



Non-Life Business

Ultimate Parent: Sample Non-US Insurance, Inc.

SAMPLE NON-US INSURANCE COMPANY

123 Sample St., 6th Floor, London EC3A 8AE, England

Web: www.sampleinsurance.com

Tel: 12-34-5678-9876

AMB#: 000000

Ultimate Parent#: 000000

Fax: 12-34-5678-9876

AIIN#: 12-345678

Report Revision Date: 01/14/2011

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the insurance members of Sample Group, which operate under a group structure, each group member is assigned a Best's Financial Strength Rating of A++ (Superior). The company's Financial Size Category is Class XV which is the Financial Size Category of the group.

RATING RATIONALE

Rating Rationale: SNUSI Company is assigned the group's rating as it is a long-standing member of the group, possesses a niche as the group's chief underwriter for its overseas business, and receives explicit support from its parent by way of an internal stop-loss reinsurance agreement.

The following text is derived from the report of SNUSI Group.

This rating applies to Sample Non-US Insurance Company (SNUSI) and is based on its consolidation with four core affiliates and an affiliated county mutual. The rating reflects the group's superior capitalization, high quality balance sheet, well-recognized franchise and distinct business profile. These positive rating factors are partially offset by the group's exposure to frequent and severe weather-related events. The outlook is based on the group's superior capitalization, excellent business profile and favorable operating proficiencies.

The group's overall capitalization benefits from its conservative and focused business and financial strategies. The group's low cost structure, high customer retention and customer service capabilities have enabled it to build a significant long-term competitive advantage in the personal lines sector. Operational efficiencies are a result of the group's direct to consumer business model as well as the effective use of technology across the enterprise. As a result, SNUSI maintains a significantly favorable expense advantage relative to its personal lines peer composite on a five-year average basis. Customer loyalty is extremely strong with high overall retention ratios for all member segments. This strong degree of customer loyalty is the result of the group's excellent service capabilities as well as the variety of financial products available from the SNUSI family of companies which include asset management, private investment management, life insurance, real estate, credit cards and banking. As a result of these strengths, the entire SNUSI enterprise has built a sizeable market position owning or managing nearly \$146 billion in assets with the property and casualty group ranking as one of the ten largest property and casualty insurers in the U.S. based on policyholders' surplus. The Superior rating also acknowledges the group's strong enterprise risk management, which includes strong catastrophe management, and a sound reinsurance program, designed to preserve the capital and financial security of its membership. Risk management is evident through prudent risk selection guidelines, modified coverages in catastrophe-prone areas and a diversified traditional and capital markets-based reinsurance program. This was particularly evident in recent years, as the group was able to grow surplus, despite multiple catastrophic events.

The group has a clearly defined market niche in providing financial products to military and ex-military personnel as well as their dependents. Although growth in the core officer category has generally declined in recent years, there remain growth opportunities in both the enlisted and dependent market segments. In recent years, growth in both these market segments has increased. Although there are risks associated with growth into these segments given the different risk characteristics relative to the officer category, A.M. Best believes that the group's historical success in adapting to changing market conditions helps to mitigate these potential challenges.



These positive rating factors are modestly offset by the group's exposure to frequent and severe weather-related events. Although the group maintains a national spread of risk, approximately 40% of its premium volume is derived from four catastrophe-prone states: Texas, California, Florida and Virginia. While this exposure is largely reduced from a catastrophe perspective by the reinsurance program, operating results have been influenced by catastrophe losses.

Best's Financial Strength Rating: A++g

Outlook: Stable

FIVE YEAR RATING HISTORY

<u>Date</u>	<u>Best's FSR</u>
12/23/10	A++g
12/22/09	A++g
12/23/08	A++g
12/11/07	A++g
12/20/06	A++g

BUSINESS REVIEW

The company provides motor and property insurance in the European Community. Gross premiums continued to rise and a significant increase in the technical result compared to the prior year was achieved. The following split of business was disclosed: motor - other classes, motor - third party liability, property, general liability. Germany remained the largest source of gross premium income, followed by Italy, and then Belgium, Spain, Netherlands, Portugal, and France. The company has entered into a stop-loss reinsurance treaty whereby its parent company covers losses and expenses in excess of 100% of premium earned subject to a retention of GBP 1 million and subject to a payment from parent company of GBP 25 million.

