



Ultimate Parent: Sample Insurance Group, Inc.

## SAMPLE INSURANCE COMPANY

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NAIC#: 12345

FEIN#: 12-3456789

Report Revision Date: 02/14/2011

## BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the company's Financial Strength and relationship with an affiliated reinsurer, which reinsures virtually all of the company's business, the company is assigned the Best's Financial Strength Rating of its affiliated reinsurer, Sample Insurance Company, which is A (Excellent). The company is assigned the Financial Size Category of Class XIV, which is the Financial Size Category of its affiliated reinsurer.

## RATING RATIONALE

The following text is derived from the report of Sample Insurance Companies.

**Rating Rationale:** The rating applies to Sample Insurance Companies' (the group) eleven intercompany pool members, led by Sample Insurance Company, and to Sample Lloyd's Insurance Company, which maintains a 100% quota share reinsurance agreement with Sample Insurance Company, and is based on the group's solid risk-adjusted capitalization, strong operating profitability in its core business lines and diversified business profile. Somewhat offsetting these favorable rating factors are the payment of significant stockholder dividends in recent years, pockets of adverse loss development which include asbestos, environmental and other mass torts, elevated common equity leverage and sizeable holdings of NAIC class 3-6 structured securities relative to surplus. The outlook reflects the group's strong business position, experienced management team and balanced portfolio of specialty risks that are enhanced by geographic diversification.

The group's solid risk-adjusted capitalization is driven by largely favorable underwriting results, reflective of management's disciplined operating style, product knowledge and access to data through its sophisticated technology platform and multiple distribution channels, diversified product offerings and excellent geographic spread of risk. Strong underwriting results also reflect disciplined initiatives and premium rate increases garnered in the earlier years as well as modest natural catastrophe exposures. Overall loss reserve development has been favorable in the most recent years, particularly on reserves for the current accident years, which has enhanced capitalization.

The group's concentration in structured securities, largely non-agency residential mortgage-backed and commercial mortgage-backed securities, and to a lesser extent, exposure to below investment grade securities represented approximately 56% and 14% of policyholder surplus at year-end 2009, respectively. Although a reduction from levels reported in prior years, this exposes the group's surplus to a greater amount of variability as was evidenced by the amount of realized and unrealized capital losses reported in 2008, which adversely impacted the group's risk-adjusted capital. In addition, the group experienced variability in loss reserves prior to 2006 driven by unfavorable loss reserve development and strengthening of asbestos and environmental loss reserves; however, this concern is somewhat offset by management's comprehensive annual reviews which include the use of outside parties every other year. A.M. Best expects that continued soft pricing and continued competitive forces in the U.S. commercial lines sector will likely pressure underwriting margins over the near term.

The rating also considers the impact of the group's ultimate parent company, Sample Financial Group, Inc. (SFG). SFG has demonstrated its commitment to maintaining the group's capital adequacy by varying dividends and providing explicit capital support when required. SFG maintains financial leverage and cash coverage ratios that are in line with A.M. Best's rating methodology and has no material debt maturing until 2019. A.M. Best expects that solid earnings and cash flows from the group and other operating subsidiaries will enable AFG to maintain adequate capitalization at its operating entities while meeting its holding company obligations.

