

PHILOSMITH

The Insurance and Financial Review



March 2007

Review and Outlook - Property / Casualty Insurance

Company Spotlight Reports

- **American Physicians**
- **American Safety**
- **North Pointe**
- **ProCentury**

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REVIEW & OUTLOOK PROPERTY / CASUALTY INSURANCE

OVERVIEW

All indicators point to 2006 as banner year for the property casualty insurance industry. The lull in catastrophe losses in 2006, combined with a strong performance in virtually all major lines is predicted to have propelled the industry to its best underwriting performance since 1955. Premium growth in 2006 is expected at a sluggish 2.8%, and consensus suggests that the industry's profitability will continue in 2007 but with even more sluggish premium growth. A peak in profits juxtaposed with stalling premium growth stands as a reminder of the highly cyclical nature of the property casualty industry and its susceptibility to a myriad of factors.

The discussion that follows highlights: (i) the events and trends that PhiloSmith believes most significantly impacted the US property casualty market in 2006; (ii) industry financial performance in 2006; and (iii) outlook for 2007.

Trend #1:

Hurricane fears were excessive as (re)insurers adapted to heightened catastrophe awareness in 2006.

Following 2004's and 2005's record-setting hurricane seasons, meteorological experts forecasted above average hurricane activity for 2006 and the industry entered last year braced for another round of storms. Fortunately, these forecasts proved wrong. 2006's benign hurricane season highlights the inherent difficulty in predicting uncertain events. While the table below includes losses for catastrophes other than hurricanes, the majority of the difference between 2006 and the previous two years can be explained by differences in hurricane related losses.

Natural Catastrophes (\$bn)

Year	# Events	Victims	Total Losses	Insured Losses	Major Events
1994	680	13,000	\$89	\$21	Northridge Earthquake
1995	615	20,800	172	16	Kobe Earthquake, North Korea Floods
2000	850	10,300	38	9	UK Floods, Typhoon Saomai
2001	720	25,000	40	12	Tropical Storm Allison, USA Hailstorm
2002	700	11,000	60	14	Europe Floods
2003	700	89,000	65	16	Europe Heatwave, Earthquake Bam (Iran)
2004	650	225,000	150	47	Atlantic Hurricanes, Japan Typhoons, Tsunami
2005	670	101,000	219	99	Atlantic Hurricanes, Pakistan Earthquake

Despite modest insured losses from natural catastrophes, experts predict elevated hurricane activity over the next 15 to 20 years. Industry participants "took advantage of 2006's sunshine to fix the roof", changing statistical models and increasing rates in hurricane-exposed areas. Applied Insurance Research (AIR) and Risk Management Solutions (RMS) updated the assumptions used in their hurricane models in 2006 to include information gained from recent events. Recalibrated factors include: (i) the frequency of storms; (ii) the likelihood of a storm making landfall; and (iii) demand surges and changes in exposure due to population growth and increases in replacement costs. With the introduction of a new model version, RMS announced a hurricane loss-projections increase of 40%. Also in 2006, the three major rating agencies (S&P, Moody's and Fitch) announced changes to their approaches for evaluating companies' capital adequacy and risk management processes and controls. The rating agency methodology changes, combined with catastrophe model changes, significantly impacted the amount of capital and/or reinsurance protection needed to achieve a given rating.

Trend #2:

As ceding companies lined up for capacity in 2006, many reinsurers were less than enthusiastic about providing capacity and the industry increasingly turned to capital markets alternatives.

A large portion of Katrina claims are still being disputed at the primary level, but reinsurers are preparing for the day when the full impact of the 2005 storm losses comes through their market. Approximately half of 2005's global losses are expected to be shouldered by the reinsurance industry. Reinsurers not only are coming off previous record losses in 2004, but also facing a potential increase in the frequency and severity of North Atlantic storms that is anticipated to last decades.

Given reinsurers unregulated rate environment, they moved quickly in 2006 to implement premium increases. However, while many thought that across-the-board rate hikes would be unavoidable in 2006, the reinsurance market instead displayed a discriminating approach. The industry was careful to distinguish hurricane exposures from other risks. The \$20 billion of new capital raised by new or existing companies by year-end 2005, following that catastrophic hurricane season, helped to support this approach.