The following text is derived from the report of SNUSI Group.

The SNUSI family of companies, which owns or manages assets of nearly \$146 billion, provides a wide range of insurance and financial products including property and casualty insurance, life and health insurance, annuities, no-load mutual funds, discount brokerage, financial planning, credit cards, banking and alliance services.

The property/casualty members of the SNUSI Group include Sample Insurance Association, SNUSI Company, SNUSI Casualty Insurance Company, SNUSI Company, Sample Lloyd's, Sample Property and Casualty Insurance Company, Sample Reinsurance Company, as well as Sample Insurance Limited, which insures automobiles of U.S. military personnel throughout Europe. The sole life members of the group are Sample Life Insurance Company and Sample Life Insurance Company of New York. SNUSI owns, through SNUSI Capital Corporation, a number of other subsidiaries engaged in non-insurance businesses, including SNUSI Investment Company, SNUSI Real Estate Company and SNUSI Federal Savings Bank. SNUSI and its subsidiaries constitute one of the nation's largest insurance and financial services organizations and ranks as the ninth-largest U.S. property/casualty insurer in terms of policyholder surplus.

SNUSI is a reciprocal interinsurance exchange, originally established to offer automobile insurance to United States military officers. The company was later expanded to include other property and casualty insurance coverages and to insure family members of military personnel. Membership is open to active duty and retired commissioned and non-commissioned officers of the regular forces and reserve components of the United States armed services and their families, as well as other personnel of the armed services as enumerated in the bylaws. Once an officer establishes membership in the association by purchasing a policy, eligibility for insurance continues even if the commission or warrant is relinquished.

The group maintains a loyal customer base through competitive pricing and superior customer service that is supported by a competitive expense advantage derived from marketing directly to its clients and the extensive utilization of technology. It also has diversified into other financial services accessing its existing client base. Members generally have favorable underwriting characteristics as contrasted to the general population, such as above average education, income and wealth. Membership growth is mostly attributable to personal recommendations. As military forces continue to be downsized, the traditional membership base has shifted towards family-based members. The associate membership base is expected to grow following the extension of eligibility to include individuals enlisted on active duty or serving in the selected reserves and National Guard.



The group specializes in writing personal lines property and liability insurance including private passenger automobile, dwelling fire, homeowners, comprehensive personal liability, household goods and personal effects, personal articles floater and personal umbrella policies. Coverage is afforded on automobiles operated in the United States, its territories and possessions, Canada, Europe, South Korea, and certain islands in the Pacific and Caribbean areas. Business is developed by mail, telephone, and the Internet on a direct basis from the home office. Regional offices are maintained in Colorado Springs, Colorado; Tampa, Florida; and Phoenix, Arizona.

In November of 2000, the group entered into an alliance with The Sample Services Group to offer commercial policies to SNUSI members that own small businesses. Under the program, SNUSI performs sales operations and marketing services while The Sample performs underwriting, policy servicing and claims administration.

Renters liability and contents insurance policies are written at independently filed rates in all states. The contents coverage under the renters policy covers unscheduled household goods and personal effects and affords worldwide coverage for multiple perils. A personal articles floater, renamed Valuable Personal Property in 2006, is available on items such as jewelry, furs, coin and stamp collections, and fine arts. The rates for this line of business are independently filed. Breakage coverage is afforded in fine arts at no additional premium. Fire and allied lines, homeowner and personal umbrella policies are written at independent rates in all states.

As a reciprocal, limited power of attorney is secured from each subscriber. Each year a portion of surplus may be allocated to subscribers' savings accounts. Payouts from these accounts are made in accordance with the association's bylaws. All policies are issued on a non-assessable basis.

