How do you know what to look for?

These are difficult questions. Even so, making sure your insurance company is financially sound is an important part of ensuring family security.

Fortunately, there are a number of independent companies that will make these evaluations for you. These rating companies carefully examine each insurance company in the areas of profitability, debt, liquidity, and other factors. From the results of these examinations, they then issue overall ratings.

Looking up a company's rating will provide you with a snapshot of that company's financial health. And tracking that rating on a regular basis should give you some advanced warning of trouble.

The four most prominent rating companies are A.M. Best, Standard and Poor's, Moody's, and Fitch Ratings. Each of these services uses slightly different criteria when rating companies. As a result, each may have a slightly different view of a given company. A.M. Best ratings are based on financial conditions and performance; Moody's, Fitch Ratings, and Standard and Poor's ratings are based on claims-paying ability.

You should be able to find copies of at least one of these ratings in the reference section of your local library. If you are unable to find them, or if the ratings in your library are outdated, you can contact the services directly. All four services will provide ratings over the phone.

The A.M. Best Company: 908-439-2200, www.ambest.com

Standard & Poor's: 212-438-2000, www.standardandpoors.com

Moody's Investor Services: 212-553-0377, www.moody.com

Fitch Ratings: 212-908-0800, www.fitchratings.com