Nonetheless, the net result at 2006 renewals was a significant shortfall, with reinsurance capacity lagging 25 percent behind the demand of ceding companies with southeastern US exposures. With little help to be found in the retrocessional market and unwilling to turn away potential opportunities unnecessarily, reinsurers are more open than ever to alternative capital market solutions. Insurers too are paying new attention to alternatives such as catastrophe bonds, sidecar arrangements and direct hedge fund investments that can supplement traditional reinsurance market capacity.

Topping the list of capital market alternatives are catastrophe bonds, which have advanced significantly since their debut in 1994. In 2005, total market issuance of cat bonds rose by 74 percent over the prior year to \$1.99 billion. By year-end 2006, issuance could surpass \$4 billion. The rumblings caused by the first anticipated total loss to a publicly-disclosed catastrophe bond (the \$190 million KAMP Re 2005 Ltd. Issuance) did not seem to derail market momentum.

Sidecar arrangements¹ also are turning heads as more than \$3.5 billion in capital has been raised through sidecars to support North American catastrophe risk. Hedge funds are assuming insurance and reinsurance risk directly (i.e. via fronting arrangements or wholly-owned reinsurance subsidiaries) to a greater extent than ever before and reinsurers also are seeing new interest from private equity funds.

¹ A sidecar is a financial structure that attaches itself to an existing (re)insurer to essentially provide capacity while allowing investors to take on the risk and return of particular book of business. The sidecar carrier has no stated interest in writing business, seeking a financial strength rating or building business relationships beyond the existing (re)insurance writer. A (re)insurer will only cede the premiums associated with a book of business to such an entity if the investors place sufficient funds in the vehicle to ensure that it can meet claims if they arise. Typically the liability of investors is limited to these funds.

As we enter 2007, capital market vehicles are a small part (less than five percent) of the total market for risk transfer of natural peril exposures but the theoretical impact is far more substantial.

Trend #3:

Primary rate increases in 2006 were limited to catastrophe-affected markets as insurers built record high surplus.

As was also the case with reinsurers, primary property casualty companies limited rate increases to catastrophe-prone areas last year. The Council of Agents and Brokers third quarter 2006 Commercial Market Index Survey reported a 5.3% average decline in commercial account pricing. The largest rate declines came in workers' compensation and general liability.

Market capacity is a key driver of the property casualty underwriting cycle. The Insurance Information Institute estimates that property casualty insurers increased claims paying resources by a near record \$55.7 billion in 2006 (an amount equal to 93 percent of expected net income), enabling claims paying resources to reach an all-time high of \$481.5 billion. The source of the reinvested funds is primarily profits earned in 2006, investment gains, and new capital from investors. Increased surplus translated into lower insurance prices for most coverages in 2006. The share of property casualty premiums paid relative to the overall economy is estimated to have declined 2.5 percent in 2006.

Trend #4:

A number of settlements were reached in 2006 relating to industry investigations into producer compensation, insurance placement, and non-traditional insurance products.

Companies completing settlements in 2006 included Zurich North America, St. Paul Travelers, ACE Ltd and American International Group. While not admitting any violations of federal or state laws, terms of the settlements included fines, funds set aside to benefit certain policyholders, and elimination of certain contingent commissions.

Settlement Agreements Reached in 2006 (\$mm)

		Total	
		Amount	Breakdown
6-Feb	AIG	\$1,643.0	\$225 in fines; \$1,075 in restitution funds; \$343 to states for underpayment of premium taxes
6-Mar	Zurich ¹	171.7	\$20 for state fees and costs; \$151.7 into settlement fund
6-Mar	Zurich ¹	153.0	\$65 in fines; \$88 in restitution fund
6-Apr	ACE	80.0	\$40 in fines; \$40 in restitution fund
6-Aug	St. Paul Travelers	77.0	\$40 in fines; \$37 in restitution fund

¹ Zurich North America reached two settlements with different states involved in each.

