

Best's Rating Report



AmTrust
FINANCIAL

AMTRUST GROUP

New York, New York



A

Associated With:

AmTrust Financial Services, Inc
AMTRUST GROUP
59 Maiden Lane, 6th Floor
New York, NY 10038

Tel: 212-220-7120

AMB#: 018533

Associated Ultimate Parent#: 051002

Fax: 212-220-7130

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

AmTrust Group

(AMB# 018533):

AMB#	Company	Best's FSR	Pool %
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	
003569	AmTrust Lloyd's Ins Co of TX	A g	
087400	AmTrust Europe Limited	A g	
011693	Associated Industries Ins Co	A g	
003548	Milwaukee Casualty Ins Co	A g	
002522	Security National Ins Co	A g	
002468	Wesco Insurance Company	A g	

RATING RATIONALE

Rating Rationale: The rating is 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 rating reflects the consolidated group's strong balance sheet strength, sustained operating performance within its niche market segments, and the financial flexibility derived from its publicly traded parent, AmTrust Financial Services, Inc. (AFSI). AmTrust 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 ongoing growth in both premiums and associated liabilities primarily achieved through renewal rights transactions, as well as the inherent risks associated with expansion into new markets and 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 management's expertise and commitment to prudent underwriting through its proven business platform.

Best's Financial Strength Rating: A

Outlook: Stable

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KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
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
2010	289,044	36,526	995,718	290,730	89.2

(*) 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 AmTrust Insurance Company of Kansas (formerly known as Trinity Universal Insurance Company of Kansas). The transaction also included AmTrust Lloyd's Insurance Company of Texas (formerly known as 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) 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. Associated Industries Insurance Company, Inc. (AIIC), underwrites workers' compensation insurance within the United States. Milwaukee Casualty Insurance Company (MCIC), Security National Insurance Company (SNIC), AmTrust Lloyd's Insurance Company of Texas (AmTrust Lloyd's) and AmTrust Insurance Company of Kansas (AICK) write small commercial business coverage in the U.S.

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 and extended warranty coverage in the European Union. AmTrust International Insurance Ltd. (AIU) is domiciled in Bermuda and reinsures the underwriting activities of TIC, RIC, AIIC, MCIC, SNIC, AICK, AmTrust Lloyd's, IGI and AIU.

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 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 specialized products 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.

During 2009, AmTrust 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.

2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Workers' Comp	460,468	123,805	42.8	54.3	125,939
Warranty	151,323	61,694	21.3	64.7	3,223
Oth Liab Occur	91,021	30,589	10.6	48.7	43,374
Comm'l Auto Liab	37,280	26,129	9.0	73.1	32,583
Auto Physical	7,306	15,047	5.2	76.1	2,273
Priv Pass Auto Liab	...	12,892	4.5	57.6	2,439
Inland Marine	20,102	6,503	2.2	63.4	949
Fire	17,261	4,732	1.6	68.2	2,783
All Other	31,266	7,654	2.6	74.9	9,841
Totals	816,026	289,044	100.0	59.1	223,404

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Consolidated Balance Sheet Admitted Assets (\$000)

	12/31/2010	%
Bonds	\$397,714	39.9
Preferred stock	4,647	0.5
Common stock	4,193	0.4
Cash & short-term invest	47,985	4.8
Other non-affil inv asset	<u>6,281</u>	<u>0.6</u>
Total invested assets	\$460,821	46.3
Premium balances	415,511	41.7
Accrued interest	3,395	0.3
All other assets	<u>115,992</u>	<u>11.6</u>
Total assets	\$995,718	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$223,404	22.4
Unearned premiums	192,088	19.3
Conditional reserve funds	1,087	0.1
All other liabilities	<u>288,409</u>	<u>29.0</u>
Total liabilities	\$704,988	70.8
Capital & assigned surplus	133,710	13.4
Unassigned surplus	<u>157,021</u>	<u>15.8</u>
Total policyholders' surplus	\$290,730	29.2
Total liabilities & surplus	\$995,718	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 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

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