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

**Outlook: Stable**



## FIVE YEAR RATING HISTORY

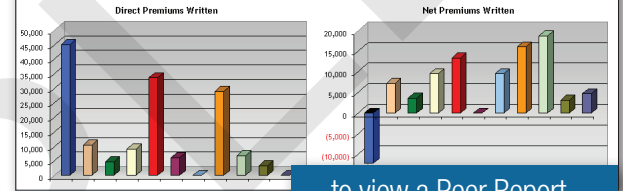
	Current Year		
	1	2	3
<b>ASSETS</b>			
	Assets	Nonadmitted Assets	Net Admitted Assets (Col. 1 - 2)
1. Bonds (Schedule D)	17,388	0	17,388
2. Stocks (Schedule D)	0	0	0
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B)	0	0	0
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A)	0	0	0
4.1 Properties occupied by the company (less \$0 encumbrances)	0	0	0
4.2 Properties held for the production of income (less \$0 encumbrances)	0	0	0
4.3 Properties held for sale (less \$0 encumbrances)	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	550	0	550
6. Contract loans (including \$0 premium notes)	0	0	0
7. Derivatives	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending/reinvested collateral assets	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotal, cash and invested assets (Lines 1 to 11)	17,937	0	17,937
13. Title plants (less \$0 charged off (for title insurers only))	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations	0	0	0

... to see the statutory data.

Date  
02/14/11  
05/10/10  
03/27/09  
12/17/07  
11/28/06

Best's  
FSR  
A r  
A r  
A r  
A r  
A r

Rank (P/R)	AMB#	Name	Best's Financial Strength Rating & Modifier	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policyholders	Surplus
419	000184	Professional Direct Insurance Company	A r	45,595	(12,704)	916	2,619	18,598	18,537	
420	011599	Terra Insurance Co (A RRG)	A	10,464	2,236	1,461	1,419	26,584	18,463	
421	002192	Wisconsin Lawyers Mutual Insurance Co	A	4,716	3,601	979	756	27,233	18,354	
422	002847	Pioneer Specialty Insurance Company	A p	9,114	9,548	1,998	1,460	35,391	18,282	
423	002536	Western National Assurance Company	A p	33,594	13,368	2,055	1,697	42,997	17,905	
424	00	Sample Insurance Company	A r	6,166	0	615	302	17,854	17,852	
425	002651	Western Home Insurance Company	A p	0	9,548	2,184	1,899	34,446	17,884	
426	002636	Association Casualty Insurance Company	A p	28,969	16,000	1,880	2,845	44,852	17,663	
427	000410	Georgia Casualty & Surety Company	A p	6,789	18,747	353	1,613	37,846	17,256	
428	012451	Petroleum Marketers Management Ins Co	B++	3,371	3,130	2,752	2,047	25,033	17,017	
429	011321	Mid-Continent Assurance Company	A p	17	4,733	3,653	2,249	31,663	16,828	



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## KEY FINANCIAL INDICATORS

Period	Statutory Data (\$000)		
	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
Ending 2005	7,465	...	586
2006	692	...	645
2007	297	...	673
2008	6,533	...	681
2009	6,166	...	615
09/2009	5,916	...	456
09/2010	5,514	...	468

Period	Statutory Data (\$000)		
	Net Income	Total Admitted Assets	Policyholders' Surplus
Ending 2005	388	16,229	16,129
2006	432	16,580	16,554
2007	437	17,028	16,994
2008	438	17,343	17,342
2009	302	17,854	17,852
09/2009	164	18,428	17,615
09/2010	360	18,200	18,200



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Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash- flow (%)
2005	...	3.7	...	...	...	0.0	999.9	446.0
2006	...	4.0	...	...	...	0.0	999.9	219.1
2007	...	4.1	...	...	...	0.0	999.9	295.7
2008	...	4.1	...	3.4	...	0.0	999.9	247.5
2009	...	3.6	...	...	...	0.0	999.9	255.9
5-Yr Avg	...	3.9	...	...	...	...	...	...
09/2009	...	XX	...	XX	...	...	999.9	275.8
09/2010	...	XX	...	XX	...	...	...	557.0

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

## BUSINESS REVIEW

The following text is derived from the report of Sample Insurance Companies.

The Sample Insurance Pool, led by Sample Insurance Company, writes business in all 50 states, the District of Columbia and Canada, providing specialized commercial insurance products through approximately 12,000 independent agents and brokers. The group offers products in the inland and ocean marine, agricultural, executive liability, fidelity and surety, commercial auto, collateral protection, umbrella, excess and surplus, and excess property lines of business.

