



# AmTrust Financial

**Investor Presentation**

**First Quarter 2010**



# Forward Looking Statements

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**This Presentation contains certain forward-looking statements within the meaning of Private Securities Litigation Reform Act of 1995, which are intended to be covered by the safe harbors created thereby. These statements include the plans and objectives of management for future operations, including plans and objectives relating to future growth of the Company's business activities and availability of funds. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, regulatory framework, weather-related events and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. There can be no assurance that actual developments will be those anticipated by the Company. Actual results may differ materially from those projected as a result of significant risks and uncertainties, including non-receipt of the expected payments, changes in interest rates, effect of the performance of financial markets on investment income and fair values of investments, development of claims and the effect on loss reserves, accuracy in projecting loss reserves, the impact of competition and pricing environments, changes in the demand for the Company's products, the effect of general economic conditions, adverse state and federal legislation, regulations and regulatory investigations into industry practices, developments relating to existing agreements, heightened competition, changes in pricing environments, changes in asset valuations and ability for American Capital Acquisition Corporation to complete its pending acquisition of GMAC's US consumer P&C insurance business. Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those projected is contained in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the period ended December 31, 2008, as updated in the Company's Quarterly Report for the quarter ended September 30, 2009. The projections and statements in this presentation speak only as of the date of this presentation and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.**



# AmTrust Overview

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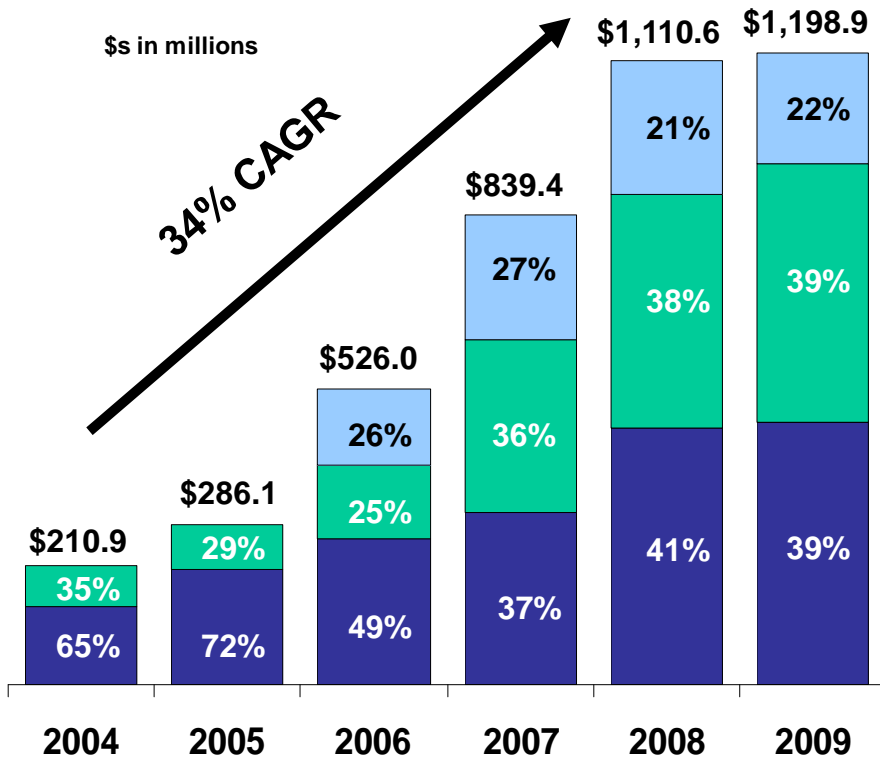
## **Multinational specialty property and casualty insurance company focused on profitable growth in niche markets**

- High ROE business model
  - Low hazard, non-catastrophic
  - Disciplined underwriting and pricing
  - Target underserved niche markets
  - Lower volatility business mix
  - Proprietary technology platform drives lower cost and service excellence
- Record of intelligent growth
  - Strong value creation
    - Organic growth
    - Low-risk high return acquisitions
- Strong balance sheet
  - “A-” rating from A.M. Best
  - Conservative investment philosophy

