

Best's Rating Report



AmTrust
FINANCIAL

AMTRUST GROUP

New York, New York



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AMTRUST GROUP

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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 VIII.

RATING UNIT MEMBERS

AMB #	Company	Best's FSR	Pool %
50300	AmTrust International Ins Ltd	A- g	70.00
11234	Technology Insurance Co., Inc	A- g	20.00
03120	Rochdale Insurance Company	A- g	10.00
57399	AmTrust Intl Underwriters Ltd	A- g	
03548	Milwaukee Casualty Ins Co	A- g	
02522	Security National Ins Co	A- g	
03569	Trinity Lloyds Insurance Co	A- g	
04778	Trinity Universal Ins Co KS	A- g	
02468	Wesco Insurance Company	A- g	

RATING RATIONALE

Rating Rationale: The rating applies to AmTrust International Insurance, Ltd. (Bermuda) (AIIL), 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 Trinity Universal Insurance Company of Kansas (TUIC) 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. 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, the inherent risk associated with integrating new business, and the impact of both realized and unrealized investment losses in 2008 which constrained growth in the group's consolidated equity. 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 financing sources, the financial leverage of the group remains within acceptable levels for its current rating.

Best's Financial Strength Rating: A-

Outlook: Positive

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KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2004	130,705	100,443	494,415	298,629	46.2
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

(*) 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 three market segments; workers compensation for small businesses in the United States; specialty risk and extended warranty coverage for consumer and commercial goods and custom designed coverages such as accidental damage plans and payment protection plans offered in connection with consumer and commercial goods in the United Kingdom, certain other European Union countries and the United States; and specialty middle-market property and casualty insurance. The group writes commercial insurance for narrowly defined classes of insureds, requiring an in-depth knowledge of the insured's industry segment through general and other wholesale agents.

AmTrust transacts business through eleven insurance company subsidiaries: Technology Insurance Company, Inc. ("TIC"), Rochdale Insurance Company ("RIC"), Wesco Insurance Company ("WIC"), Associated Industries Insurance Company, Inc. ("AIIC"), Milwaukee Casualty Insurance Company ("MCIC"), Security National Insurance Company ("SNIC"), Trinity Lloyds Corporation, a Texas Lloyds entity ("Trinity Lloyds") and Trinity Universal Insurance Company of Kansas ("TUIC") which are domiciled in New Hampshire, New York, Delaware, Florida, Wisconsin Texas and Kansas, respectively; and AmTrust International Insurance Ltd. ("AIP"), AmTrust International Underwriters Limited ("AIU"), and IGI Insurance Company ("IGI"), which are domiciled in Bermuda, Ireland and England, respectively. Consolidated results include the results of the holding company inclusive of wholly-owned subsidiaries. TIC, RIC and WIC write small commercial business, specialty risk insurance, extended warranty coverage and specialty middle-market property and casualty coverages in the United States. MCIC, SNIC, TUIC, and Trinity Lloyds write small commercial business coverages in the U.S. AIU writes specialty risk and extended warranty coverage plans in the European Union. AIU provides insurance for cellular telephones, computers, brown and white goods, consumer electronics, and heavy plant and equipment. 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. AIIC underwrites workers'

compensation insurance within the United States, while IGI underwrites specialty risk and extended warranty coverage in the European Union. All reinsures the underwriting activities of TIC, RIC, AIIC, MCIC, SNIC, TUIC, Trinity Lloyds, IGI and AIU.

The domestic group operates primarily as a workers' compensation writer, although to a lesser extent, provides specialty liability and warranty coverage. While the majority of the business is generated in the eastern United States, the group has increased its expansion and diversification initiatives. Through year end 2008, the mix of business was approximately 48% workers' compensation with the balance primarily comprised of warranty, specialty liability and auto liability. In recent years, AmTrust has acquired renewal rights intended to strengthen the existing distribution channels which have provided the group access to seasoned workers' compensation, general liability, select program and warranty business. The group enhanced the Small Commercial Insurance segment in June 2008 with its acquisition from Unitrin, Inc., which included four insurance entities writing commercial package business, as well as renewal rights to the UBI book of business written by Unitrin. The acquisition provides the group the ability to write commercial package, commercial auto, and select other lines for small businesses. During September 2008, AmTrust entered into a managing general agency agreement with CardinalComp, LLC, a workers' compensation managing general agent based in New York. The agreement provides AmTrust the opportunity to quote workers' compensation on former New York State Self Insured Group participants.

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. Additionally, the group increasingly utilizes a proprietary technology system that enables paperless business submissions and underwriting review.

2008 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Workers' Comp	429,507	112,736	53.3	43.0	93,328
Warranty	208,400	44,901	21.2	55.7	2,831
Oth Liab Occur	93,121	21,644	10.2	52.3	16,191
Comm'l Auto Liab	89,884	21,436	10.1	59.9	15,431
All Other	81,760	10,935	5.2	60.1	6,267
Totals	902,672	211,652	100.0	48.3	134,048

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Consolidated Balance Sheet

Admitted Assets (\$000)

	12/31/2008	%
Bonds	\$289,229	35.1
Preferred stock	5,190	0.6
Common stock	2,505	0.3
Cash & short-term invest	89,515	10.9
Other non-affil inv asset	33,476	4.1
Investments in affiliates	<u>0</u>	<u>0.0</u>
Total invested assets	\$419,915	51.0
Premium balances	307,745	37.3
Accrued interest	2,223	0.3
All other assets	<u>94,257</u>	<u>11.4</u>
Total assets	\$824,139	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$134,048	16.3
Unearned premiums	162,952	19.8
Conditional reserve funds	388	0.0
All other liabilities	<u>305,142</u>	<u>37.0</u>
Total liabilities	\$602,530	73.1
Total policyholders' surplus	\$221,609	26.9
Total liabilities & surplus	\$824,139	100.0

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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