

## America's 50 Most Trustworthy Financial Companies

BY KATHRYN DILL  
Forbes Staff

**E**arlier this month, Forbes released the 2014 list of the America's 100 Most Trustworthy Companies, based on data from proprietary ratings provider and investment advisor GMI Ratings. The list included publicly-traded North American companies of all sizes and industries except one: financial companies, more specifically, banks and insurance companies.

James Kaplan, director of GMI Ratings, says that measures taken in the wake of the financial crisis have led a high number of financial institutions to rank among the most trustworthy in America, according to GMI's criteria. The dominance of this particular industry led Kaplan to generate a separate list of the 50 Most Trustworthy Financial Companies.

"In 2012 and 2013, governance and transparency has really improved," says Kaplan. "[Financial companies] took on a lot of speculative risk and the regulatory agencies have really been on their backs to clean up their balance sheets, income statements, and lending policy."

To develop lists of trustworthy organizations, GMI reviews the accounting and governance behaviors of more than 8,000 publicly-traded companies in

North America. In assessing each company, GMI considers factors including high-risk events, revenue and expense recognition methods, SEC actions, and bankruptcy risk as indicators of a company's credibility.

These factors are used to develop "Aggressive Accounting and Governance Risk" (AGR) numbers, the final composite by which organizations are scored. Companies appear on the list divided into categories by market cap size, along with their current AGR and average AGR over the past four quarters.

Kaplan stresses that companies that don't make the list aren't necessarily untrustworthy—these are simply the 50 with the highest scores for the past four quarters of the fiscal year.

Coming in with the best scores in both the large and mid cap segments are insurance outfits **Cincinnati Financial Corporation** and Erie Indemnity Company, both with average AGRs of 99. Following close behind with an average AGR of 98 is Westamerica Bancorporation, the mid cap holding company of regional community bank Westamerica Bank. Community Trust Bancorp ranks first among small cap companies, with an average AGR of 95.

Kaplan says that a shift among regulatory agencies from a "watchdog" to a "policeman" stance has prompted many of the more visible changes among financial institutions, which have led in many cases to less risk and greater transparency.

"You look at a few things: CEO and Chairman are the same person, that used to be very common and it's kind of disappearing. The amount of loans in the very high risk category were substantially higher. Loan loss reserves were very low."

So what's the takeaway for investors? As with the Most Trustworthy Companies list, inclusion on the list doesn't necessarily indicate an investment blockbuster, but it does mean that good or bad, what the investor sees is what the investor gets—a metric that many investors find particularly meaningful post-crisis.

"If you're interested in investing in any of the companies on this list, you can be really comfortable that what you're reading about them is an honest reflection of what's going on in the company," says Kaplan. "That doesn't mean it's good or bad—but when you read it, you can believe it." **F**

## Cincinnati Financial

CURRENT AGR SCORE: 100

AVERAGE AGR SCORE (LAST FOUR QUARTERS): 99

www.cinfin.com



The Cincinnati Insurance Company  
 The Cincinnati Indemnity Company  
 The Cincinnati Casualty Company  
 The Cincinnati Specialty Underwriters Insurance  
 The Cincinnati Life Insurance Company  
 CFC Investment Company  
 CSU Producer Resources Inc.

### LARGE CAP (OVER \$5 BILLION)

COMPANY	TICKER	MARKET CAP	INDUSTRY	CURRENT AGR®	AVG AGR LAST 4 RATED QTRS
<b>CINCINNATI FINANCIAL CORPORATION</b>	<b>CINF</b>	<b>\$7,836.0</b>	<b>INSURANCE</b>	<b>100</b>	<b>99</b>
REINSURANCE GROUP OF AMERICA INC	RGA	\$5,637.0	INSURANCE	100	95
LOEWS CORPORATION	L	\$17,134.9	INSURANCE	75	90
AXIS CAPITAL HOLDINGS LIMITED	AXS	\$5,167.1	INSURANCE	92	87
SIGNATURE BANK	SBNY	\$5,900.2	BANKING SERVICES	86	85
XL GROUP PLC	XL	\$8,453.9	INSURANCE	71	82
AMERICAN FINANCIAL GROUP INC	AFG	\$5,085.8	INSURANCE	71	80

### MID CAP (\$1 BILLION TO \$5 BILLION)

COMPANY	TICKER	MARKET CAP	INDUSTRY	CURRENT AGR®	AVG AGR LAST 4 RATED QTRS
ERIE INDEMNITY COMPANY	ERIE	\$3,092.0	INSURANCE	98	99
WESTAMERICA BANCORPORATION	WABC	\$1,436.4	BANKING SERVICES	98	98
MERCURY GENERAL CORPORATION	MCY	\$2,445.3	INSURANCE	99	95
GREENLIGHT CAPITAL RE, LTD.	GLRE	\$1,219.8	INSURANCE	97	93
ASPEN INSURANCE HOLDINGS LIMITED	AHL	\$2,547.8	INSURANCE	88	91
FIRST INTERSTATE BANCSYSTEM INC	FIBK	\$1,195.7	BANKING SERVICES	87	89
UNION FIRST MARKET BANKSHARES CORP.	UBSH	\$1,194.4	BANKING SERVICES	96	88

GMI Ratings and its affiliates, Directors and Officers of the company may own stock or options to purchase or sell stock in the companies mentioned on our website and in our publications and may elect to increase or decrease the size of these positions at any time. GMI Ratings, however, is not directly or indirectly compensated for the specific views, opinions or recommendations expressed in its research reports. This document is for information purposes only and is not to be considered a solicitation to buy or sell any security. Neither GMI Ratings nor any other party guarantees its accuracy nor makes any warranties regarding its usage. Modification or reproduction of this report is forbidden without explicit permission. ©2014 GMI Ratings.