# Performance Highlights

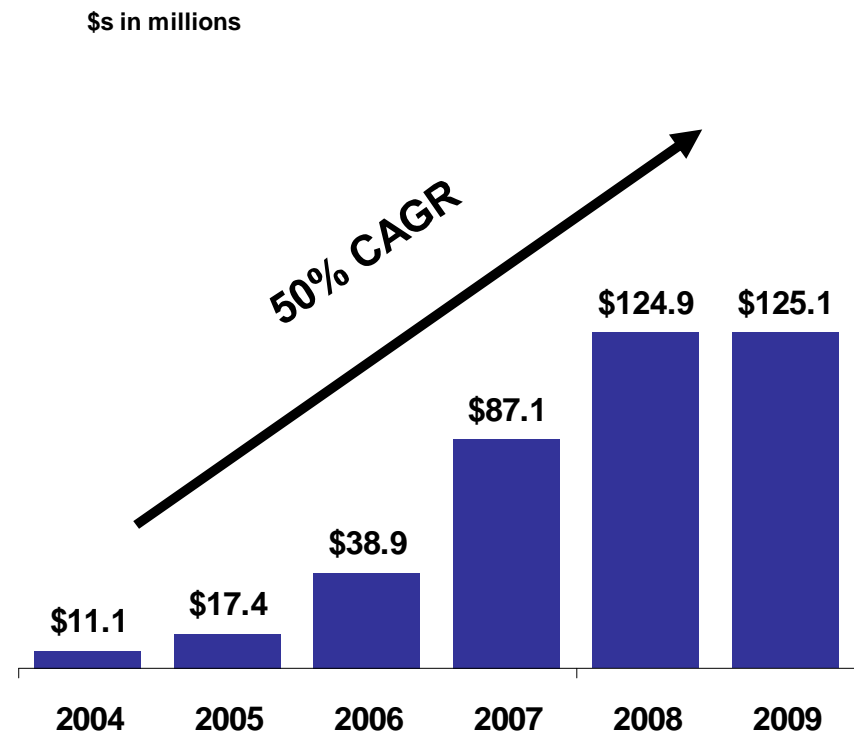


## Gross Premium Written



- Specialty Middle-Market
- Specialty Risk & Extended Warranty
- Small Commercial Business

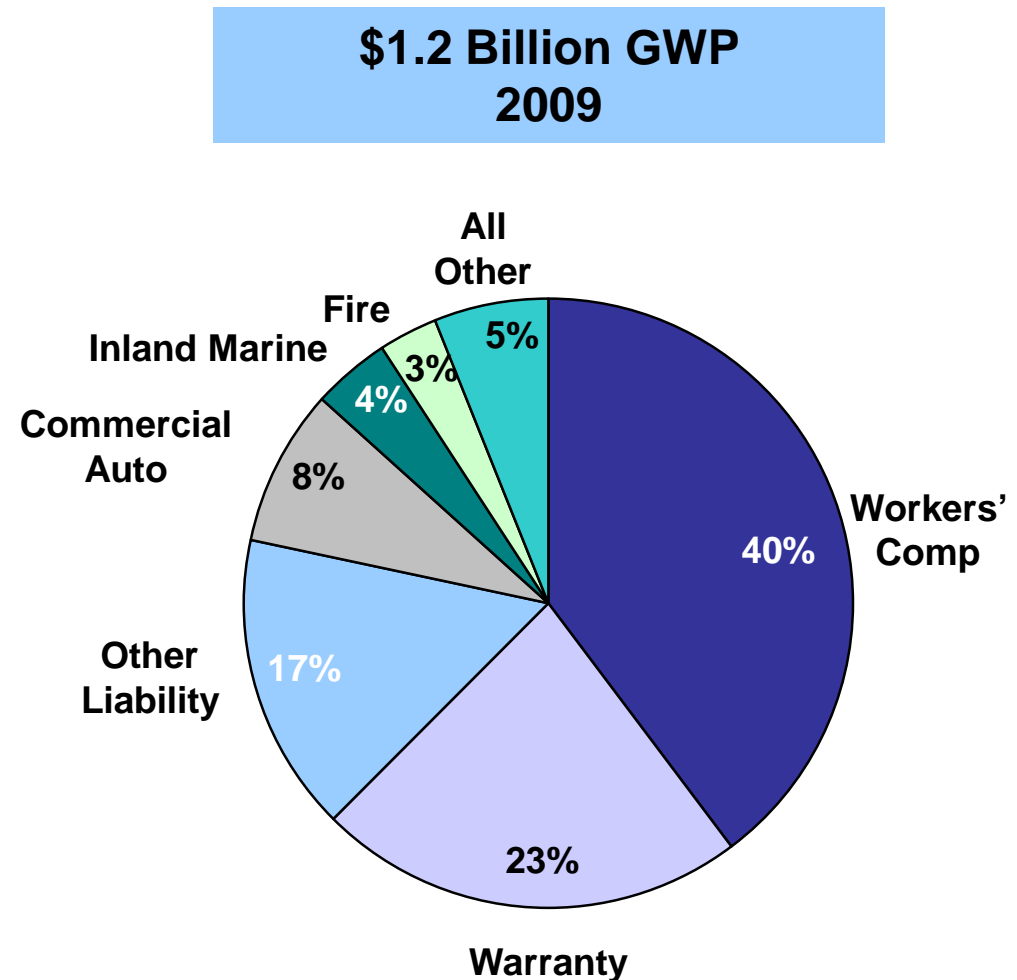
## Operating Earnings\*



\*Net income before after-tax net realized gains (losses) on investments. Please see slide 15 for important information on this non-GAAP measure.

