

# Best's Rating Report



AmTrust  
FINANCIAL

AMTRUST GROUP

New York, New York



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**AmTrust Financial Services, Inc**  
**AMTRUST GROUP**  
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AMB#: 018533

Associated Ultimate Parent#: 051002

#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Financial Strength Rating of A (Excellent). The group's Financial Size Category is Class IX.

#### RATING UNIT MEMBERS

AMB#	Company	Best's FSR	Pool %
	AmTrust Group	(AMB# 018533):	
050300	AmTrust International Ins Ltd	A g	70.00
011234	Technology Insurance Co., Inc	A g	20.00
003120	Rochdale Insurance Company	A g	10.00
004778	AmTrust Insurance Co of Kansas	A g	
057399	AmTrust Intl Underwriters Ltd	A g	
003548	Milwaukee Casualty Ins Co	A g	
002522	Security National Ins Co	A g	
003569	Trinity Lloyds Insurance Co	A g	
002468	Wesco Insurance Company	A g	

#### RATING RATIONALE

**Rating Rationale:** The rating applies to AmTrust International Insurance, Ltd. (Bermuda) (AII), AmTrust International Underwriters, Ltd. (Ireland) (AIUL), Technology Insurance Company, Inc. (Technology), Rochdale Insurance Company (Rochdale), Wesco

Insurance Company (Wesco), Milwaukee Casualty Insurance Company (MCIC), Security National Insurance Company (SNIC), Trinity Lloyds Corporation, a Texas Lloyds entity (Trinity Lloyds) and AmTrust Insurance Company of Kansas (AICK) which operate through an intercompany quota share reinsurance arrangement. The rating reflects the consolidated group's solid balance sheet strength, sustained strong operating performance within its niche market segments, and the benefits derived from its publicly traded parent, AmTrust Financial Services, Inc. (AFSI), including the commitment to maintain sufficient capital as well as providing access to additional capital should it be needed to support the group's expanding operations. AFSI has been successful in executing its business plan focused on growth through acquisition of renewal rights offerings and established books of business at appropriate rates, terms and conditions, further benefitting from its expandable underwriting platform which generates significant expense savings.

Partially offsetting these positive factors are the group's growth in both premium volumes and associated liabilities in recent years primarily achieved through renewal rights transactions and the inherent risks associated with integrating new business. Despite these concerns, the outlook reflects the group's sustained strong operating results within its market segments, ongoing access to capital, and commitment to prudent underwriting through its proven business platform.

To bolster the capitalization of its insurance subsidiaries and fund its acquisition strategy, AFSI issued a total of \$120 million in trust preferred securities over the period 2005 to 2007 as well as issued common shares as part of a private placement offering in 2006. AFSI also entered into short-term financing as part of the acquisition of the insurance entities from Unitrin in 2008. Despite the increased use of

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financing sources, the financial leverage of the group remains within acceptable levels for its current rating.

**Best's Financial Strength Rating: A**

**Outlook: Stable**

## KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2005	84,956	94,279	482,598	271,223	47.2
2006	131,298	39,667	522,369	182,014	68.6
2007	144,303	34,645	678,920	200,369	83.0
2008	211,652	37,254	824,139	221,609	78.1
2009	212,766	38,735	1,075,832	258,564	90.3

(\*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

AmTrust Group's consolidated financial data excludes AmTrust International Insurance due to the fact the company is domiciled in Bermuda and is not required to file an NAIC statement.

The data presented within these tables includes the consolidated historical results of AmTrust Group, inclusive of Wesco Insurance Company, and various insurance companies acquired from Unitrin, Inc. despite the fact that these acquisitions did not occur until February 2006 and June 2008, respectively. In June 2008, AmTrust acquired 100% of the issued and outstanding stock of three insurance companies from Unitrin, Inc. The acquisition included Milwaukee Casualty Insurance Company, Security National Insurance Company and Trinity Universal Insurance Company of Kansas. The transaction also included Trinity Lloyds Corporation, a Texas Lloyds entity, as well as related assets from other Unitrin affiliates which wrote UBI Commercial Package business for Unitrin, Inc.

Accordingly, the reader should consider this point when viewing the financial results for AmTrust Group for years prior to these acquisitions. The text included with this report reflects the true results reported by AmTrust Group under current management, inclusive of the impact of the Wesco acquisition beginning with 2006, and the UBI related companies in 2008.

## BUSINESS REVIEW

AmTrust is a multinational specialty property and casualty insurer focused primarily on serving the low-hazard, non-catastrophic insurance needs of underserved niche markets. Through its Small Commercial Business segment the company provides workers' compensation and other commercial package product to small businesses in the U.S. nationwide through a 7,300-agent network. The Specialty Risk and Extended Warranty segment delivers custom-designed extended warranty, accidental damage and other related coverage for consumer and commercial goods in the United Kingdom, certain other European Union countries and the U.S. The Specialty Program segment provides workers' compensation and other commercial property and casualty insurance largely to highly specialized niche segments through partnership with an experienced team of general and other wholesale agents in key U.S. markets. AmTrust's new Personal Lines Reinsurance segment includes the results of its quota-share reinsurance agreement with American Capital Acquisition Corporation which largely provides personal auto coverage in the U.S.