2006 FINANCIAL REVIEW

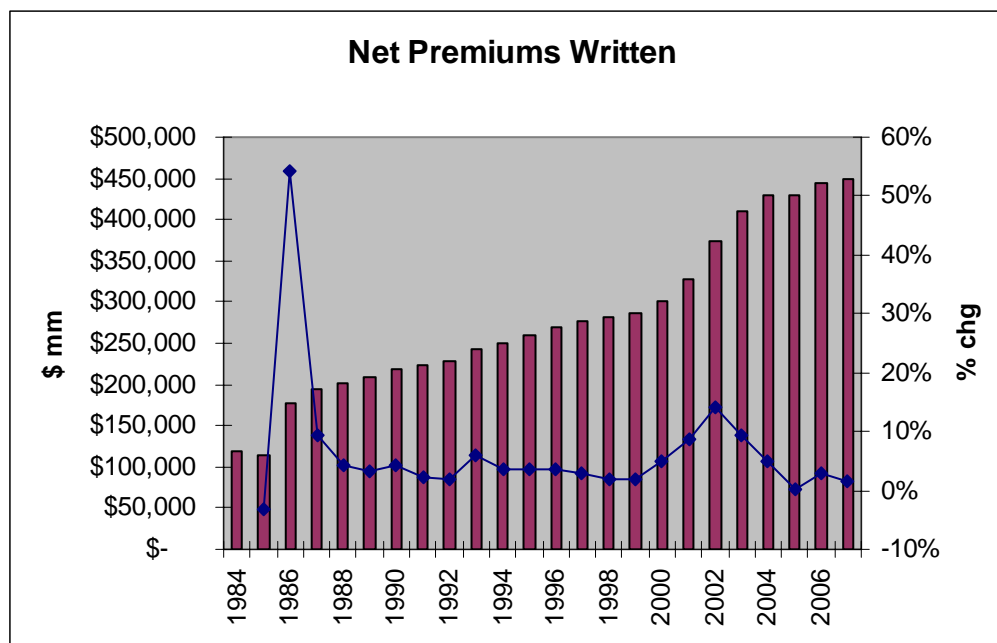
Premium growth in 2006 is expected at a sluggish 2.8%, below expectations of 4.7% from 1 year ago.

While the 13 available analyst forecasts for 2006 premium growth vary, they are consistent in their expectation of modest increases over 2005:

Net Premiums Written - % change from prior year

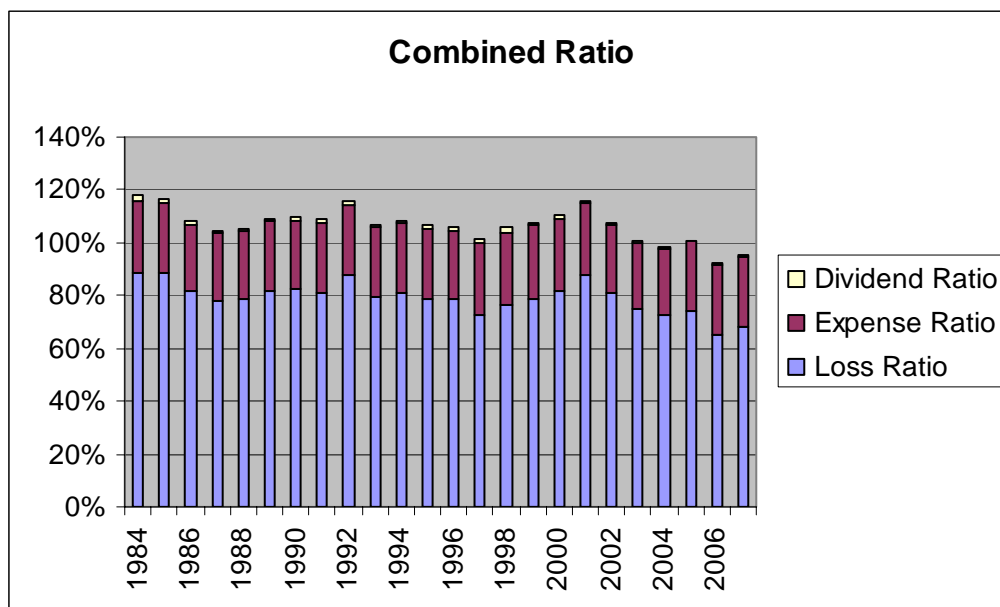
	2006E	2007E
High Forecast	4.40%	3.10%
Low Forecast	1.30%	0.40%
Average	2.80%	1.50%

Premium growth peaked during the most recent cycle in 2002 before dropping in the subsequent three years. Buyers of insurance have reaped the benefits of slowing premium growth as insurance costs have fallen relative to income and GDP growth.



