Article Title: Criteria | Insurance | Property/Casualty: Rating Start-Ups Data: (EDITOR'S NOTE: —This article has been superseded by "Rating Start-Ups," which was published on April 13, 2004, and is available in the General Insurance Criteria section.) Standard & Poor's Ratings Services typically does not rate companies unless they have at least a five-year operating track record or explicit support as a substitute. For a start-up company to be assigned a rating in the absence of both of these, Standard & Poor's would request: A detailed, credible, five-year business plan that addresses the lines of business to be written and indicates revenue targets, income targets, and capitalization plans for each year. Standard & Poor's is looking for management to have a track record in successfully managing and underwriting its chosen businesses. In the business plan, Standard & Poor's would like to see a road map for what management would expect to be doing for the next five years, including how much business it would expect to be doing at the beginning and in what lines, how quickly it would like to grow in each of these lines, and how that growth in business relates to the capital that it would expect to have in this entity over the planning horizon. The business plan should indicate what competitive advantages the company has in each of its chosen lines of business to generate profitable growth. A detailed discussion with management regarding its capital-management strategy, including dividend philosophy, share-repurchase strategy, and future capital market issuances. Evidence of prudent underwriting that demonstrates the capability to write profitable business and provides Standard & Poor's with confidence that the company can monitor and determine capital adequacy. The make-up of the board of directors, including their experience and ongoing interaction with management. Biographies of all senior managers describing their current functions and discussing in detail their prior work experience as it relates to their ability to execute their new responsibilities successfully. A discussion of the expectations and long-term objectives of key investors about this start-up. Standard & Poor's expects the company's projected capital adequacy to be at or above that of the assigned rating over the intermediate term (three years) and for capital to remain consistent with the assigned rating throughout the term of the business plan (five years). However, to satisfy Standard & Poor's view that a start-up should have the financial flexibility to maintain capital consistent with the assigned rating over a longer-term horizon, Standard & Poor's expects the company to demonstrate the ability to tap several sources of additional capital if needed. These sources include reinsurance, borrowing, additional equity offerings, and asset sales. If the start-up has aggressively tapped several of these sources already, Standard & Poor's would seriously question the company's ability to maintain capital adequacy consistent with a high rating. In addition, it is important that Standard & Poor's develops a strong level of confidence in management and its ability to implement the business plan. A proven track record is very helpful in evaluating management's capability. These will be reviewed as minimum standards. Small companies without explicit support and companies (managements) that fail the minimum standards will not be rated.