

# Agency Reinsurance Program

Informational Presentation



Agent Alliance Reinsurance  
A Bermuda Segregated Accounts Company

**US CAPTIVE**  
SERVICES AWARDS 2014  
**WINNER**  
MOST INNOVATIVE USE  
OF AN ART STRUCTURE

At AmTrust North America, we think it is time to unlock your potential.

Agents can turn their keen understanding of risk into a new revenue stream.

## The Offer: share income and expense proportionately

You will receive 25% of the premium and expenses on \$1 million of AmTrust growth. Your income will be maximized by hand-picking only the very best new business to reinsure.

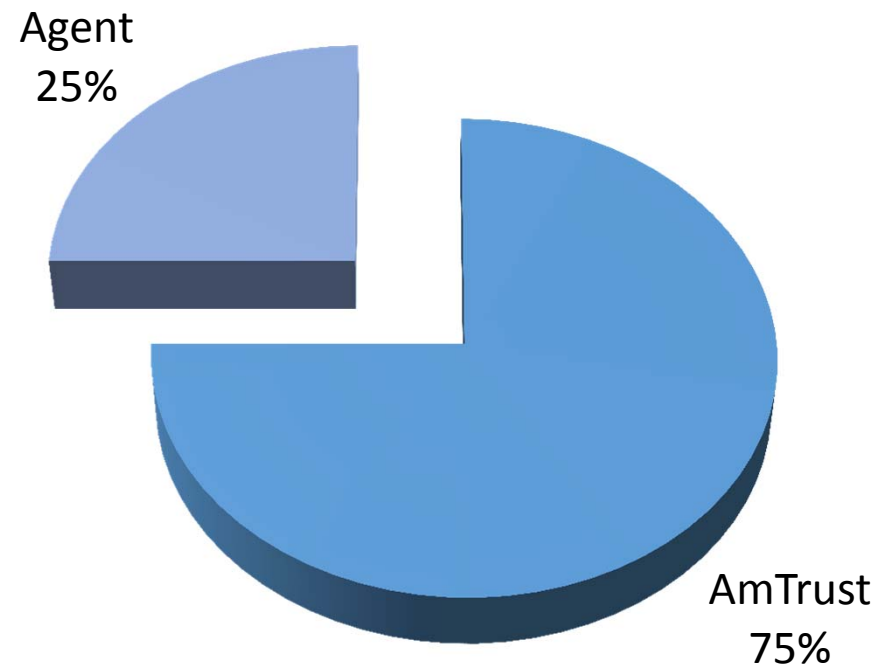
Most WC, GL, AL, and package business eligible. Current underwriting discipline and appetite fully intact.

### **Your reward on \$1 million of premium:**

= traditional commissions

+ underwriting/investment income on the reinsured business

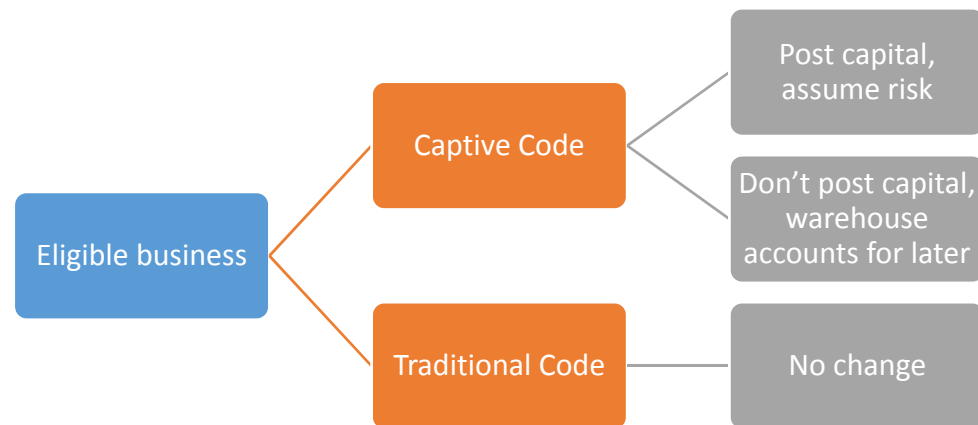
+ profit-sharing on any portion of an account not reinsured to you.



