

## AIMRRG: 2022-23 Rating Explanation

From time to time, Attorneys Insurance Mutual Risk Retention Group, Inc. (“AIM”) is asked why it does not hold an A.M. Best rating. The following explanation provides the background on AIM and why an A.M. Best rating is inapplicable for AIM.

A.M. Best is a rating agency for financial institutions, including commercial insurance carriers. Its rating system for commercial insurance carriers is essentially a solvency rating system. The system is a dual system. The first involves letters A through S, which are the financial strength rating of the carrier. A++ is the highest level and B is the lowest level for a viable insurer. All of the excess carriers on the AIM program are rated A or higher.

The second involves Roman Numerals I through XV, which reflect the financial size of the carrier (essentially policyholder surplus capital) with I being the lowest and XV being the highest. All of the excess carriers on the AIM program are rated XIV (which is \$1.5B to \$2.0B) or XV (which is >\$2.0B).

However, AIM is not a commercial carrier and an A.M. Best rating is inapplicable. AIM is a mutual captive insurance company, domiciled in Hawaii and subject to regulatory reporting to and oversight by the Hawaii Department of Insurance. AIM is also subject to the oversight of the California Department of Insurance. In Hawaii, the domicile state, AIM is required to meet all the filing and capital requirements of that State. AIM undergoes rigorous examinations of its financials on a regular basis by the Hawaii Department of Insurance and has successfully passed each and every examination conducted by the HI DOI. AIM also files annual financial reports with the California Department of Insurance. In addition, AIM’s financial records are audited each year by an independent audit firm based in Burlington Vermont, which was one of the first states that established captive insurance companies.

AIM is essentially a conduit for the purchase of legal malpractice insurance for its Member Firms, among other things (also other insurance products in addition to claims management and risk management services as well). AIM participates with a modest participation of 4.50% on the primary layer of insurance, which participation is fully funded by premiums paid by the Member Firms and is a very small component of a Member Firm’s overall coverage. The limits of liability for the other 95.50% of the primary layer of insurance (other than the 4.50% underwritten by AIM) is underwritten by highly qualified professional liability carriers, all of which have A.M. Best ratings of at least A / XIV or better.