# Diverse, Lower Volatility Business Mix

- Niche lines of business in underserved markets
  - More predictable loss experience
  - Higher retention rates
  - Lower pricing pressures
  - Lower volatility
- Multi-national operations
  - Access to over 9,000 wholesale and retail agents with ability to market to ACAC's agent network
  - 21% of 2009 GWP outside U.S.
- Geographic and business line diversity creates strength and opportunity through varied market cycles

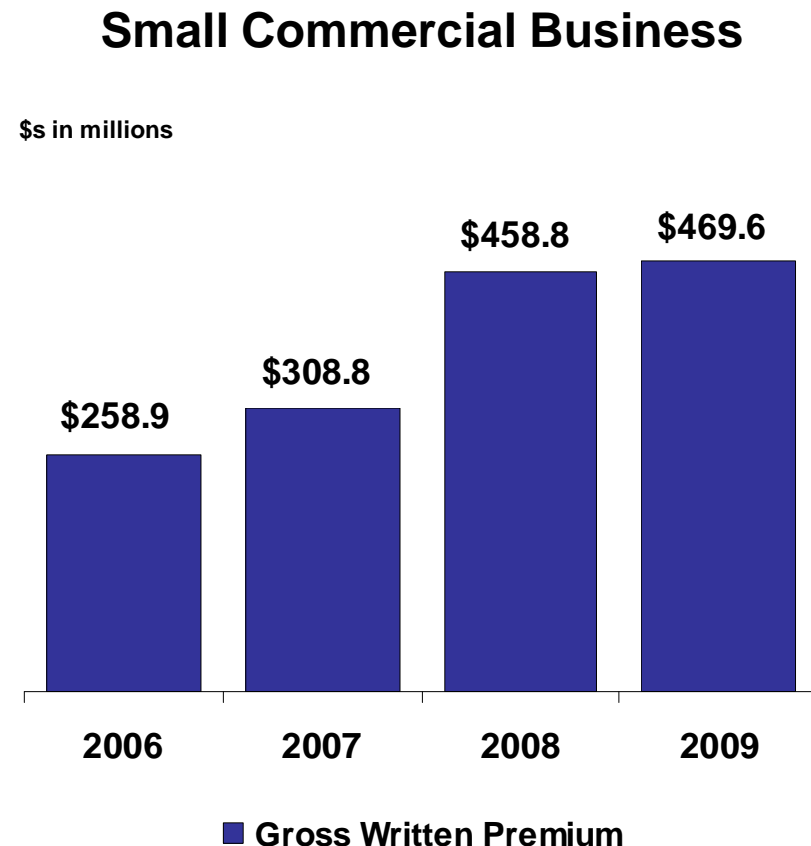


# Small Commercial Business



## Lower hazard small business worker's comp and packaged products

- Target lower risk, underserved businesses
  - Such as restaurants, retailers and professional offices
  - Average policy premium of \$6,360
  - Average of 8 employees per WC policy
- Less price sensitive than traditional products
  - Strong client retention with renewal rates consistently > 80%
- Proprietary technology provides ease-of-use and strong operating efficiencies
- Distributed through over 7,300 active retail and wholesale agents
  - Geographically diversified in Mid-Atlantic, Southeast and Midwest