# The Choice is Yours

You have 2 choices:

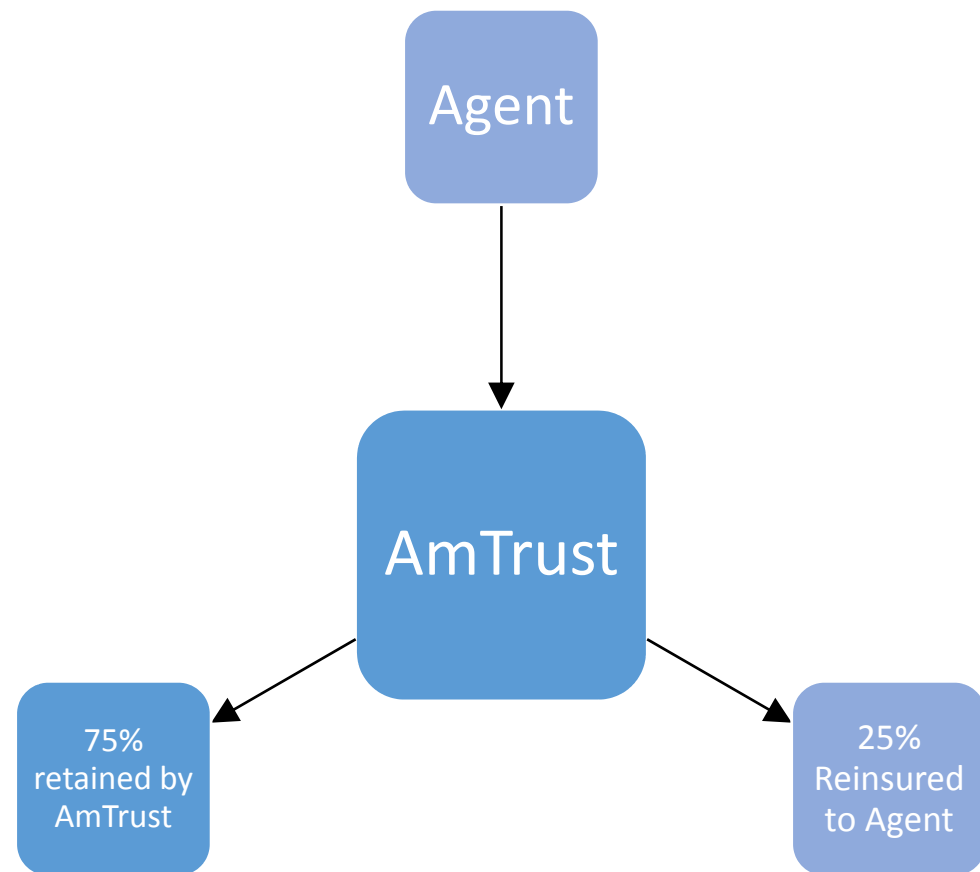
1. Post capital, assume risk and start accumulating income.
2. Don't post capital and defer income accumulation until you are reasonably certain the business will generate a profit.



## The Method

We will help you form your own reinsurance entity (commonly referred to as a “cell captive”) and we will be your customer.

Alternately, we will provide you with a captive code where business will be “warehoused” until you are ready to capitalize.

