
A. M. BEST COMPANY

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September 20, 2006

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

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EXECUTIVE SECRETARY

Re: Proposed Rule – Deposit Insurance Assessments (12 CFR Part 327, RIN 3064-AD09)

Dear Mr. Feldman:

The A.M. Best Company appreciates the opportunity to comment on the Proposed Rule – Deposit Insurance Assessments, issued by the Federal Deposit Insurance Corporation.

As you may know, the A.M. Best Company has been in the rating business for more than 100 years. Our rating process is as rigorous, time-tested and well recognized as any of the other ratings agencies that were identified in this proposal as “major ratings agencies.” In addition to our strong U.S. presence, our coverage is worldwide with ratings assigned to insurers throughout North America, the Caribbean, Europe, Africa and Asia. Although A.M. Best’s ratings in the past have focused largely on insurance companies, our evaluations have always incorporated the impact of banking affiliates on the overall financial strength of our rated insurance companies.

Recently, A.M. Best has expanded its analytical coverage to the U.S. banking sector, including providing ratings to banks and bank holding companies. Toward that end, A.M. Best will be issuing a press release in early October 2006 to formally announce its bank credit rating services. In anticipation of this announcement, A.M. Best has assembled a team of experienced banking analysts dedicated exclusively to the banking industry. Furthermore, we have established a Bank Rating Committee and have Business Development staff dedicated exclusively to the banking industry. Finally, the A.M. Best Banking Center which is located on our website – www.ambest.com/banking – contains our analytical research on the U.S. banking industry.

In light of our long term history of issuing ratings, well defined ratings process, and dedicated staffing A.M. Best recommends that the Proposed Rule be modified to include A.M. Best as one of the major rating agencies from which credit ratings can be obtained for use in the calculation of a bank’s deposit insurance assessment.

In addition, the A.M. Best Company also recommends that the deposit insurance assessment for all banks, regardless of their size, incorporate a credit rating, when available. Under the current proposal, only credit ratings for “Large Banks”¹ are considered in the calculation of an institution’s deposit insurance assessment. In contrast, the deposit insurance assessment for “Small Banks”²

¹ Large Banks are defined in the Proposed Rule as those institutions with total assets of more than \$10.0 billion. In addition, institutions with total assets between \$5.0 billion and \$10.0 billion may “opt-in” to the Large Bank option.

² Small Banks are identified in the Proposed Rule as either those institutions with total assets of less than \$10.0 billion, or those institutions that do not “opt-in” to the Large Bank option.

would be derived from a bank's CAMELS rating and a series of six financial ratios. By basing the assessment in part on ratios from a specific point in time, a small bank may be unduly penalized for poor operating performance in a particular quarter. The rating process at A.M. Best considers an institution's long term performance, and would help to better capture the overall long term risk to the Deposit Insurance Fund (DIF).

To summarize, the two primary comments from the A.M. Best Company on the Proposed Rule are:

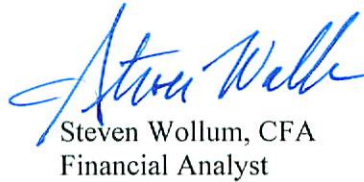
- A.M. Best is a long standing rating agency for financial institutions, and has the historical track record and rigorous processes to be considered among the "major rating agencies" whose ratings would be used by the FDIC in its deposit insurance assessment of "Large Banks".
- For "Small Banks," the same standard of using credit ratings from the "major rating agencies" should apply, where applicable.

Again, A.M. Best appreciates the opportunity to comment on this important matter. If you have any questions, please contact Khanh Vuong at (908) 439-2200 ext. 5633 or via e-mail at Khanh.Vuong@ambest.com, or Steven Wollum at (908) 439-2200 ext. 5649 or via e-mail at Steven.Wollum@ambest.com.

Sincerely,



Khanh Vuong
Managing Senior Financial Analyst



Steven Wollum, CFA
Financial Analyst