In the fourth quarter of 2009, SNUSI further expanded its eligibility for membership to anyone who has ever served honorably in the U.S. Armed Forces.

FINANCIAL PERFORMANCE

The following text is derived from the report of SNUSI Group.

Overall Earnings: The group's operating results have been favorable over the last five years as evidenced by its five-year average pre-tax return on revenue, which outperforms the personal lines industry composite. However, a moderate degree of fluctuation over the past five years has been present due to catastrophe losses as was evident particularly in 2008. Earnings continue to be favorably impacted by the group's strong investment income as well as solid underwriting results. Despite incurring considerable catastrophe losses throughout the past five years, the group generated favorable operating returns and increased surplus through underwriting results and investment income. Deterioration in 2008 is attributed to increased cat losses and lower net investment income. However, results rebounded in 2009 with the positive trend continuing in 2010 with strong underwriting performance, investment earnings and unrealized capital gains. USAA continues to maintain significant competitive advantages due to its excellent capital position, unparalleled customer loyalty, operational efficiencies, risk mitigation strategies and unique market position in providing financial services to military personnel and dependents.

Underwriting Income: SNUSI's underwriting performance has been favorable, as evidenced by its five-year average combined ratio, which outperforms its composite. Underwriting results reflect management's implemented corrective actions, which included strict underwriting guidelines, rate adequacy and enhanced risk segmentation. Historically, underwriting results had been impacted by the group's dividend payment strategy as reflected by sizeable policyholder dividend payouts in prior years. In addition, the group's reputation for superior customer service and the availability of other financial services from the group's non-insurance subsidiaries have led to consistently high customer retention levels. These capabilities and market share position in the military market further increase the group's advantage in the personal lines sector. Further, underwriting income continues to benefit from the group's low expense ratio that is derived from its extensive use of technology as well as its direct sales business model. As a result, the five-year average expense ratio compared significantly favorably to the personal lines industry composite.

However, despite a national spread of risk and prudent catastrophe management programs, the group has exposure in catastrophe-prone states. This was evident in recent years with considerable net catastrophe losses in 2004-2005. Catastrophes were significant again in 2008, which was one of the highest catastrophe loss years for the group. However, underwriting performance rebounded in 2009 and has been solid in 2010 helped by more moderate catastrophe losses.

Investment Income: The group's investment yield has fluctuated due to interest rate volatility in recent years, but remains in line with its composite. Investment income has been a major contributor in the group's overall profitability as it has provided a solid source of income in relation to fluctuating underwriting performance. Deterioration in net investment income in 2008 was attributable to the financial market turmoil during that year. Realized and unrealized capital gains have been generally favorable over the past five years, despite the volatility of the overall U.S. financial



markets. In 2009 and again in 2010, the group had significant unrealized gains as the financial markets improved. The group primarily invests in fixed income securities, including tax-exempt municipals, corporates, U.S. Treasury, asset-backed holdings as well as cash equivalents. The group has a history of adjusting its equity holdings as market conditions and its risk appetite dictate. However, equity holdings as a percent of invested assets have been historically modest, and occasionally the group has come close to eliminating all equity holdings. This approach is consistent with management's conservative operating strategy in terms of minimizing risk across the enterprise.

CAPITALIZATION

The following text is derived from the report of SNUSI Group.

SNUSI maintains superior capitalization as measured by its Best's Capital Adequacy Ratio (BCAR); this is reflective of its low underwriting and equity leverage measures, which are partially offset by exposure in catastrophe-prone states. The group's capital is also enhanced by the financial flexibility afforded by SNUSI Corporation and its access to the capital markets in the form of commercial paper and medium-term notes, as well as several banking facilities. Despite several catastrophe losses in recent years, the group's overall capitalization remains superior.

