

# Corporate Policies

SECTION: <b>TREASURY SERVICES</b>		DEPT: Finance Department
SUBJECT: <b>Insurance Policy</b> Acceptance of insurance policies and/or certificates, where the City of Brampton is added as an additional insured		
POLICY NO. 13.4.0	SUPERCEDES POLICY DATED: November 14, 2001	PAGE: 1 OF 5
EFFECTIVE DATE: November 2001	APPROVED CW115-2001 / C400-2001 BY: Council AF039-2003 / C117- 2003	APPROVAL DATE: March 24, 2003

## POLICY STATEMENT:

Issuing institutions of insurance policies accepted by the City must meet specific rating requirements.

## PURPOSE:

Acceptance of insurance policies from insurers that meet a specific rating requirement ensures that the interests of the City are protected. This policy identifies the minimum requirement that an insurer must have before an insurance policy, where the City of Brampton is added as an additional insured, is accepted by the City of Brampton.

## ACCEPTABLE INSTITUTIONS:

The City of Brampton will only accept insurance policies and/or certificates, where the City of Brampton is added as an additional insured, from issuing institutions that have one of the following ratings from any one of the following ratings agencies:

- A.M. Best – minimum rating of “B+”  
(acceptable ratings: “A++”; “A+”; “A”; “A-“; “B++” or “B+”)
- Moody’s – minimum rating of Baa  
(acceptable ratings: “Aaa”; “Aa”; “A” or “Baa”)
- Standard & Poor’s – minimum rating of BBB  
(acceptable ratings: “AAA”; “AA”; “A” or “BBB”)

See appendix for Rating Agencies’ ratings descriptions

If the City accepts an insurance policy and/or a certificate from an issuing institution, and that issuing institution’s rating drops below the minimum rating, the City will require a substitute insurance policy/certificate from an eligible institution. The substitute insurance policy/certificate must be presented to the City within 60 days of the City’s request.

## INSURANCE POLICIES/CERTIFICATES CURRENTLY HELD BY THE CITY:

All insurance policies and certificates currently held by the City and not meeting the policy requirements, at the passing of this policy, will be held until their expiry date. If any of these



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policies/certificates are being renewed they will need to be renewed in accordance with the stated policy ensuring that the policy is issued by an institution that have the minimum ratings.

## ACCOUNTABILITY:

Acceptance of insurance polices and/or certificates, where the City of Brampton is added as an additional insured

## ADMINISTRATION:

Treasury Services will be responsible for keeping this policy up to date.

## CONTACT:

Peter Honeyborne, Director of Treasury Services & Deputy Treasurer, 905-874-2221.



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## APPENDIX to Policy FP01-13

### A.M. Best Ratings Definitions:

#### A.M. Best's Secure Ratings:

**A++ and A+ (Superior)** - Assigned to companies that have, in our opinion, a superior ability to meet their ongoing obligations to policyholders.

**A and A- (Excellent)** - Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

**B++ and B+ (Very Good)** - Assigned to companies that have, in our opinion, a good ability to meet their ongoing obligations to policyholders.

#### A.M. Best's Vulnerable Ratings:

**B and B- (Fair)** - Assigned to companies that have, in our opinion, a fair ability to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions.

**C++ and C+ (Marginal)** - Assigned to companies that have, in our opinion, a marginal ability to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions.

**C and C- (Weak)** - Assigned to companies that have, in our opinion, a weak ability to meet their current obligations to policyholders, but are financially very vulnerable to adverse changes in underwriting and economic conditions.



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### Moody's Rating Definitions:

#### Moody's Secure Ratings:

**Aaa (Exceptional)** - Insurance companies rated Aaa offer exceptional financial security. While the financial strength of these companies is likely to change, such changes as can be visualized are most unlikely to impair their fundamentally strong position.

**Aa (Excellent)** - Insurance companies rated Aa offer excellent financial security. Together with the Aaa group, they constitute what are generally known as high-grade companies. They are rated lower than Aaa companies because long-term risks appear somewhat larger.

**A (Good)** - Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.

**Baa (Adequate)** - Insurance companies rated Baa offer adequate financial security. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

#### Moody's Vulnerable Ratings:

**Ba** - Insurance companies rated Ba offer questionable financial security. Often the ability of these companies to meet policyholder obligations may be very moderate and thereby not well safeguarded in the future.

**B** - Insurance companies rated B offer poor financial security. Assurance of punctual payment of policyholder obligations over any long period of time is small.

**Caa** - Insurance companies rated Caa offer very poor financial security. They may be in default on their policyholder obligations or there may be present elements of danger with respect to punctual payment of policyholder obligations and claims.



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### Standard and Poor's Ratings Definitions:

*An insurer rated 'BBB' or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments.*

**AAA** - An insurer rated 'AAA' has EXTREMELY STRONG financial security characteristics. 'AAA' is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

**AA** - An insurer rated 'AA' has VERY STRONG financial security characteristics, differing only slightly from those rated higher.

**A** - An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

**BBB** - An insurer rated 'BBB' has GOOD financial security characteristics, but is more likely to be affected by adverse business conditions than are higher rated insurers.

*An insurer rated 'BB' or lower is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range; 'CC' the highest.*

**BB** - An insurer rated 'BB' has MARGINAL financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

**B** - An insurer rated 'B' has WEAK financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.