Business is comprised of a highly diversified set of segments, with premium volume varying based on market conditions. Each segment is managed with significant autonomy, allowing managers to focus on their particular products to ensure their continued profitability. The group is one of the largest writers, based on premium volume, of multi-peril crop insurance, which it has written since 1925. In 2005, the group acquired the crop business written through Sample Crop Insurance, Inc., increasing its presence in that market.

Sample Insurance Company and ten companion carriers participate in an inter-company pooling arrangement. Sample Insurance Company retains 100 percent of the pooled business. Additionally, Sample Insurance assumes 100 percent of the business written by Sample Lloyd's Insurance Company.

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**Direct Premium Writings By Product Lines:** Direct Premiums written at the last year end totaled (\$000) \$6,166, and were distributed as follows: Excess Workers' Comp, \$5,813; Inland Marine, \$340; All Other, \$13.



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**Geographical breakdown of direct premium writings (\$000):** New York, \$5,814 (94.3%); New Hampshire, \$331 (5.4%); Tennessee, \$6 (0.1%); Missouri, \$4 (0.1%); Georgia, \$3 (0.1%); 7 other jurisdictions, \$9 (0.2%).

## FINANCIAL PERFORMANCE

The following text is derived from the report of Sample Insurance Companies.

**Overall Earnings:** The group has generated positive operating results, as demonstrated by the levels of pre-tax operating income produced in the 2006 through 2009 period, reflective of improved core underwriting results and solid net investment income generation on a stable asset base. Despite favorable underwriting results, the impact of realized and unrealized capital losses in 2007 and 2008 have resulted in negative total return measures in those years. Favorable development of prior years' loss reserves recognized in recent years also contributed to strong results. Prior to 2006 however, the group's operating results were impacted by adverse development on older accident years. On a five year average basis, the group's profitability as measured by returns on revenue and equity either meet or exceed average five year industry results, with the most significant improvement occurring in 2009.

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## PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2005	...	2.4	...	...	8.5	8.2	104.4	90.6
2006	...	2.6	...	...	19.3	19.5	94.1	79.5
2007	...	2.6	...	...	20.8	15.8	94.5	78.5
2008	...	1.9	...	...	16.7	-1.0	98.9	83.7
2009	...	2.3	...	...	15.0	11.3	99.8	85.0
5-Yr Avg	...	2.4	...	...	16.1	10.7	98.3	83.4
09/2009	...	XX	...	...	XX	XX	XX	XX
09/2010	...	XX	...	...	XX	XX	XX	XX

**Underwriting Income:** The group's underwriting results have been positive over the previous four years, with record net underwriting income in 2009 driven by favorable calendar year development and strong crop results. Net premiums written for 2009 decreased over 23% driven in part to soft market conditions but more so to a reduction in crop premium, as the group increased its cession to its crop quota share treaty from 50% to 90% and lower commodity prices in 2009. 2008 results benefitted from the recognition of \$150 million in favorable prior years' loss reserve development in that year. Varying levels of adverse loss reserve development and, particularly in 2005, strengthening of asbestos and environmental reserves impacted underwriting results earlier in the period. As a result of the improved underwriting performance, the group's five-year average combined ratio after policyholder dividends slightly outperforms the commercial casualty industry composite average. The recent years' results are reflective of management's commitment to maintaining underwriting and pricing guidelines as market conditions have softened. Results also reflect the generally favorable impact of the group's decision to acquire the crop insurance business of Sample Crop Alliance in 2005, and the implementation of a comprehensive reinsurance strategy for that business, which resulted in the group posting favorable crop underwriting



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results in 2008 despite weather and commodity pricing challenges. Crop profitability improved in 2009 driven by lower catastrophes, despite the aforementioned reduction in net premiums written.