SNUSI's capital generation has been favorable as evidenced by additions to surplus in each of the last five years and an aggregate surplus growth of approximately 60% during this time period. Further, management's policyholder distribution plan has been more conservative in recent years in order to preserve capital. Despite frequent and severe catastrophe losses in 2004, 2005 and 2008, the group has continued to record solid surplus growth over the past five years, with 2010 witnessing another solid performance helped by superior underwriting performance and consistently solid investment income. Going forward, A.M. Best expects the group to continue to fund its expansion through internally generated capital based on its historical profitability and management's flexibility with regard to policyholder distributions.

Underwriting Leverage: Net and gross underwriting leverage ratios have remained consistently conservative and compare favorably to the industry composite. Recent years of double-digit surplus growth and generally moderate premium growth have further stabilized underwriting leverage ratios at a conservative level supported by the group's internal generation of capital. Because of its significant asset base and diverse geographic spread of risk, the group maintains substantially all of its business for its own account, which results in low ceded reinsurance leverage. In addition, the group's use of catastrophe bonds also reduces the coverage amount of catastrophe reinsurance and its associated ceded premium.

Reserve Quality: Since 2002, the group's reserve development on both an accident and calendar year basis has been favorable. The majority of reserves is held in the automobile liability line with minimal exposure to longer-tailed lines of business.

Reinsurance Utilization: SNUSI maintains a sound aggregate and occurrence reinsurance program that contemplates frequency and severity. The group's reinsurance program is limited primarily to catastrophe coverage on property lines. The goal of the reinsurance program is to mitigate the financial impact of a severe catastrophe or series of catastrophes. Specifically, company management aims at mitigating the financial impact of a 1-in-500-year aggregate catastrophe loss year. The largest potential peril for a major catastrophe is the group's hurricane exposure in the Southeast, as earthquake exposure has significantly declined. Hurricane exposure was particularly evident in 2004, 2005 and 2008. In 2004, considerable net losses were generated due to hurricanes Charley, Frances, Ivan and Jeanne. In 2005, hurricanes Dennis, Katrina, Rita and Wilma also resulted in significant net losses. In 2008, several smaller regional catastrophes coupled with hurricanes Ike and Gustav, contributed to significant net catastrophe losses. The group analyzes these perils individually by region and in the aggregate across the United States. A variety of risk transfer tools are used, including traditional catastrophe reinsurance, reinsurance funded by capital markets, and state funds.

Investment Leverage: The group's common stock leverage and non-affiliated investment leverage compare favorably to the personal lines industry composite. Prior to 2002, common stock leverage represented approximately 30% of policyholder surplus. After liquidating virtually all of its common stock holdings in 2002, the group re-entered the equity market in 2003 but substantially reduced holdings again in 2007. Currently, common stock holdings represent approximately 8% of the group's surplus. USAA's affiliated investment leverage is elevated in comparison to the personal lines composite. Affiliated investment leverage totaled approximately 50% of policyholder surplus. This is largely due to its equity position in its subsidiaries and, to a lesser extent, its investments in real estate. The group's elevated affiliated investment leverage is mitigated by its exceptional capital position, which is largely reflective of its conservative operating leverage and prudent catastrophe management.

LIQUIDITY

The following text is derived from the report of SNUSI Group.

SNUSI maintains a solid liquidity position, with the current liquidity ratio comparing favorably to the personal lines industry composite, while the



quick liquidity ratio is similar to the composite. Assets are invested largely in high-quality bonds, with an average maturity that is between five and six years. Overall liquidity has benefited from consistently positive operating cash flows over the last five years, despite a drop in 2008 as a result of payouts due to catastrophe losses as well as lower investment income. Liquidity is also enhanced by the group's medium-term notes, commercial paper program, a revolving credit facility and ready access to capital.