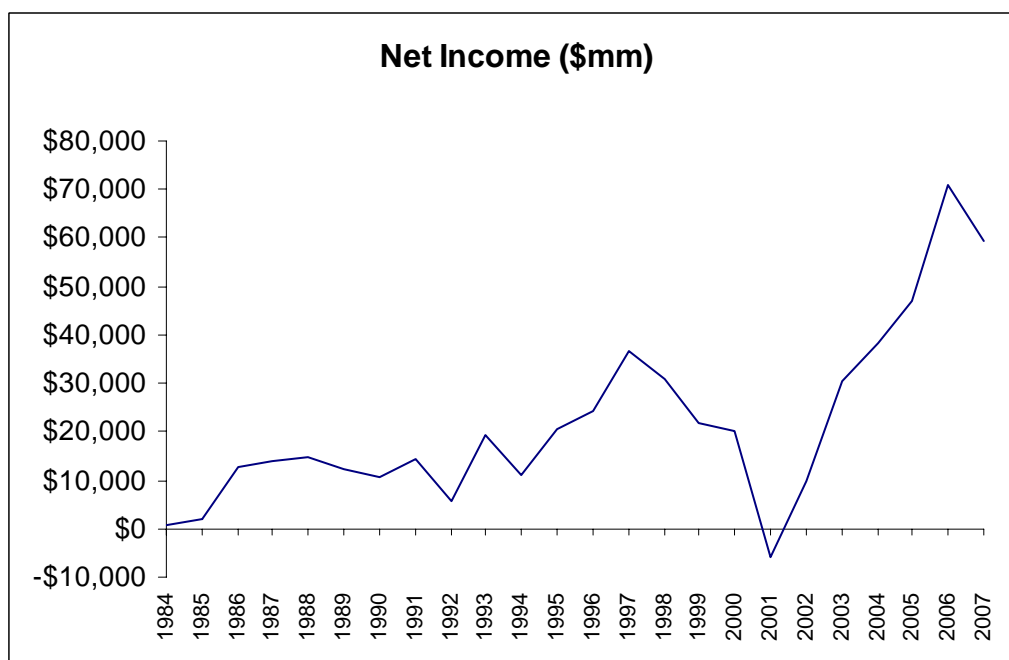
Although top line growth is slow, combined ratios are at their best in 50+ years.

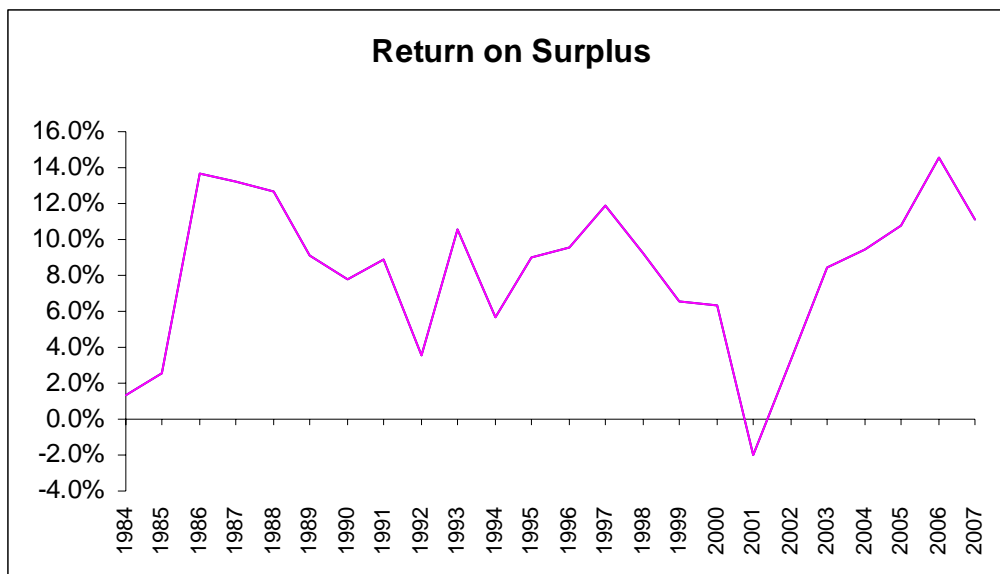
If accurate, the expected 94.3% combined ratio will represent one of the lowest in history. The result is driven by an improved loss ratio that benefited from below-average catastrophe losses and a favorable shift in prior-period loss reserve development trends. Favorable reserve development is expected to add approximately \$7 billion (1.6% of earned premium) to pre-tax income in 2006, compared with unfavorable development of \$500 million (0.1% of earned premium) in 2005.