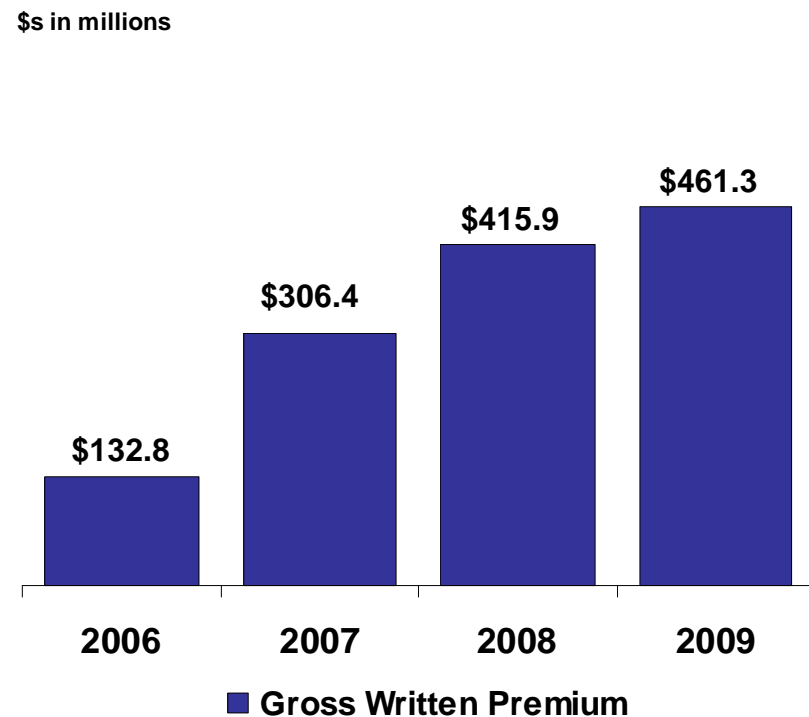
# Specialty Risk and Extended Warranty



## Low hazard/non-catastrophic extended warranty coverage and other specialty commercial coverage

- Target manufacturers, small direct retailers, warranty administrators and brokers
  - 53% of 2009 GWP outside U.S.
- Products include yellow goods, consumer electronics and appliances, specialty auto
  - Less price sensitive than traditional products
  - Renewal rates > 90%
  - Cost effective solution for end user
- Extensive new client and product due diligence and actuarial reviews
  - Client-specific forms/strict policies
  - Proactive claims management allows for real-time pricing adjustments
  - Ensures appropriate risk-based pricing