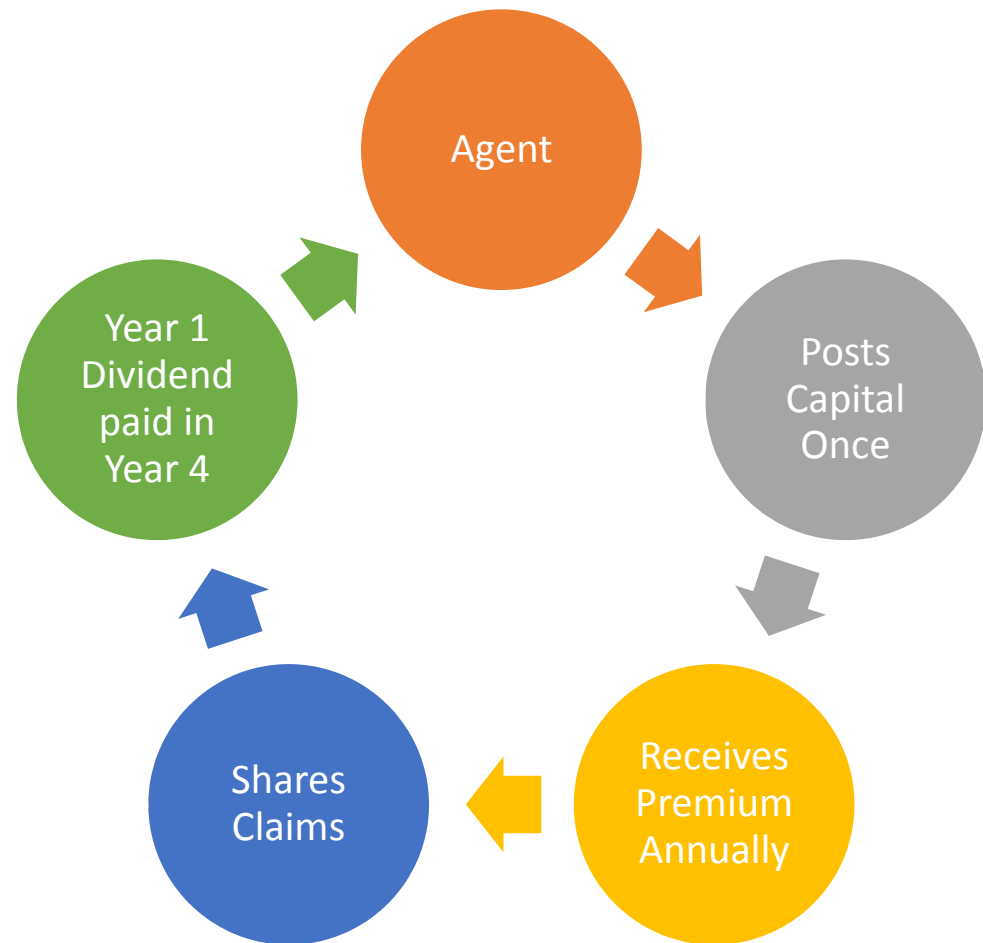


## The Flow

With risk comes reward.

A one-time capital contribution of \$50,000 can generate an extraordinary return at an ordinary loss ratio.

There are no letters-of-credit, no commission claw-backs, nor assessment provisions.