The implementation of re-underwriting initiatives, including premium rate increases, and the discontinuation of several non-core businesses drove much of the improvement in underwriting results since 2005. Reduced loss adjustment expenses offset an increase in expenses over the period which was driven by higher than average commissions and in 2009 higher salaries as a percentage of total underwriting expenses given the net premium reductions in that year. Reduced losses in its largest lines of business, including other liability, inland marine and allied lines, contributed to the positive 2006 results, following a deterioration in underwriting results in 2005 primarily attributable to the previously mentioned A&E reserve strengthening. The group's solid management team, which has extensive specialty product knowledge and adheres to a disciplined pricing and risk selection process, positively impacts the underwriting results. The group's product line and geographic spread of risk somewhat insulates results from localized market dislocations and disruption.

**Investment Income:** Despite reporting modest negative total return on invested assets (ROIA) in 2007 and 2008, the group's ROIA outperforms the commercial casualty industry composite average, as evidenced by its five-year average ROIA. Investment income increased in 2008 and 2009 after declining modestly in 2007, primarily due to the impact of the transfer of Sample Insurance Company's interest in Sample Financial Resources, Inc. (SFRI) to its parent in December, 2007. Admitted assets decreased by 5.1% in 2009 largely due to the premium reduction and the investment yield grew to 7.2%, its highest level in the five year period.

Approximately 78% of the group's assets are invested, mostly in fixed income securities with modest allocations in equities, real estate and short term investments. The fixed income portfolio consists mainly of corporate issuances, with approximately 40% in non-agency residential mortgage backed and commercial mortgage backed securities, intermediate-term maturities as management maintains an objective of optimizing total returns while allowing flexibility to react to changes in market conditions and is complemented by smaller allocations of government agency and U.S. treasuries. In aggregate, the fixed income portfolio is invested in NAIC class 1 and 2 investments; however, the group maintains a concentration in structured securities, largely non-agency residential mortgage backed and commercial mortgage backed securities, and to a lesser extent, exposure to below investment grade securities which represented approximately 56% and 14% of policyholder surplus at year-end 2009, respectively.

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## INVESTMENT INCOME ANALYSIS (\$000)

Year	Company		
	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2005	586	...	...
2006	645	...	...
2007	673	-3	...
2008	681	8	-107
2009	615	-140	107
09/2009	456	-163	107
09/2010	468	16	...

Year	Company			Industry Composite	
	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2005	19.5	3.7	3.7	19.3	4.9
2006	10.1	4.0	4.0	9.6	4.9



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2007	4.3	4.1	4.1	9.8	5.0
2008	1.2	4.1	3.4	-6.4	4.7
2009	-9.6	3.6	3.4	-8.8	4.4
5-Yr Avg	4.1	3.9	3.7	3.6	4.8
09/2009	XX	XX	2.3	XX	XX
09/2010	XX	XX	2.7	XX	XX

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## INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2009 Inv Assets (\$000)	% of Invested Assets		Annual % Chg
		2009	2008	
Long-Term bonds	16,648	93.8	80.9	19.0
Other Inv Assets	1,103	6.2	19.1	-66.5
Total	17,751	100.0	100.0	2.7

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## 2009 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class		Struc. Secur. (%)	Struc. Secur. (% of PHS)
				1 - 2 (%)	3 - 6 (%)		
Governments	57.2	7.0	4.0	100.0	...	...	...
States, terr & poss	14.3	-0.2	6.5	100.0	...	...	...
Special Revenue	20.9	0.2	5.6	100.0	...	...	...
Corporates	7.5	4.4	5.8	100.0	...	...	...
Total all bonds	100.0	4.2	4.8	100.0	...	...	...

## CAPITALIZATION

The following text is derived from the report of Sample Insurance Companies.