## Specialty Risk & Extended Warranty



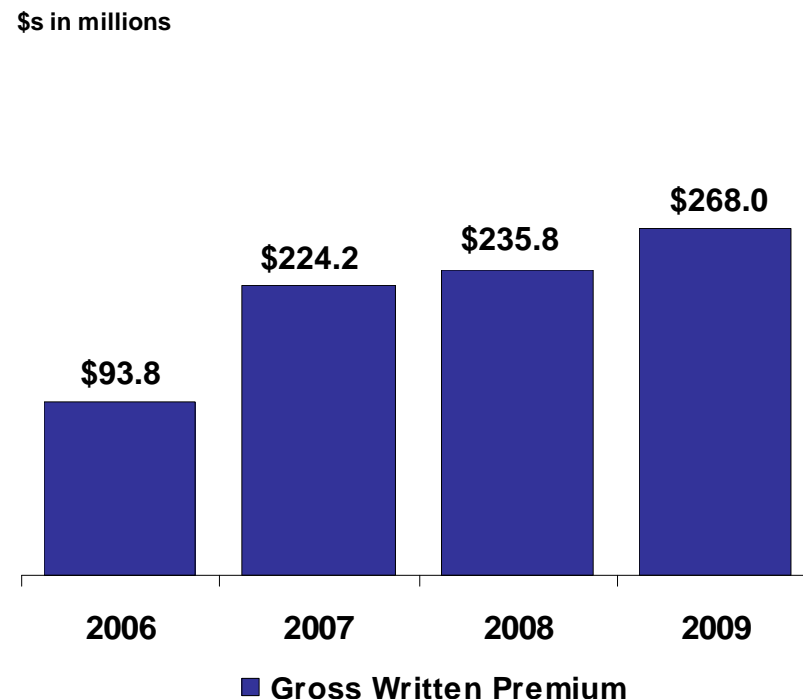
# Specialty Middle-Market



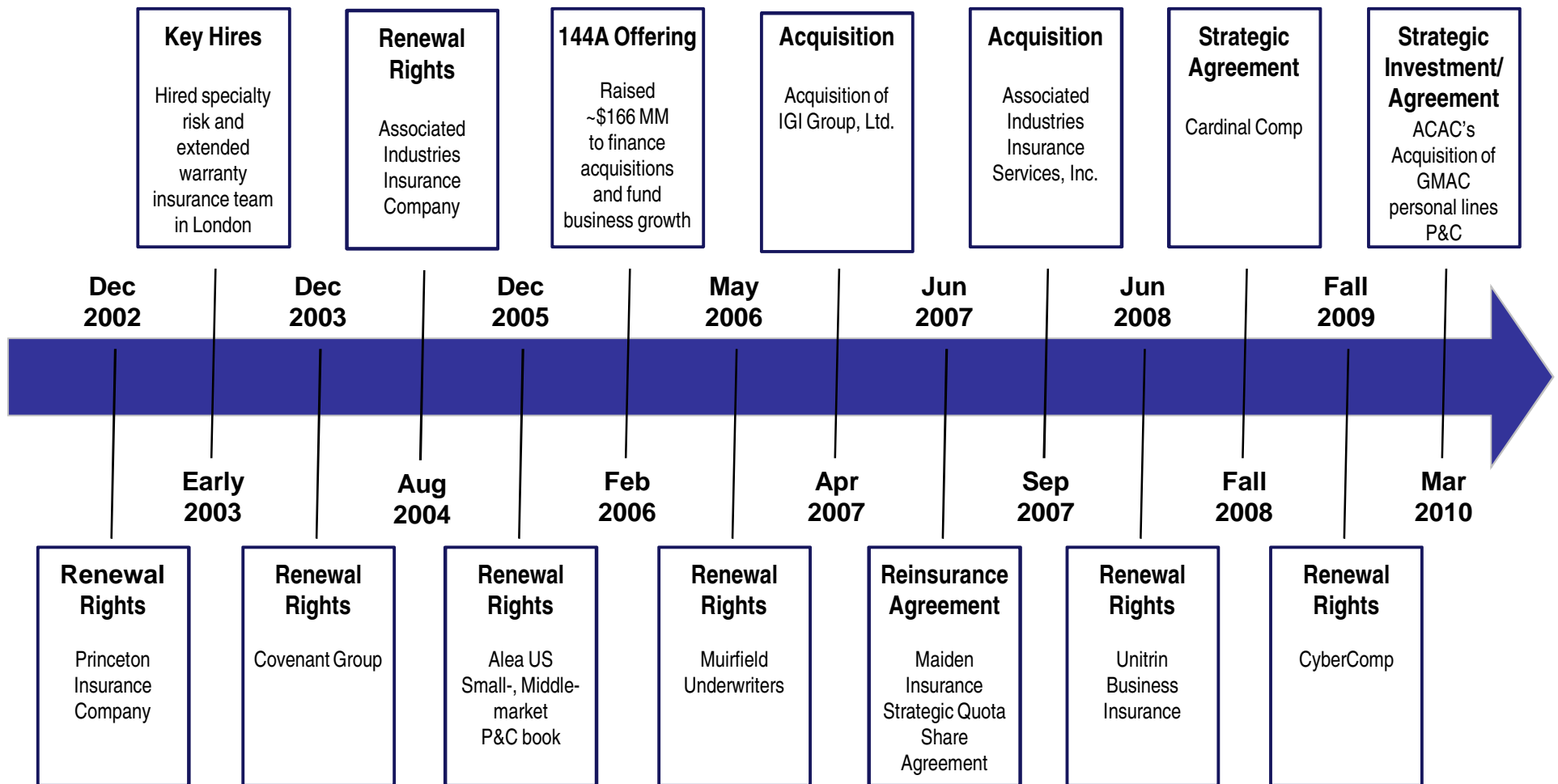
## Expansion of lower risk worker's comp, general liability, commercial auto and property coverage

- Target lower risk businesses
  - Retailers
  - Wholesalers
  - Service operations
- Strong client retention with renewal rates consistently > 80%
- Proprietary technology provides ease-of-use to agents and paperless 24 hour underwriting response
  - Customized coverage, loss control and claims
- Distributed through wholesalers with product or geographic expertise
  - MGAs share in risk with limited underwriting capabilities

### Specialty Middle-Market



# History of Disciplined Growth



- Focused on driving growth organically and via low risk, high return transactions
  - Key hires of underwriting teams in the US and Europe
  - Opportunistic renewal rights transactions, acquisitions and strategic transactions