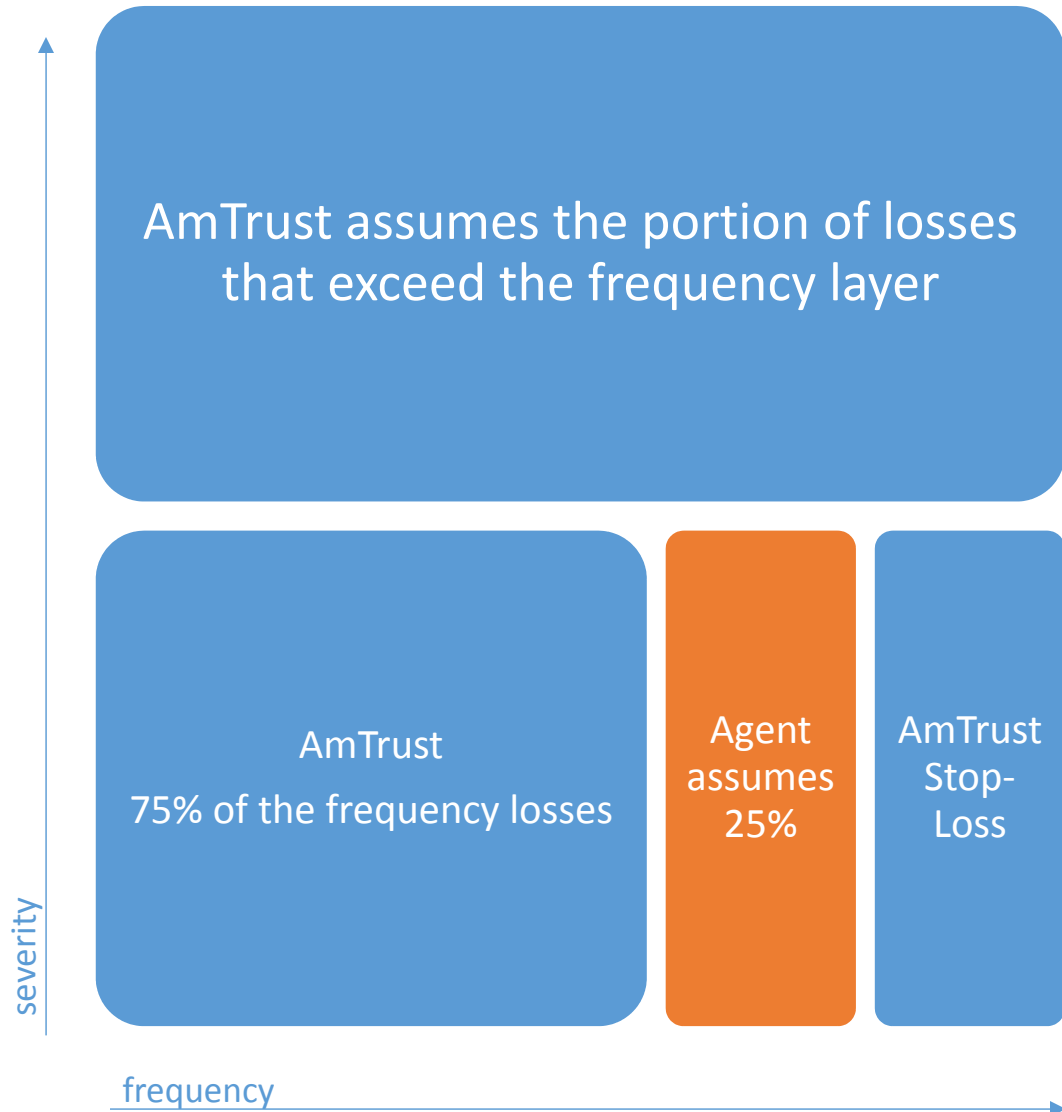
## Risk, with limits.

For any single loss up to \$250,000, we will retain 75% and you will retain 25%.

Per claim, the your maximum responsibility is \$62,500.

Above \$250,000, AmTrust assumes all losses.

Your frequency losses are capped as well.



# Proforma Assumptions

50% ultimate net loss ratio

- Includes loss development
- 100% of all claims paid in first 10-years

14% reinsurance recovery

- 12% of severity losses limited by reinsurance
- 2% of frequency losses limited by reinsurance

953d election

- Taxed as a U.S. company
- No Federal Excise Tax

831b status

- Net ceded premium under \$1.2 million
- Taxed as a small insurance company

\$1 million of growth

- Growth over a 2-year period (\$500,000 GWP in year 1)
- Assumed to be fully-earned in the first year of operation

\$50,000 of capital

- Enough to support \$250,000 of net premium
- Contributed 12-months after the captive code was created

Workers' Compensation

- Although other lines eligible, assumes 100% WC
- Excess charges will vary by line



