

# Best's Rating Report



AmTrust  
FINANCIAL

## AMTRUST GROUP

AmTrust International Insurance Ltd  
Technology Insurance Co., Inc  
Rochdale Insurance Company  
AmTrust Europe Limited  
AmTrust Insurance Co. of Kansas  
AmTrust International Underwriters Ltd  
AmTrust Lloyd's Insurance Co. of TX  
Associated Industries Insurance Co.  
Milwaukee Casualty Insurance Co.  
Security National Insurance Co.  
Wesco Insurance Company

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## Associated With:

**AmTrust Financial Services, Inc**

## AMTRUST GROUP

59 Maiden Lane, 43rd Floor  
New York, NY 10038

Web: [www.amtrustgroup.com](http://www.amtrustgroup.com)

Tel: 212-220-7120

AMB#: 018533

Associated Ultimate Parent#: 051002

## RATING RATIONALE

**Rating Rationale:** The ratings are based on the consolidated results of AmTrust International Insurance, Ltd. (Bermuda) (AII), and its ten affiliate companies, which operate through an intercompany quota share reinsurance arrangement and make up the AmTrust Group (AmTrust). The ratings reflect the consolidated group's strong balance sheet, profitable underwriting and operating performance within its niche market segments, and access to additional capital to support

expanding operations from its publicly traded parent, AmTrust Financial Services, Inc. (AFSI), if needed. AmTrust has been successful in executing its business plan, which is focused on growth through acquisition of renewal rights offerings and established books of business at appropriate rates, terms and conditions. This enables AmTrust to further benefit from its expandable underwriting platform to drive expense savings.

Partially offsetting these positive factors are the group's continued significant growth in both premiums and associated liabilities over the current five-year period, primarily achieved through acquisitions either through renewal rights transactions or outright purchase of companies, the inherent risks associated with expansion into new markets and integrating new business along with adverse loss reserve development in recent calendar years especially in the workers' compensation line of business. Despite these concerns, the outlooks reflect the group's sustained strong operating results within its market segments, ongoing access to capital, and management's expertise and commitment to prudent underwriting through its proven business platform.

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AFSI's adjusted debt-to-capital (excluding AOCI) of 17.0% and its adjusted debt-to-tangible capital (excluding AOCI) of 26.0% (the group maintains a sizable 41.2% of equity in goodwill and intangible assets) at December 31, 2012, were within A.M. Best's guidelines at current rating levels. Combined with its access to a \$200 million credit facility and operating company dividend capacity, AFSI has ample liquidity to meet its corporate objectives. AFSI maintains a strong interest coverage ratio that is well within A.M. Best's guidelines for its ratings.

Key rating factors that may lead to future positive rating actions include the group outperforming its peers for an extended period of time. However, negative rating actions could result if operating performance falls markedly short of A.M. Best's expectations or if risk-adjusted capitalization declines significantly.

**Outlook:** Stable

## RATING UNIT MEMBERS

AmTrust Group		(AMB# 018533):	
AMB#	Company	Best's FSR	Pool %
050300	AmTrust International Ins Ltd	A	70.00
011234	Technology Insurance Co., Inc	A	20.00
003120	Rochdale Insurance Company	A	10.00
087400	AmTrust Europe Limited	A	
004778	AmTrust Insurance Co of Kansas	A	
057399	AmTrust Intl Underwriters Ltd	A	
003569	AmTrust Lloyd's Ins Co of TX	A	
011693	Associated Industries Ins Co	A	
003548	Milwaukee Casualty Ins Co	A	
002522	Security National Ins Co	A	
002468	Wesco Insurance Company	A	

## KEY FINANCIAL INDICATORS (\$000)

	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
Year					
2008	207,891	56,326	1,000,512	266,676	73.1
2009	213,604	57,378	1,267,389	310,199	84.4
2010	290,279	49,207	1,162,249	349,122	86.7
2011	365,460	43,096	1,604,118	406,635	90.3
2012	487,204	66,656	2,098,570	519,478	87.9

(\*) 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 Ltd, AmTrust Europe Limited and AmTrust International Underwriters, Ltd as they are domiciled in Bermuda, UK and Ireland, respectively, and is not required to file an NAIC statement.

The data presented within these tables includes the consolidated historical results of AmTrust North American Group operations.