AmTrust transacts business through eleven insurance company subsidiaries:

Technology Insurance Company, Inc. ("TIC"), Rochdale Insurance Company ("RIC"), Wesco Insurance Company ("WIC") write small commercial business, specialty risk insurance, extended warranty coverage and specialty program property and casualty coverage in the U.S. Associated Industries Insurance Company, Inc. ("AIIC") underwrites workers' compensation insurance within the United States. Milwaukee Casualty Insurance Company ("MCIC"), Security National Insurance Company ("SNIC"), Trinity Lloyds Corporation, a Texas Lloyds entity ("Trinity Lloyds") and Amtrust Insurance Company of Kansas ("AICK") write small commercial business coverage in the U.S.

AmTrust International Underwriters Limited ("AIU"), and IGI Insurance Company ("IGI"), are domiciled in Ireland and England, respectively. AIU writes specialty risk and extended warranty coverage

plans for consumer electronics, power tools, appliances and electronics, and heavy plant and equipment in the European Union. Programs written by AIU are high volume, low value programs typically characterized by the issuance of a large number of low premium policies which provide limited coverage. IGI underwrites specialty risk and extended warranty coverage in the European Union.

AmTrust International Insurance Ltd. ("AII") is domiciled in Bermuda and reinsures the underwriting activities of TIC, RIC, AIIC, MCIC, SNIC, AICK, Trinity Lloyds, IGI and AIU.

Consolidated results include the results of the holding company inclusive of wholly-owned subsidiaries.

Through its vertically integrated proprietary technology system the company maintains sound underwriting and strong efficiency by enabling paperless business submissions, consistent underwriting and strong claims management. Strong technology and its efficient capital structure, including the benefit of the long-term quota share agreement with Maiden Holdings, Ltd., are key to AmTrust's ability to maintain a low expense ratio and generate strong returns.

Additionally the group benefits from a comprehensive marketing and operational structure developed for the property/casualty operations. Components of its business plan focus on a specialized product which is delivered to a niche market through select independent agents.

For 2009, the mix of gross written premium of \$1.2 billion was approximately 40% workers' compensation, 23% warranty and 17% other liability with the balance primarily consisting of commercial auto, inland marine, fire and other coverage types and 21% of overall gross written premium was written outside the U.S. While the majority of the business is generated in the eastern United States, over the past several years the group has improved its geographic and business mix diversification both organically and through acquisitions. Acquisitions have largely involved renewal rights transactions intended to strengthen distribution channels while providing the group access to seasoned workers' compensation, general liability, select program and warranty business and expand its experienced team of underwriters and claims experts.

During 2009 the company completed the integration of both the UBI commercial package book of business acquired from Unitrin, Inc., in June 2008 and further enhanced the benefits of its September 2008 managing general agency agreement with Cardinal Comp, LLC, a workers' compensation managing general agent based in New York.

In September 2009, AmTrust acquired access to the Cybercomp web-based workers' compensation distribution system and renewal rights on a \$100 million book of business from Swiss Re.

## 2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Workers' Comp	436,286	123,492	58.0	43.2	106,935
Oth Liab Occur	86,288	29,382	13.8	59.3	30,966
Comm'l Auto Liab	72,913	26,010	12.2	74.2	27,375
Inland Marine	48,024	13,432	6.3	50.8	389
Fire	18,506	5,150	2.4	43.3	1,276
Warranty	133,397	2,732	1.3	62.5	2,456
All Other	49,648	12,569	5.9	87.4	8,210
Totals	845,062	212,766	100.0	53.6	177,606

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## Consolidated Balance Sheet Admitted Assets (\$000)

	12/31/2009	%
Bonds .....	\$ 524,377	48.7
Preferred stock .....	4,224	0.4
Common stock .....	4,590	0.4
Cash & short-term invest .....	95,736	8.9
Other non-affil inv asset .....	5,476	0.5
Investments in affiliates .....	<u>0</u>	<u>0.0</u>
<b>Total invested assets .....</b>	<b>\$ 634,403</b>	<b>59.0</b>
Premium balances .....	346,446	32.2
Accrued interest .....	2,816	0.3
All other assets .....	<u>92,167</u>	<u>8.6</u>
<b>Total assets .....</b>	<b>\$1,075,832</b>	<b>100.0</b>

## Liabilities & Surplus (\$000)

Loss & LAE reserves .....	\$ 177,606	16.5
Unearned premiums .....	159,651	14.8
Conditional reserve funds .....	471	0.0
All other liabilities .....	<u>479,540</u>	<u>44.6</u>
<b>Total liabilities .....</b>	<b>\$ 817,268</b>	<b>76.0</b>
Capital & assigned surplus .....	127,210	11.8
Unassigned surplus .....	<u>131,354</u>	<u>12.2</u>
<b>Total policyholders' surplus .....</b>	<b>\$ 258,564</b>	<b>24.0</b>
<b>Total liabilities &amp; surplus .....</b>	<b>\$1,075,832</b>	<b>100.0</b>

# Best's Rating Report

## Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

### Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

### Vulnerable Best's Ratings

B and B-	.....	Fair
C++ and C+	.....	Marginal
C and C-	.....	Weak
D	.....	Poor
E	.....	Under Regulatory Supervision
F	.....	In Liquidation
S	.....	Rating Suspended

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