Source of Information: Company Annual Report

Summarized Accounts as of December 31, 2009

US \$ per Local Currency Unit 1.59257 = 1 British Pound (GBP)

STATEMENT OF INCOME

	12/31/2009 GBP(000)	12/31/2009 USD(000)
Technical account:		
Direct premiums	49,262	78,453
Gross premiums written	49,262	78,453
Reinsurance ceded	4,598	7,323
Net premiums written	44,664	71,131
Increase/(decrease) in gross unearned premiums	5,562	8,858
Increase/(decrease) in reinsurers share unearned premiums	63	100
Net premiums earned	39,165	62,373
Total underwriting income	39,165	62,373
Net claims paid	30,329	48,301
Net increase/(decrease) in claims provision	-1,916	-3,051
Net claims incurred	28,413	45,250
Management expenses	8,979	14,300
Net operating expenses	8,979	14,300
Total underwriting expenses	37,392	59,549
Balance on technical account	1,773	2,824
Non-technical account:		
Net investment income	2,760	4,395
Realised capital gains/(losses)	3,232	5,147
Unrealised capital gains/(losses)	2,086	3,322
Other income/(expense)	-62	-99
Profit/(loss) before tax	9,789	15,590
Taxation	2,414	3,844
Profit/(loss) after tax	7,375	11,745
Increase/(decrease) in the equalisation provision	52	83
Retained Profit/(loss) for the financial year	7,323	11,662
Retained Profit/(loss) carried forward	7,323	11,662



AMB Credit Report - Insurance Professional

000000 Sample Non-US Insurance Company

As of Friday, January 14, 2011

MOVEMENT IN CAPITAL & SURPLUS

	12/31/2009 GBP(000)	12/31/2009 USD(000)
Capital & surplus brought forward	21,421	34,114
Currency exchange gains	-365	-581
Profit or loss for the year	7,323	11,662
Other changes	-413	-658
Total change in capital & surplus	6,545	10,423
Capital & surplus carried forward	27,966	44,538

ASSETS

	12/31/2009 GBP(000)	12/31/2009 % of total	12/31/2009 USD(000)
Cash & deposits with credit institutions	3,868	4.1	6,160
Bonds & other fixed interest securities	67,026	70.2	106,744
Liquid assets	70,894	74.2	112,904
Total investments	70,894	74.2	112,904
Reinsurers' share of technical reserves - unearned premiums	199	0.2	317
Reinsurers' share of technical reserves - claims	19	0.0	30
Total reinsurers share of technical reserves	218	0.2	347
Insurance/reinsurance debtors	22,620	23.7	36,024
Other debtors	128	0.1	204
Total debtors	22,748	23.8	36,228
Fixed assets	295	0.3	470
Prepayments & accrued income	1,340	1.4	2,134
Total assets	95,495	100.0	152,082



AMB Credit Report - Insurance Professional

000000 Sample Non-US Insurance Company

As of Friday, January 14, 2011

LIABILITIES

	12/31/2009 GBP(000)	12/31/2009 % of total	12/31/2009 USD(000)
Capital	10,000	10.5	15,926
Paid-up capital	10,000	10.5	15,926
Non-distributable reserves	348	0.4	554
Claims equalisation reserve	1,075	1.1	1,712
Retained earnings	17,618	18.4	28,058
Capital & surplus	29,041	30.4	46,250
Gross provision for unearned premiums	25,420	26.6	40,483
Gross provision for outstanding claims	36,711	38.4	58,465
Total gross technical reserves	62,131	65.1	98,948
Insurance/reinsurance creditors	1,444	1.5	2,300
Other creditors	1,054	1.1	1,679
Total creditors	2,498	2.6	3,978
Accruals & deferred income	650	0.7	1,035
Other liabilities	1,175	1.2	1,871
Total liabilities & surplus	95,495	100.0	152,082

HISTORY

This company was incorporated in the UK on July 23, 1962 under the name of Sample Non-US Insurance. The present name was adopted on January 1, 1983.

There are 10,000,000 ordinary shares authorized.

All 10,000,000 ordinary shares have been issued to Sample Non-US Insurance Company.

MANAGEMENT

The ultimate parent is Sample Non-US Insurance, Inc., organized in the USA.

Officers: Managing Director, John Smith.