## BUSINESS PROFILE

AmTrust is a multinational specialty property and casualty insurer focused primarily on serving the low-hazard, non-catastrophic insurance of the underserved niche markets. Through its Small Commercial Business segment the company provides workers' compensation and other commercial package products to small businesses in the U.S. nationwide through approximately 8,000 agent network and 44 Managing General Agents. 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 partnerships with an experienced team of general and other wholesale agents in key U.S. markets. AmTrust's Personal Lines Reinsurance segment includes the results of its quota share reinsurance agreement with National General Holdings Corporation (formerly 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), and 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. Rochdale Insurance Company (RIC), Milwaukee Casualty Insurance Company (MCIC), Security National Insurance Company (SNIC), and AmTrust Insurance Company of Kansas (AICK) write small commercial business, and specialty program property and casualty coverage in the U.S. Associated Industries Insurance Company, Inc. (AIIC), underwrites workers' compensation insurance and excess and surplus casualty business within the United States. AmTrust Lloyd's Insurance Company of Texas (AmTrust Lloyd's) is inactive. In 2013, AFSI completed its acquisition of Sequoia Insurance Company and its subsidiaries; Sequoia Indemnity Company, and Personal Express Insurance Company. In addition, AFSI completed its acquisition of First Nonprofit Insurance Company.

AmTrust International Underwriters Limited (AIU) and AmTrust Europe Ltd. (AmTrust Europe, formerly known as IGI Insurance Company) 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. AmTrust Europe underwrites specialty risk which includes Italian Medical Malpractice segment 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, AmTrust Lloyd's, AmTrust Europe and AIU. In 2013 AmTrust Europe completed its acquisition of Car Care Plan (Holding) Limited (CCPH), a Leeds, England based writer of insurance and administrative services to major auto manufacturers for auto extended warranty, guaranteed asset protection (GAP), wholesale floor plan insurance and other auto warranty and insurance products.

Through its vertically integrated proprietary technology system, management 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 keys 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 specialized prod-

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ucts which are delivered to a niche market through select independent agents.

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.

## 2012 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Workers' Comp	915,327	55.0	24,210	10.5
Warranty	252,135	15.2	9,118	3.9
Oth Liab Occur	203,801	12.3	36,735	15.9
Comm'l Auto Liab	123,144	7.4	8,985	3.9
Auto Physical	23,717	1.4	53,958	23.3
Excess Workers' Comp	34,270	2.1	30,594	13.2
Priv Pass Auto Liab	...	...	57,942	25.1
All Other	110,534	6.6	9,759	4.2
<b>Total</b>	<b>1,662,927</b>	<b>100.0</b>	<b>231,299</b>	<b>100.0</b>

  

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Workers' Comp	696,861	49.5	242,676	49.8	25.8
Warranty	185,969	13.2	75,283	15.5	28.8
Oth Liab Occur	196,294	14.0	44,241	9.1	18.4
Comm'l Auto Liab	102,186	7.3	29,943	6.1	22.7
Auto Physical	54,557	3.9	23,118	4.7	29.8
Excess Workers' Comp	45,476	3.2	19,388	4.0	29.9
Priv Pass Auto Liab	40,560	2.9	17,383	3.6	30.0
All Other	85,120	6.0	35,172	7.2	29.2
<b>Total</b>	<b>1,407,022</b>	<b>100.0</b>	<b>487,204</b>	<b>100.0</b>	<b>25.7</b>

## Balance Sheet Admitted Assets (\$000)

	12/31/2012	%
Bonds	\$1,002,681	47.8
Preferred stock	338	0.0
Common stock	1,219	0.1
Cash & short-term invest	134,283	6.4
Other non-affil inv asset	13,337	0.6
Investments in affiliates	38,026	1.8
<b>Total invested assets</b>	<b>\$1,189,884</b>	<b>56.7</b>
Premium balances	629,222	30.0
Accrued interest	10,738	0.5
All other assets	268,727	12.8
<b>Total assets</b>	<b>\$2,098,570</b>	<b>100.0</b>

## Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 428,004	20.4
Unearned premiums	338,767	16.1
Conditional reserve funds	2,392	0.1
All other liabilities	809,929	38.6
<b>Total liabilities</b>	<b>\$1,579,092</b>	<b>75.2</b>
Capital & assigned surplus	233,457	11.1
Unassigned surplus	286,021	13.6
<b>Total policyholders' surplus</b>	<b>\$ 519,478</b>	<b>24.8</b>
<b>Total liabilities &amp; surplus</b>	<b>\$2,098,570</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 Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance 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 an 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 Best's 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 Financial Strength Rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

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

### Secure Best's Financial Strength Ratings

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

### Vulnerable Best's Financial Strength 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

For the latest **Best's Financial Strength Ratings** and *AMB Credit Reports* visit the A.M. Best web site at [www.ambest.com](http://www.ambest.com). You may also obtain *AMB Credit Reports* by calling our Customer Service department at +1-908-439-2200, ext. 5742. To expedite your request, please provide the company's identification number (AMB #).