**Capital Generation:** Although the group has generated strong underwriting and net investment income over the years, the group's surplus has remained relatively flat over the past five years driven primarily by capital management activities by its parent, SFG, which resulted in over \$1.03 billion in stockholder dividends paid over the same period. The realignment of affiliated assets impacted surplus levels in 2007 where the group incurred a 15.1% decrease in surplus relating to the transfer of \$194.2 million in SFRI common stock from SIC to SFG in December, 2007, including a loss on disposal of \$32.5 million and the reversal of previously accrued unrealized capital gains related to SFRI. Further impacting surplus levels were capital losses in 2007 related to other assets of the group (including other affiliated investments in 2007) and in 2008 capital losses related to losses derived from the group's fixed income and equity portfolios. Surplus increased by approximately 12% in 2009 driven by



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solid underwriting results and net investment income and modest realized and unrealized capital gains reflective of general improvement in global equity markets.

Going forward, A.M. Best expects statutory surplus will remain in-line with current leverage levels and will continue to be influenced by the performance of the group's investment portfolio, operating earnings and payout of stockholder dividends.

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## CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth		
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2005	586	...	...
2006	645	...	...
2007	673	-3	...
2008	681	-99	...
2009	615	-33	...
5-Yr Total	3,200	-136	...
09/2009	456	-56	...
09/2010	468	16	...

Year	Source of Surplus Growth		
	Other, Net of Tax	Change in PHS	PHS Growth (%)
2005	-275	311	2.0
2006	-220	425	2.6
2007	-229	440	2.7
2008	-234	348	2.0
2009	-72	510	2.9
5-Yr Total	-1,030	2,033	...
09/2009	-127	273	1.6
09/2010	-135	348	2.0

**Overall Capitalization:** The group maintains supportive risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) analysis. The group's risk-adjusted capitalization benefits from its reasonable net underwriting leverage and conservative natural catastrophe exposure that is somewhat offset by adverse loss reserve development, elevated ceded reinsurance leverage and its above-average asset risk, driven by its affiliated public common stock holding. The gross probable maximum loss (PML) as depicted in a PML analysis from a 100-year hurricane, the group's largest potential natural peril is manageable when compared to the group's capital position as the net PML has been reduced to a modest level through the utilization of reinsurance.

SFG management allocates capital among its insurance companies based on the amount of capital required to support underwriting risks given premium volume, loss reserve exposure and investment performance. In the past, SFG's diversification across its insurance companies has permitted it to effectively manage overall capital allocations, even in earlier years when financial leverage measures were elevated.



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## QUALITY OF SURPLUS (\$000)

Year	Year-End PHS	% of PHS			Dividend Requirements		
		Cap Stk/Contrib.	Other	Un-assigned Surplus	Stock-holder Divs	Div to POI (%)	Div to Net Inc. (%)
		Cap.		Surplus			
2005	16,129	75.6	...	24.4	...	...	...
2006	16,554	73.7	...	26.3	...	...	...
2007	16,994	71.8	...	28.2	...	...	...
2008	17,342	70.4	...	29.6	...	...	...
2009	17,852	68.3	...	31.7	...	...	...
09/2009	17,615	69.3	...	30.7	...	...	...
09/2010	18,200	67.0	...	33.0	...	...	...

**Underwriting Leverage:** The group's statutory surplus continues to support premium and liability exposures; however, net and gross underwriting leverage measures are elevated relative to the composite at year-end 2009 primarily due to the amount of reinsurance the group employs due to change in the Crop quota share from 50% to 90%. Premium volumes increased moderately from 2005 through 2008, largely driven by the multi-peril crop insurance and crop hail business formerly written by Sample Crop Alliance. The 2009 decrease in premium written reflects a reduction in the multi-peril crop insurance retention and continued soft market conditions. A.M. Best expects that the group will maintain leverage measures inline with historical results going forward.

