

Best's Rating Report



GUARD[®] INSURANCE GROUP

Wilkes-Barre, Pennsylvania



A-

Associated With:
IDB Holding Corporation Limited
GUARD INSURANCE GROUP

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AMB#: 018331

Associated Ultimate Parent#: 055854

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 VIII.

RATING UNIT MEMBERS

GUARD Insurance Group (AMB# 018331):

AMB#	Company	Best's FSR	Pool %
010643	NorGUARD Insurance Company	A- p	50.00
000293	AmGUARD Insurance Company	A- p	35.00
000665	EastGUARD Insurance Company	A- p	10.00
010009	WestGUARD Insurance Company	A- p	5.00

RATING RATIONALE

Rating Rationale: The rating of GUARD Insurance Group (GUARD) is based on the consolidated results of four members, NorGUARD Insurance Company, AmGUARD Insurance Company, EastGUARD Insurance Company, and WestGUARD Insurance Company, which operate under a state-approved pooling agreement. The rating reflects the group's solid capitalization and favorable operating profitability achieved through management's disciplined underwriting initiatives as

well as the cautious manner in which initial claim reserves are established, which has resulted in favorable reserve development in recent years. The rating also acknowledges the group's financial flexibility afforded through access to capital given the commitment of its parent, Clal Insurance Enterprises Holdings, Ltd. (Clal), to support GUARD's planned premium growth and domestic diversification initiatives. Partially offsetting these positive rating factors is the inherent risk associated with integrating new product lines and expansion into new states, which is compounded by the current soft underwriting cycle and depressed macroeconomic conditions as well as the group's above-average expense ratio relative to the peer composite. Despite these concerns, the outlook reflects the group's strong operating performance, sound capitalization, and commitment to maintain reserve adequacy.

Best's Financial Strength Rating: A-

Outlook: Stable

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written		Pretax Operating Income		Total Assets	Policyholders' Surplus	Comb. Ratio
	2006	2007	2008	2009	2010	2010	
2006	194,981	197,678	8,438	19,462	629,590	138,212	106.4
2007	194,981	197,678	8,438	19,462	629,590	138,212	106.4
2008	200,859	197,678	51,272	19,462	762,466	170,963	85.1
2009	191,996	197,678	31,838	19,462	767,226	194,370	92.5
2010	224,323	197,678	36,340	19,462	840,356	224,430	90.1

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

BUSINESS REVIEW

GUARD Insurance Group (GUARD or the group) is a group of property and casualty insurers that specialize in providing workers' compensation coverage to small- to medium-sized accounts in over

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25 states while focusing on the services, construction, retail, and manufacturing classes of business. Members of the group include AmGUARD Insurance Company, EastGUARD Insurance Company, NorGUARD Insurance Company, and WestGUARD Insurance Company, which operate under a state-approved pooling agreement.

In recent years, GUARD has embarked on a diversification strategy to expand operations throughout the East Coast, Midwest, Southeast, and California. The strategy seeks a modest market share across many states, allowing the group to minimize its business concentration risk. In addition, the group acts as a workers' compensation servicing carrier in Delaware, Virginia, Georgia, and the District of Columbia. During 2008, GUARD expanded its product offerings to include complementary lines of commercial property and casualty coverages aimed at its existing demographic in furtherance of its diversification strategy. New product offerings include business owner's policies and either commercial umbrella or excess coverage in Pennsylvania, New Jersey, South Carolina, Maryland, New York, Massachusetts, and Georgia as well as commercial auto coverage in Pennsylvania, South Carolina, and New Jersey.

Business is produced through a network of approximately 600 independent agents and brokers representing over 1,300 locations. The group's producer management process, which monitors results against a variety of quantitative and qualitative performance standards, is used to develop and reward the network of producers. GUARD utilizes early intervention, telephonic claims reporting, aggressive claims handling, and a managed care approach to contain claim costs.

2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Workers' Comp	228,225	212,067	94.5	50.8	415,225
Com'l MultiPeril	13,050	11,927	5.3	68.7	5,298
All Other	1,122	329	0.1	59.0	187
Totals	242,397	224,323	100.0	51.4	420,709

Consolidated Balance Sheet

Admitted Assets (\$000)

	12/31/2010	%
Bonds	\$499,847	59.5
Preferred stock	3,553	0.4
Common stock	53,947	6.4
Cash & short-term invest	37,128	4.4
Other non-affil inv asset	31,932	3.8
Investments in affiliates	<u>-151</u>	<u>0.0</u>
Total invested assets	\$626,255	74.5
Premium balances	194,482	23.1
Accrued interest	4,854	0.6
All other assets	<u>14,765</u>	<u>1.8</u>
Total assets	\$840,356	100.0

Liabilities & Surplus (\$000)

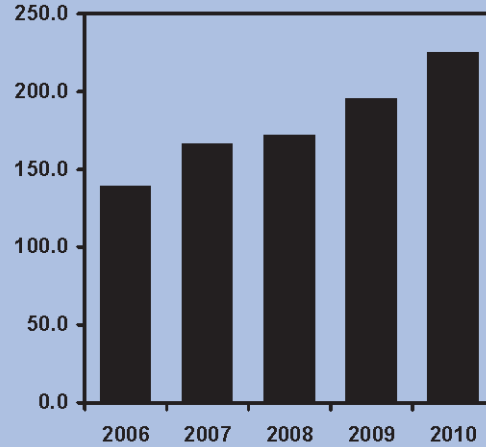
Loss & LAE reserves	\$420,709	50.1
Unearned premiums	99,246	11.8
All other liabilities	<u>95,971</u>	<u>11.4</u>
Total liabilities	\$615,926	73.3
Capital & assigned surplus	82,093	9.8
Unassigned surplus	<u>142,337</u>	<u>16.9</u>
Total policyholders' surplus	\$224,430	26.7
Total liabilities & surplus	\$840,356	100.0

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GUARD INSURANCE GROUP

Policyholders' Surplus



in millions
of dollars

Years

FINANCIAL SUMMARY (\$000) as of 12/31/2010

Policyholders' Surplus	\$224,430
Direct Premiums Written	\$242,397
Combined Ratio	90.1
Net Underwriting Income	\$ 18,294
Net Investment Income	\$ 18,046

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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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