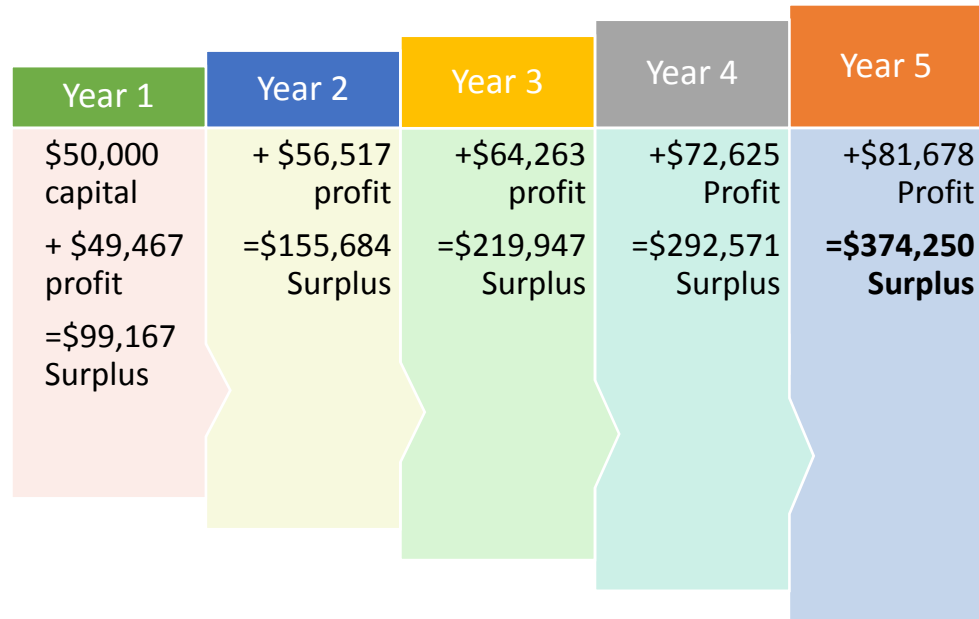
## Adding up your Profit

- Quarterly updates on gross premium and losses
- Annual financial statements for your cell
- Annual member meeting

\$250,000	Net Premium (\$1 million gross x 25% quota-share)	
(\$35,000)	Loss Limitation (12% excess, 2% aggregate stop-loss)	
= \$215,000	Net Ceded Premium	
(\$51,600)	Acquisition Costs	12% agent commission 8.5% Fronting & Claims 3.5% State Tax
= \$163,400	Income Before Claims	
(\$107,500)	Claims: 50% ultimate loss ratio + reinsurance recovery	
= \$55,900	Net Underwriting Profit	
\$1,740	Investment Income 2.5% annually	
(\$7,882)	Our cost to manage your cell	
(\$592)	Federal Income Tax	
<b>= 49,166</b>	<b>Estimated Net Profit</b>	

## Income accumulation

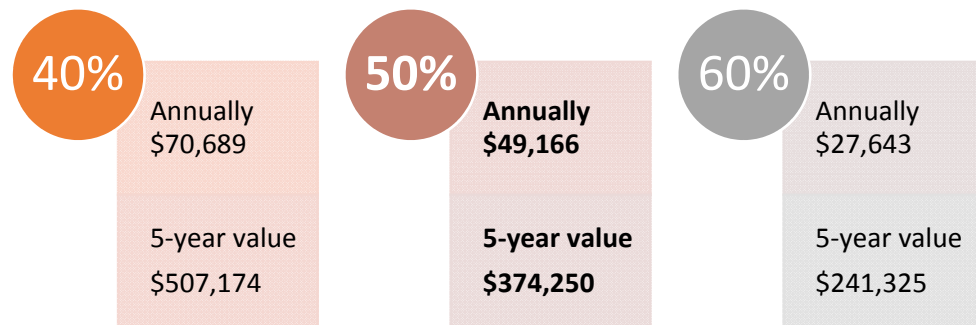
\$1 million of gross premium at a 50% ultimate loss ratio and a 10% growth rate, including a one-time capital investment of \$50,000 grows to \$374,250 in 5 years.



## Income tied to loss ratio

\$1 million of gross premium at a 10% growth rate, including a one-time capital investment of \$50,000.