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## PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2005	7,465	-49.2	7,467	-49.2
2006	692	-90.7	693	-90.7
2007	297	-57.1	297	-57.2
2008	6,533	999.9	6,533	999.9
2009	6,166	-5.6	6,166	-5.6
5-Yr CAGR	...	-16.0	...	-16.0
5-Yr Change	...	-58.1	...	-58.1
09/2009	5,916	-7.9	5,916	-7.9
09/2010	5,514	-6.8	5,514	-6.8



**Reserve Quality:** Favorable development of \$169.7 million for prior years' loss reserves was recognized in 2009. Loss reserves have developed favorably for the six most recent accident years and for calendar years 2006-2008. Calendar years prior to 2006 and accidents years prior to 2003 have developed unfavorably. Adverse loss reserve development of \$47 million in 2007 was driven by adjustments in reserves for asbestos and environmental losses, and in various run-off businesses. Adverse loss reserve development of \$24 million in 2006 was primarily attributed to the professional liability component of the other liability (claims-made) line and adverse development of various run-off business. Adverse development declined significantly from 2005, when the group took a \$172 million A&E pre-tax charge. These exposures relate primarily to the run-off operations of its property/casualty group.

Sample Insurance's net A&E reserves, based on NAIC Annual Statement Footnote 32 disclosure data for year-end 2009, are \$281 million and \$72 million for asbestos and environmental, respectively. Net A&E reserves represent approximately 14.6 percent of the group's overall year-end 2009 net carried loss and loss adjustment expense reserves. A&E reserves were increased by \$12 million in the second quarter of 2008, based on an internal review and minor adjustments were made in 2009 derived from a third-party actuarial A&E reserve study. As noted above, the reserves for A&E were increased by \$172 million in 2005 and by \$37.5 million in 2007, based on the results of previous studies done with the assistance of outside actuarial and engineering firms and specialty outside counsel. At year-end 2009, the group's asbestos three year average survival ratio (reserves to average paid losses) of 10.2 and environmental three year average survival ratio of 6.0 both fall short of A.M. Best's projected ultimate industry survival ratio of 11 and 13, respectively. In general, A&E net paid losses have declined since 2007, after an increase from 2006 to 2007, with the exception on an increase in environmental paid losses in 2009.

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### 2009 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	12,224	7,879	2,072	2	22,177
Grand Total	12,224	7,879	2,072	2	22,177

\* Includes Commissions less Funds Withheld

**Investment Leverage:** Common stock leverage remains modestly higher than the peer-group average, measuring 15.1% of surplus at year-end 2009 compared to the composite average of 9.7%. Common stock leverage declined in 2008 as a result of disposals and unrealized capital losses on the group's remaining equity holdings. The increase in common stock leverage in 2009 from 2008 reflects the improvement in the equity markets in general. The group's holdings of bonds rated in NAIC classes 3 - 6 is significantly above the industry composite, but has trended down since 2007. Investment leverage from affiliated investments decreased significantly in 2007 with the transfer of SFRI to SFG. The group's statutory surplus has been exposed to market volatility as evidenced by the capital losses recorded in its unaffiliated common stock and affiliated investment portfolios.



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## INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company						Industry Composite	
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affl Inv.	Class 3-6 Bonds	Common Stocks
2005	...	...	...	...	...	...	6.9	16.1
2006	...	...	...	...	...	...	6.1	16.5
2007	...	...	...	...	...	...	5.9	15.5
2008	3.4	...	...	...	3.4	...	5.6	9.5
2009	...	...	...	...	...	...	6.1	8.7

## LIQUIDITY

The following text is derived from the report of Sample Insurance Companies.

The group maintains adequate overall liquidity as admitted assets exceed liabilities by a comfortable margin, however, liquidity measures trail the industry composite. The group's quick liquidity position is slightly below the commercial casualty industry composite average at year-end 2009, resulting from a reduction in the group's cash and short-term investments in 2009. Current liquidity lags the peer group average, as real-estate and non-invested affiliated assets comprise a greater than average share of the group's total assets. Operating and underwriting cash flow were in-line with the composite averages, and remain strong despite the reduction in premiums collected in 2009.