# Strategic Investment in ACAC

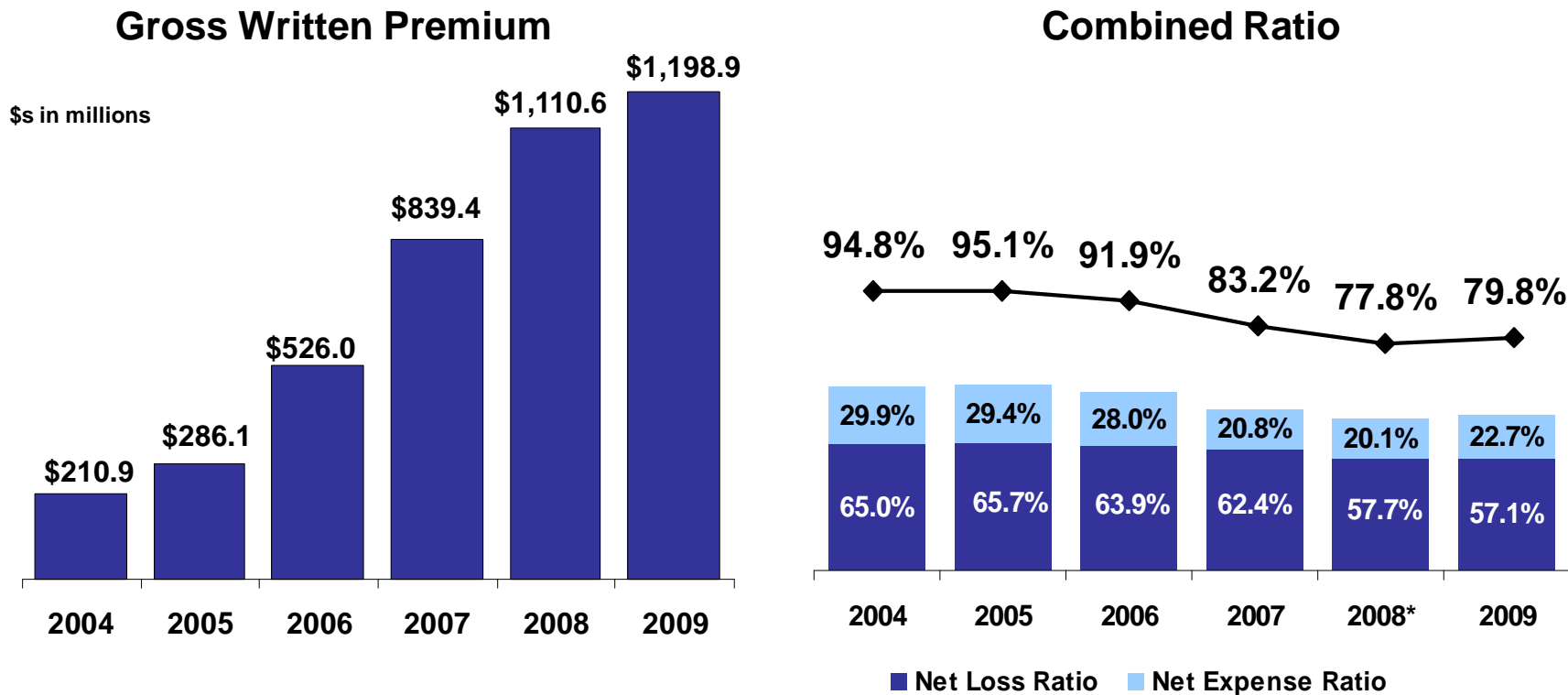
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## **American Capital Acquisition Corporation (“ACAC”) strategic investment / agreement tied to it’s proposed acquisition of GMAC’s US consumer P&C insurance business closed March 1st**

- Approximately \$53.0 million initial investment in 8% convertible preferred security
  - Initial investment amount tied to closing net tangible book value of acquired business
  - Commitment for additional investment of up to \$22.5 million over 3 years
  - Accounted for under equity method and equates to 21.25% ownership stake
- More than doubles size of distribution platform
  - Access to ACAC’s 10,500 agents and exclusive relationships with 23 affinity partners
- Expected to generate additional strong fee income
  - Asset management fee on approximately \$900 million of initial ACAC AUM
  - Initial payment for technology services of cost plus 20% during technology platform development phase
    - Additional fee of cost plus 1.25% of gross written premium once technology platform is operational
  - Option to reinsure up to 10% of ACAC net written premium which totaled \$1.0 billion in 2008 through quota share reinsurance agreement

# History of Strong Underwriting



- Granular lower risk portfolio and geographic diversity drives consistently lower loss ratios
- Proprietary technology drives lower costs, enhanced underwriting, and improved agent and client experience
  - Results in lower origination costs and improved retention
  - Enables strong data mining and analysis of enhanced portfolio metrics

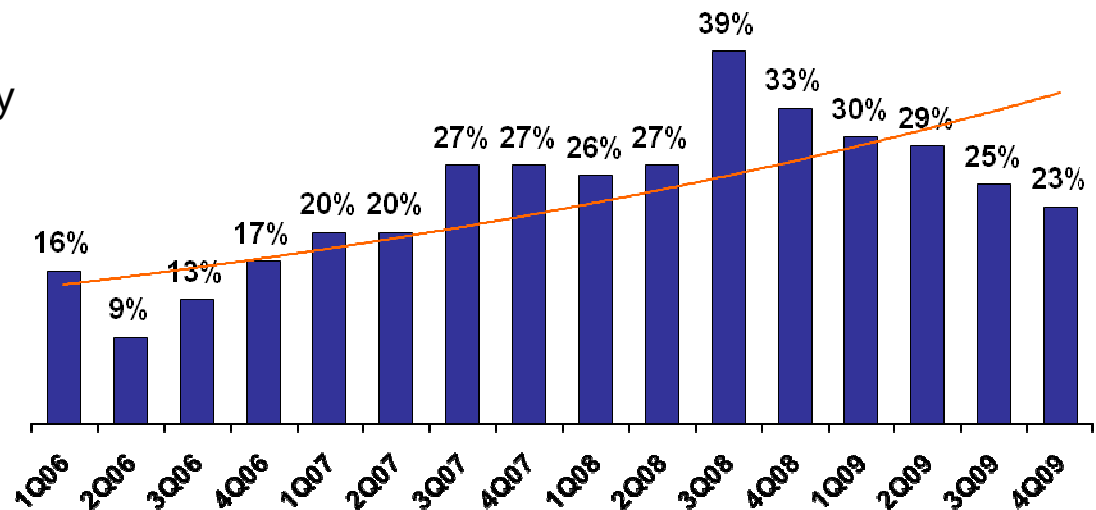
\* 2008 loss and combined ratios exclude effect of \$15.0 million pre-tax loss reserve release.