Directors: John Smith, Jane Smith, Peter Smith, Mary Smith, Paul Smith, James Smith

ANALYSIS OF GROSS PREMIUMS WRITTEN

	GBP (000) <u>2009</u>	GBP (000) <u>2008</u>	GBP (000) <u>2007</u>	GBP (000) <u>2006</u>	GBP (000) <u>2005</u>
Automobile	20,468	14,793	11,916	12,935	12,856
Automobile - liability	18,894	14,492	11,701	12,496	12,607
Liability	2,912	1,876	1,577	1,702	1,563
Property	6,988	5,481	5,317	6,198	5,801
Total non-life	49,262	36,642	30,511	33,331	32,827



BALANCE SHEET ITEMS

	GBP (000) <u>2009</u>	GBP (000) <u>2008</u>	GBP (000) <u>2007</u>	GBP (000) <u>2006</u>	GBP (000) <u>2005</u>
Liquid assets	70,894	67,997	53,070	50,518	51,049
Total investments	70,894	67,997	53,070	50,518	51,049
Total assets	95,495	94,697	71,001	68,610	70,765
Gross technical reserves	62,131	68,178	50,913	47,774	52,301
Net technical reserves	61,913	66,850	49,358	46,510	51,054
Total liabilities	66,454	72,253	53,369	50,631	54,402
Capital & surplus	29,041	22,444	17,632	17,979	16,363

INCOME STATEMENT ITEMS

	GBP (000) <u>2009</u>	GBP (000) <u>2008</u>	GBP (000) <u>2007</u>	GBP (000) <u>2006</u>	GBP (000) <u>2005</u>
Gross premiums written	49,262	36,642	30,511	33,331	32,827
Net premiums written	44,664	33,132	27,229	29,762	29,419
Balance on technical account(s)	1,773	-736	-132	1,930	678
Profit/(loss) before tax	9,789	3,191	1,567	3,048	1,387
Profit/(loss) after tax	7,375	2,257	1,036	1,949	873

LIQUIDITY RATIOS (%)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total debtors to total assets	23.8	24.7	20.3	21.5	24.5
Liquid assets to net technical reserves	114.5	101.7	107.5	108.6	100.0
Liquid assets to total liabilities	106.7	94.1	99.4	99.8	93.8
Total investments to total liabilities	106.7	94.1	99.4	99.8	93.8

LEVERAGE RATIOS (%)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net premiums written to capital & surplus	153.8	147.6	154.4	165.5	179.8
Net technical reserves to capital & surplus	213.2	297.9	279.9	258.7	312.0
Gross premiums written to capital & surplus	169.6	163.3	173.0	185.4	200.6
Gross technical reserves to capital & surplus	213.9	303.8	288.8	265.7	319.6
Total debtors to capital & surplus	78.3	104.4	81.8	82.1	106.1
Total liabilities to capital & surplus	228.8	321.9	302.7	281.6	332.5

PROFITABILITY RATIOS (%)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Loss ratio	72.5	77.2	76.3	69.2	74.2
Operating expense ratio	20.1	22.5	25.3	24.5	23.6
Combined ratio	92.7	99.7	101.6	93.7	97.8
Net investment income ratio	7.0	10.1	8.7	7.7	7.8
Operating ratio	85.6	89.6	92.9	86.0	90.1
Return on net premiums written	16.5	6.8	3.8	6.5	3.0
Return on total assets	7.8	2.7	1.5	2.8	1.3
Return on capital & surplus	28.6	11.3	5.8	11.4	5.6



AMB Credit Report - Insurance Professional

000000 Sample Non-US Insurance Company

As of Friday, January 14, 2011

The Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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 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. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best's Terms of Use at www.ambest.com/terms.html

Copyright © 2011 A.M. Best Company, Inc. All rights reserved.

No part of this report may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of the A.M. Best Company. While the data in this report was obtained from sources believed to be reliable, its accuracy is not guaranteed.

AMB Credit Report - Insurance Professional BCR01142011

SAMPLE