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## LIQUIDITY ANALYSIS

Year	Company				Industry Composite			
	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2005	999.9	999.9	999.9	...	20.8	102.7	137.8	12.0
2006	999.9	999.9	999.9	...	23.9	109.2	141.7	11.9
2007	999.9	999.9	999.9	...	22.0	111.3	144.9	10.4
2008	999.9	999.9	999.9	...	19.2	104.7	140.4	12.2
2009	999.9	999.9	999.9	...	21.4	110.9	145.5	9.3
09/2009	XX	999.9	999.9	...	XX	XX	XX	XX
09/2010	XX	...	...	...	XX	XX	XX	XX



Access additional reports and financial data on the following table:

- [Statutory Filings](#)
- [Peer Report](#)

### CASH FLOW ANALYSIS (\$000)

Year	Company			Industry Composite			
	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2005	...	448	-841	...	446.0	114.9	127.8
2006	...	350	224	...	219.1	113.5	125.5
2007	...	432	-816	...	295.7	111.8	122.1
2008	...	407	2,023	...	247.5	100.6	112.1
2009	...	383	-2,250	...	255.9	98.9	109.9
09/2009	...	324	-1,784	...	275.8	XX	XX
09/2010	...	507	507	...	557.0	XX	XX

### HISTORY

This company was incorporated as Sample Insurance Company on July 1, 1987 under the laws of New Jersey. The company started writing business on January 1, 1988. The current title was adopted on August 22, 2001.

Capital paid-up of \$3,504,000 is comprised of 24,000 shares of common stock at a par value of \$146 per share. The company has 25,000 shares authorized.

### MANAGEMENT

All of the outstanding capital stock is owned directly by Sample Insurance Company, a wholly -owned subsidiary of Sample Insurance Group, Inc., a Oldwick, New Jersey based holding company.

Administration of the company's affairs is under the direction of chairman of the board and president, John Smith.

**Officers:** Chairman and President, John Smith; Senior Vice President, Secretary and General Counsel, Jane Smith; Senior Vice President, Treasurer and Chief Financial Officer, Peter Smith; Senior Vice President and General Counsel, Mary Smith; Vice President and Actuary, Paul Smith; Vice President and Controller, James Smith; Vice Presidents, Alex Smith, Anne Smith.

**Directors:** John Smith, Jane Smith, Peter Smith, Mary Smith, Paul Smith, James Smith, Alex Smith, Anne Smith.

### REGULATORY

An examination of the financial condition is being made as of December 31, 2006 by the Insurance Departments of Arizona, Delaware and Ohio. The 2009 annual independent audit of the company was conducted by Ernst & Young, LLP. The annual statement of actuarial opinion is provided by John L. Doellman, FCAS, MAAA, Vice President and Actuary of the Company.



## TERRITORY

The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WV, WI and WY.

## REINSURANCE

The following text is derived from the report of Sample Insurance Companies.

Per risk reinsurance is maintained on property coverage for 100% of losses above \$2,000,000 up to \$30,000,000, subject to an occurrence limit of \$59,000,000. Workers' compensation coverage is reinsured for 100% of losses above \$2,000,000 up to \$5,000,000, subject to a \$3 million occurrence limit. Workers compensation catastrophe coverage affording an additional limit of \$45 million excess a \$5 million retention is also maintained, with a \$90 million aggregate limit. Catastrophe coverage for all perils on property risk is maintained for 90.3% of \$130,000,000 in excess of \$10,000,000, subject to a \$260 million aggregate limit. Surety coverage is maintained for 97% of \$25,000,000 excess of \$5,000,000. Commercial umbrella reinsurance is maintained at a limit of \$49 million excess a retention of \$1 million with a 7.9% participation in losses above \$1 million. Ocean marine reinsurance is purchased with limits of \$8 million excess a \$2 million retention, with an additional \$28 million excess \$2 million in coverage for catastrophes; the group has a 5% participation in losses above the retention for ocean marine. In addition for 2010, the group maintains 50/50 percent quota share on multi-peril crop, crop-hail and named peril crop insurance, and a variable quota share program for directors and officers, with the company share ranging from 40 - 100% and the reinsurer share ranging from 0 - 60%. Primary reinsurance providers include Munchener Rucksversicherungs, Swiss Re America, Everest Reinsurance, Munich Reinsurance America and Platinum Underwriters Reinsurance.