# Focus on Shareholder Returns



- Highly efficient capital structure
  - 46% of 2009 premiums ceded
- Commitment to lower cost structure
  - Proprietary technology enhances efficiency
  - Single data platform
- Lower level of volatility
  - Higher frequency lower severity business mix
- Management interests aligned with shareholders
  - Significant inside ownership
- Record of intelligent growth
  - Renewal rights transactions
  - Strategic agreements and key hires

## Operating Return on Equity\*



\*Net income before after-tax net realized gains (losses) on investments divided by average shareholder's equity. Please see slide 15 for important information on this non-GAAP measure.

# Summary Income Statement

(\$s in millions except per share data)	2009	2008	2007
Gross Premium Written	\$1,198.9	\$1,110.6	\$ 839.4
Net Written Premium	643.4	554.9	419.9
Net Premium Earned	573.9	439.1	444.2
Fee Income	30.7	29.0	20.4
Ceding Commission	113.9	115.5	62.8
Net Investment Income and Realized Gains / (Losses)	20.9	(7.0)	55.5
Loss and LAE Expense	327.8	238.3	277.0
Acquisition Costs and Other Underwriting Expenses	244.3	203.7	155.4
Income Before Other Income (Expense)	145.1	114.3	130.8
Net Income	103.2	82.9	90.1
Operating Earnings *	\$ 125.0	\$ 124.9	\$ 87.1
Annualized Operating ROE *	26.0%	32.3%	23.8%
Operating EPS *	\$2.09	\$2.06	\$1.44
Net Loss Ratio	57.1%	54.3%	62.4%
Net Expense Ratio	22.7%	20.1%	20.8%
Net Combined Ratio	79.8%	74.4%	83.2%

\*Operating earnings reflect net income before after-tax net realized gains (losses) on investments. Please see slide 15 for important information on these non-GAAP measures.

# Balance Sheet Highlights

(\$s in millions except per share data)

	12/31/09	12/31/08	12/31/07
<b>Cash and Investments</b>	\$1,414.8	\$1,361.4	\$1,289.6
<b>Reinsurance Recoverable</b>	643.3	584.8	281.9
<b>Premiums Receivable, Net</b>	495.9	419.6	257.8
<b>Prepaid reinsurance premium, deferred policy acquisition costs and other assets</b>	846.4	778.1	493.5
	<b>\$3,400.4</b>	<b>\$3,143.9</b>	<b>\$2,322.8</b>
<b>Loss and LAE Reserve</b>	\$1,091.9	\$1,014.1	\$ 775.4
<b>Unearned Premium Reserve</b>	871.8	759.9	527.8
<b>Junior Subordinate Debentures <sup>(1)</sup></b>	123.7	123.7	123.7
<b>Reinsurance payables, accrued expenses and other liabilities</b>	743.6	853.7	505.5
	<b>2,831.0</b>	<b>2,751.4</b>	<b>1,932.4</b>
<b>Shareholders' Equity</b>	<b>569.4</b>	<b>392.5</b>	<b>390.4</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$3,400.4</b>	<b>\$3,143.9</b>	<b>\$2,322.8</b>
<b>Book Value Per Share</b>	<b>\$9.60</b>	<b>\$6.54</b>	<b>\$6.51</b>