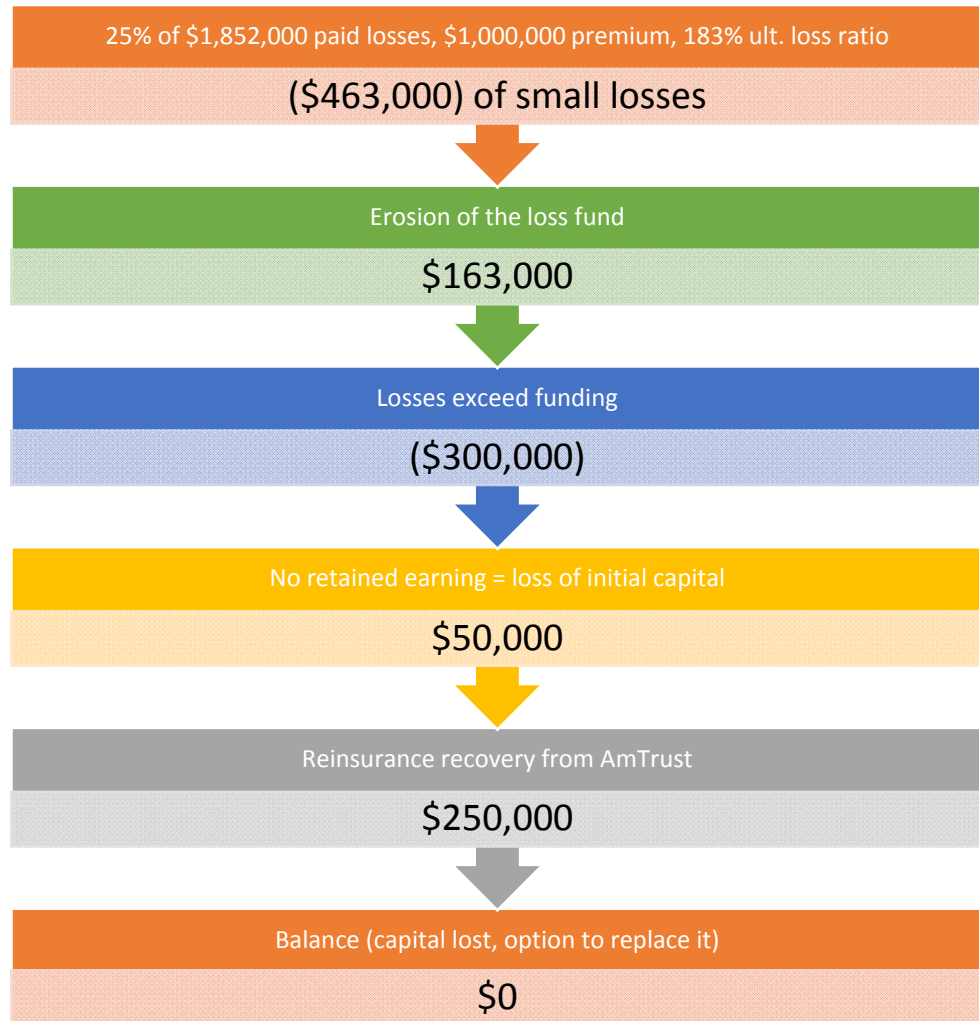
Break-even ultimate loss-ratio is 71%.



## Protecting new members

Your exposure to loss will never exceed the capital you contribute.

We stop your losses when your capital is eroded.

