

# The 30-Year Solvency Stress Test

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## Reading the “Vital Signs” of Your Insurance Carrier

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Created by SafeSimpleSound Financial Planning

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### Your S3 Solvency Stress Test

What You'll Discover:

- How to translate “Letter Grades” from rating agencies into plain English
  - The role of Reinsurance in protecting your promise
  - S3's “Forever Formula” for selecting multi-generational partners
  - The constitutional advantage of evidence-based trust
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## Part 1: The Ratings Rosetta Stone

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### Decoding AM Best, S&P, and Moody's

Don't just look for an “A”. Look for the nuance.

The “Constitutional Safe Zone”

- A++ / AAA: Superior. The Fort Knox of insurers. (S3 Preference)
- A+ / AA: Excellent. Very strong capacity to meet obligations.

The “Caution Zone”

- A / A-: Excellent/Good. Strong, but more susceptible to economic changes.
- B++ and below: Good/Fair. S3 advises caution for long-term (“Forever”) promises like Whole Life or Long-Term Care.

*Insight:* A rating is an opinion at a point in time. S3 Constitutional Planning requires monitoring these ratings annually.

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## Part 2: Reinsurance Red Flags

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### The Silent Guardian

Reinsurance is “insurance for insurance companies.” It spreads risk.

Healthy Reinsurance:

- The carrier retains a healthy portion of the risk but insures against catastrophic loss (e.g., a massive hurricane or pandemic).
- **S3 Check:** Does the insurer use highly-rated reinsurers?

Unhealthy Reinsurance (Red Flags):

- **Pass-through:** The insurer keeps almost no risk, acting only as a marketing front.
- **Offshore Shadowing:** Moving liabilities to loosely regulated offshore captives to make books look better.

*Educational Insight:* True “Sound” planning looks at the *Net Retention* of risk to ensure the carrier has skin in the game.

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## Part 3: The “Forever” Formula

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### Selecting a 30-Year Partner

When we select a carrier for a client, we look for Time Coexistence:

1. **History:** Has the company survived the Great Depression, the 2008 Crisis, and recent pandemics?
2. **Investment Portfolio:** Is their general account conservative (bonds) or risky (junk debt)?
3. **Consistency:** Have they paid dividends consistently for 100+ years?

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## Insights Summary

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*Key S3 Differentiator: We analyze the “machinery” of the insurance company, not just the glossy brochure.*

*Educational Generosity Promise: You now have the tools to vet a carrier with the sophistication of an institutional investor.*

*Stakeholder Synthesis: Protects your future self by ensuring the promise maker survives to keep the promise.*

## Your Next Steps

**Immediate Action** (Next 7 days): Look up the AM Best rating of your primary Life/Home/Auto carriers.

**Foundation Building** (Next 30 days): If a carrier is rated B++ or lower, start shopping for a stronger partner.

**Professional Support:** Need a deep-dive solvency report on a specific carrier? We can generate that for you.

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*This document embodies S3’s constitutional commitment to educational generosity. Whether you become a client or not, this framework provides genuine value for your financial strategy.*

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