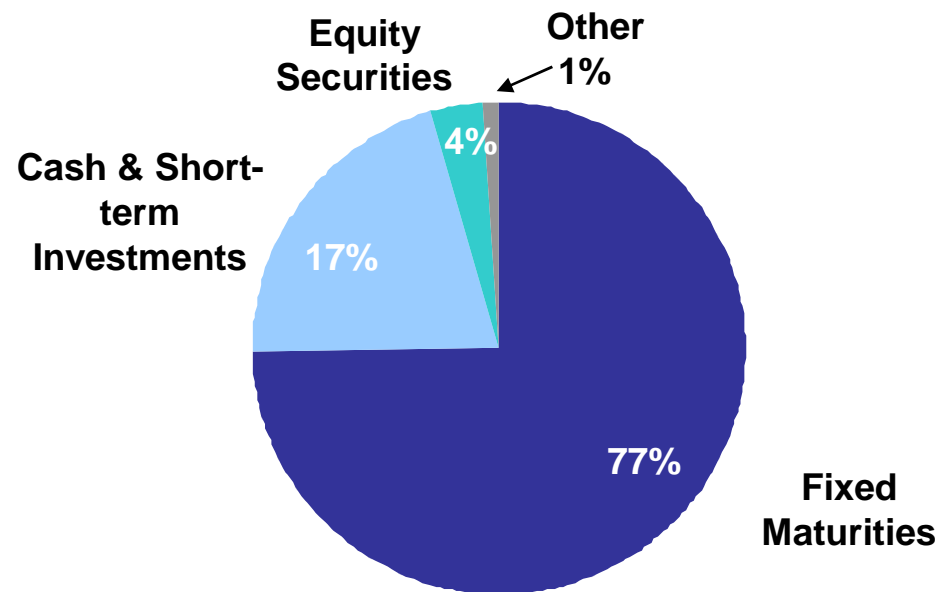
1. Trust Preferred Securities

# Conservative Investment Portfolio



- 77% fixed maturities
- 89% of fixed maturities A rated or better
- 38% of fixed maturities are floating rate
- Average fixed maturities portfolio yield of 3.83%
- Average fixed maturities portfolio duration of 3.3 years

**\$1.4 Billion Investment Portfolio**  
**12/31/09**



# Focus On Delivering Strong ROE

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- Diversified balanced business model drives solid results in varying economic cycles
  - Target lower risk niche business lines
  - Highly efficient capital structure
- Focus on driving consistently strong underwriting profits
  - Disciplined pricing and risk selection
  - 57.1% net loss ratio for FY2009
- Lower expense ratio
  - Proprietary technology platform drives lower costs and provides capacity for continued expansion opportunities
  - Provides solid economies of scale
  - 22.7% net expense ratio for FY2009
- Continue to capitalize on unique lower-risk market opportunities
- Committed to conservative investing and reserving philosophy
- Management and shareholder interests aligned

# Non-GAAP Reconciliation

## Net Operating Earnings

\$s in millions except per share data

	<u>FY2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Net income	\$ 103.2	\$ 82.9	\$ 90.1	\$ 48.9	\$ 37.6	\$ 14.1
Add (subtract)						
Net after- tax realized investment (gains)/losses	21.8	42.0	(3.0)	(9.5)	(3.2)	(0.8)
Gains on discontinued operations				(0.5)	(17.0)	(2.2)
Net operating earnings <sup>(1)</sup>	<u>\$ 125.0</u>	<u>\$ 124.9</u>	<u>\$ 87.1</u>	<u>\$ 38.9</u>	<u>\$ 17.4</u>	<u>\$ 11.1</u>
Operating earnings per diluted common share <sup>(1)</sup>	\$2.09	\$2.06	\$1.44	\$0.69	\$0.72	\$0.46

<sup>(1)</sup> Net operating earnings is a non-GAAP financial measure defined by the Company as net income excluding net after-tax realized investment gains and losses and discontinued operations and should not be considered as an alternative to net income. The Company's management believes that net operating earnings is a useful indicator of trends in the Company's underlying operations. The Company's measure of net operating earnings may not be comparable to similarly titled measures used by other companies.

## Annualized Operating ROE

\$s in millions

	Annualized ROE	Average Equity	GAAP Net Income	After-tax Nonoperating Items	Operating Earnings	Annualized Operating ROE
4Q09	20.3%	\$ 552.5	\$ 28.1	\$ 3.2	\$ 31.3	22.7%
3Q09	19.1%	506.2	24.2	7.6	31.8	25.1%
2Q09	24.4%	439.2	26.8	5.0	31.8	28.9%
1Q09	24.3%	397.0	24.2	6.0	30.2	30.4%
4Q08	25.6%	390.2	25.0	7.4	32.3	33.1%
3Q08	9.3%	401.1	9.4	29.8	39.2	39.1%
2Q08	26.0%	404.7	26.4	1.4	27.7	27.4%
1Q08	22.7%	392.7	22.3	3.4	25.7	26.1%
4Q07	23.6%	386.8	22.8	2.8	25.6	26.5%
3Q07	25.6%	381.2	24.4	1.3	25.8	27.1%
2Q07	23.1%	370.4	21.4	(3.2)	18.2	19.6%
1Q07	24.5%	351.0	21.5	(3.9)	17.5	20.0%
4Q06	21.0%	331.1	17.4	(3.3)	14.1	17.0%
3Q06	15.8%	314.3	12.4	(2.6)	9.8	12.5%
2Q06	12.9%	303.2	9.8	(3.2)	6.6	8.7%
1Q06	17.7%	208.9	9.3	(1.0)	8.3	15.9%



# AmTrust Financial