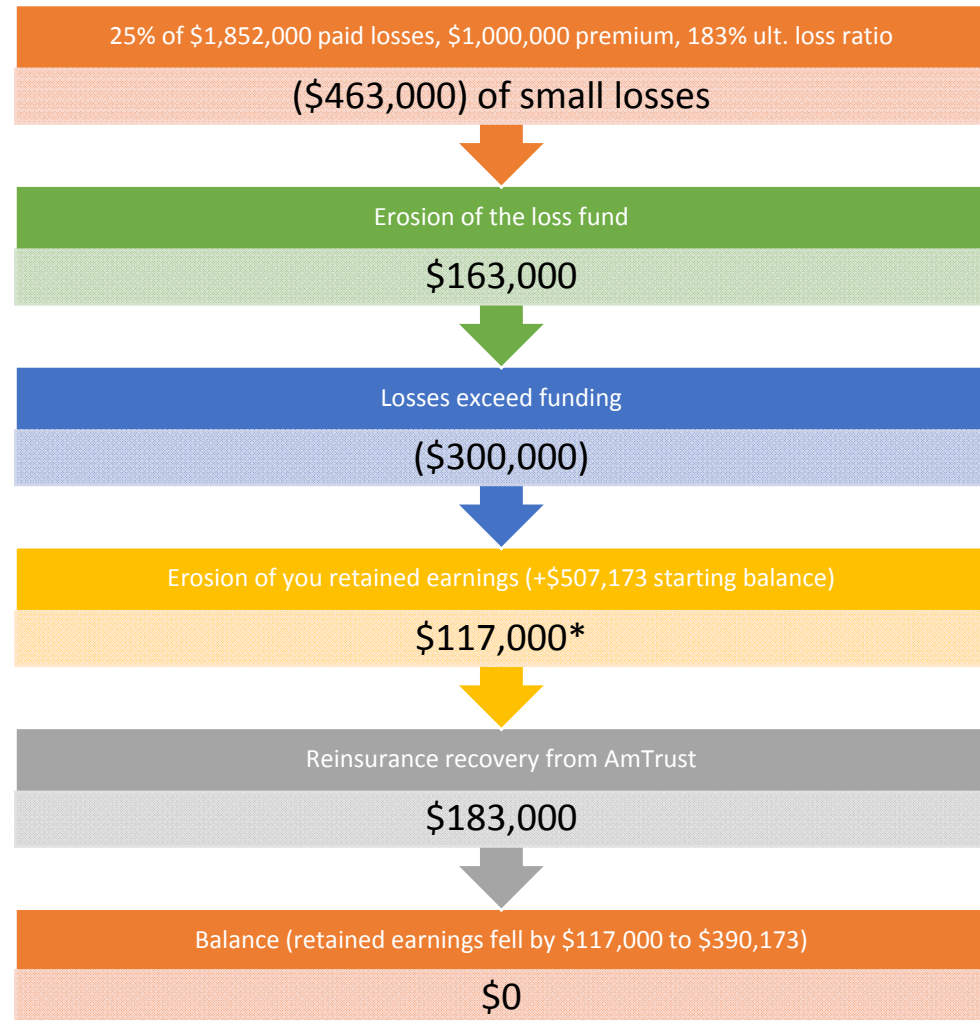


## And later protecting the income you've generated.

You've been in the program for 5 years and your \$50,000 capital contribution has grown to \$507,173 of retained earnings.

We will cap each and every year's losses at 130% of the net ceded premium.

\*Your stop-loss is 130% of you net premium or \$280,000 and your loss fund is \$163,000. You will step back the difference (\$117,000) and your initial capital is safe.



## Moving Existing AmTrust accounts into your captive code

Once an agent writes reaches their growth goal of \$1 million of new AmTrust business in their captive code, subsequent growth could be matched with existing AmTrust business currently in the agent's traditional code.

The formula is as follows:

Agency Captive "In Force" Premium *less* \$1 million growth commitment *less* the amount of existing AmTrust business already rolled = the amount of existing AmTrust business that can be moved from a traditional AmTrust code to their AmTrust captive code.

"In Force" defined as the amount of premium associated with policies effective within the previous 12-month period.

Year 3 (captive code grew by \$1.23 million in the first 2 years)

"In Force" premium \$1,230,000

– \$1,000,000 growth commitment within captive code

– \$0 already rolled

= \$230,000 existing business eligible for the captive

Year 4:

"In Force" premium \$1,460,000

– \$1,000,000 growth commitment within captive code

– \$230,000 already rolled

= \$0 existing business eligible for the captive

Year 5:

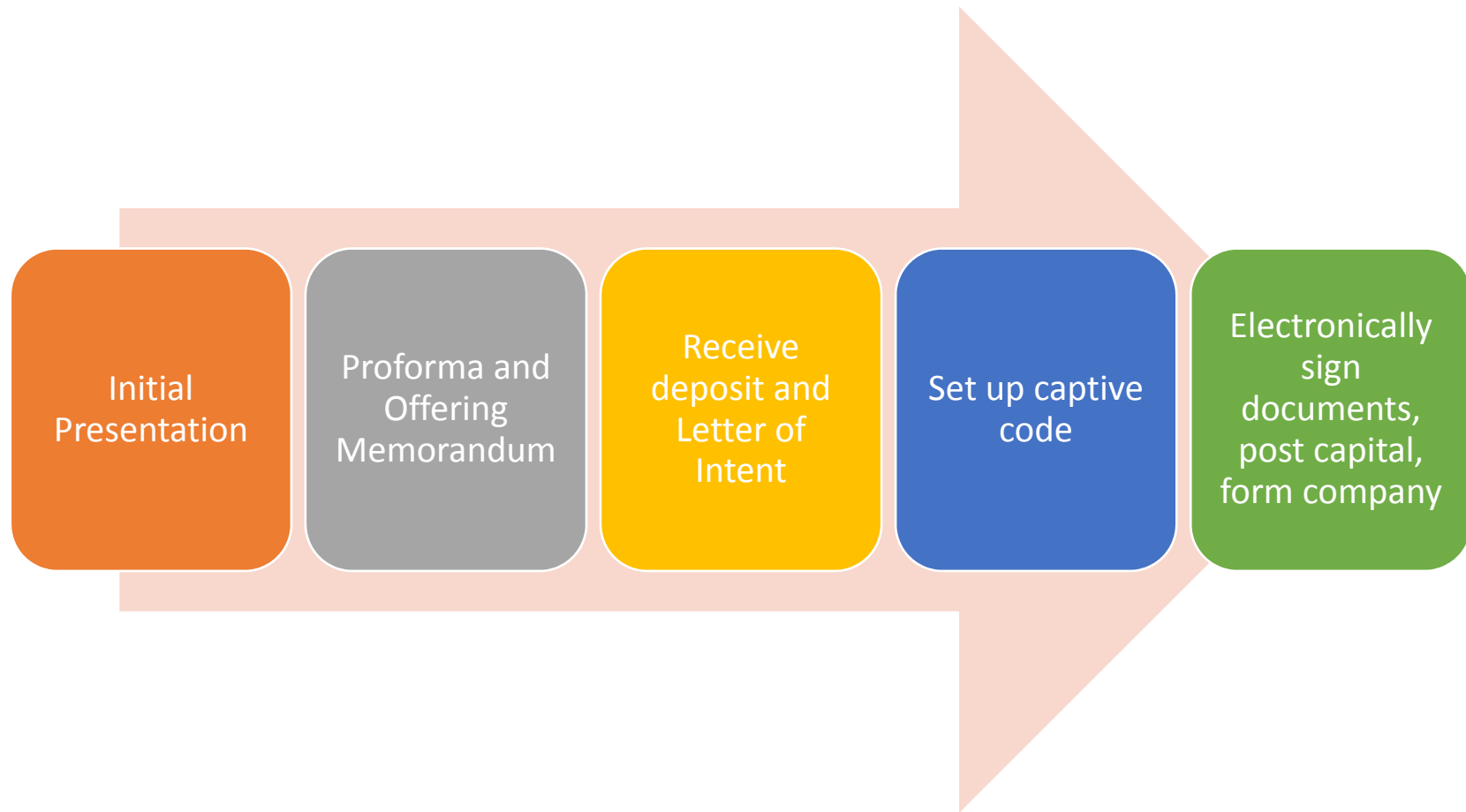
"In Force" premium \$1,606,000

– \$1,000,000 growth commitment within captive code

– \$230,000 already rolled

= \$146,000 existing business eligible for the captive

# Formation Process



## The Takeaways

We've designed the most efficient agency reinsurance program ever offered.

And in doing so, we can financially reward our partners without driving up our expenses.

We win together or lose together.

Let's win together.





# Accolades & Milestones for this Program

***“Most Innovative Use of an ART Structure”***

**CAPTIVE** 2014 WINNER  
R E V I E W

***“Insurance Company of the Year”***

**CAPTIVE** 2014 Finalist  
R E V I E W

- Over 100 participants with an overall inception to date loss ratio under 30%
- \$60+ million ITD written premium
- Members include our top retailers, wholesalers, clusters, and aggregators

# The Fine Print

This Informational Presentation is not, and is not intended to be, complete. It is for informational purposes only. No offering of shares is made hereby. Any offering will be made to qualifying investors only after preparation and review of a complete Offering Memorandum. In the event of any inconsistency between this Informational Presentation and the Offering Memorandum, the Offering Memorandum will take precedence and nothing in this Informational Presentation shall be binding on any affiliate of AmTrust North America or any captive insurer formed in connection with the proposed reinsurance program.

Statements other than historical facts constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements speak only as of the date hereof. Forward-looking statements and pro forma information are based on current expectations and involve a number of assumptions, risks, and uncertainties that could cause the actual results to differ materially from such forward-looking statements or pro forma information.