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- [Statutory Filings](#)

## BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>2009 %</u>	<u>2008 %</u>
Bonds	16,648	13,985	93.2	80.6
Cash & short-term invest	846	3,097	4.7	17.9
Total invested assets	17,494	17,081	98.0	98.5
Accrued interest	256	196	1.4	1.1
All other assets	104	66	0.6	0.4
Total assets	17,854	17,343	100.0	100.0
<u>LIABILITIES &amp; SURPLUS</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>2009 %</u>	<u>2008 %</u>
All other liabilities	2	2	0.0	0.0
Total liabilities	2	2	0.0	0.0
Capital & assigned surplus	12,200	12,200	68.3	70.3
Unassigned surplus	5,652	5,142	31.7	29.6
Total policyholders' surplus	17,852	17,342	100.0	100.0
Total liabilities & surplus	17,854	17,343	100.0	100.0



Access additional reports and financial data on the following table:

- [Statutory Filings](#)

## SUMMARY OF 2009 OPERATIONS (\$000)

<u>STATEMENT OF INCOME</u>	<u>12/31/2009</u>	<u>FUNDS PROVIDED FROM OPERATIONS</u>	<u>12/31/2009</u>
Net investment income	615	Investment income	628
Other income/expense	0	Other income/expense	0
Pre-tax oper income	615	Pre-tax cash operations	628
Realized capital gains	-140	Income taxes pd (recov)	245
Income taxes incurred	173	Net oper cash flow	383
Net income	302		

Access additional reports and financial data on the following table:

- [Statutory Filings](#)

## INTERIM BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>03/31/2010</u>	<u>06/30/2010</u>	<u>09/30/2010</u>
Cash & short term invest	1,096	1,141	1,353
Bonds	16,618	16,588	16,557
Total investments	17,714	17,728	17,911
Accrued interest	194	256	194
All other assets	96	101	95
Total assets	18,004	18,085	18,200
<u>LIABILITIES &amp; SURPLUS</u>	<u>03/31/2010</u>	<u>06/30/2010</u>	<u>09/30/2010</u>
All other liabilities	37	2	...
Total liabilities	37	2	...
Capital & assigned surp	12,200	12,200	12,200
Unassigned surplus	5,767	5,883	6,000
Policyholders' surplus	17,967	18,083	18,200
Total liabilities & surplus	18,004	18,085	18,200



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- [Statutory Filings](#)

### INTERIM INCOME STATEMENT (\$000)

	Period Ended <u>09/30/2010</u>	Period Ended <u>09/30/2009</u>	Increase/ <u>Decrease</u>
Net investment income	468	456	12
Other income/expenses	0	0	0
	<hr/>	<hr/>	<hr/>
Pre-tax operating income	468	456	12
Realized capital gains	16	-163	179
Income taxes incurred	124	129	-5
	<hr/>	<hr/>	<hr/>
Net income	360	164	196

Access additional reports and financial data on the following table:

- [Statutory Filings](#)

### INTERIM CASH FLOW (\$000)

	Period Ended <u>09/30/2010</u>	Period Ended <u>09/30/2009</u>	Increase/ <u>Decrease</u>
Investment income	618	509	109
Other income/expense	0	...	0
	<hr/>	<hr/>	<hr/>
Pre-tax cash operations	618	509	109
Income taxes pd (recov)	111	184	-74
	<hr/>	<hr/>	<hr/>
Net oper cash flow	507	324	182

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](http://www.ambest.com/terms.html)

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