Profits and profitability are rising.

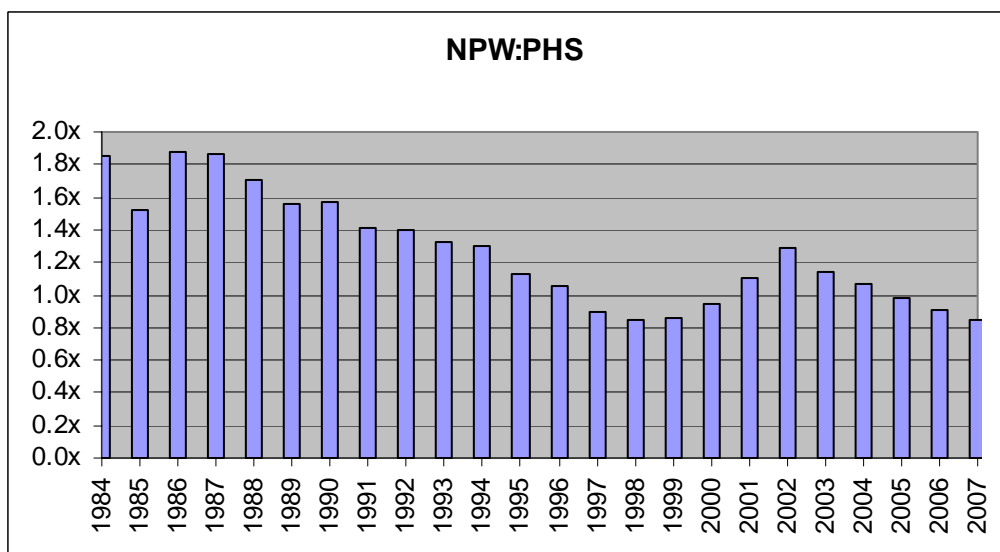
Profits (as measured by net income) and profitability (as measured by return on surplus) soared last year, helped by the ebb in catastrophe losses. Net incurred losses from catastrophic events are expected to equal less than 2% of earned premium in 2006, compared with 8.6% in 2005. Net income is expected to break records with a 50% increase over 2005. At the same time, returns are thought to match those of the Fortune 500 for the first time since 1986.





With operating leverage near historic lows, insurers are plowing profits back into the business.

Profits are being used to bolster policyholder surplus and serve as an additional buffer against the catastrophes that lie ahead. Additional capital also helps insurers meet the higher requirements of the rating agencies.



2007 OUTLOOK

Premium growth and underwriting profits are expected to decline in 2007.

A deceleration in premium growth is expected in 2007, as a result of the continued softening expected in the personal and commercial lines markets (the sole major exception being hurricane-prone coastal coverage). Combined ratios are expected to rise with more normal hurricane losses partially offset by continued favorable loss reserve development.

The biggest potential downside risk for 2007 is exposure to catastrophic loss, either from increasingly common \$40 billion-plus storms or terrorist attacks. The two-year extension of the Terrorism Risk Insurance Act (which now expires on December 31, 2007) pushed risk onto private insurers. Industry aggregate deductibles will rise from \$15 billion in 2005 to \$25 billion in 2006 and \$27.5 billion in 2007. Many insurers have retentions greater than or equal to their actual 9/11 losses.

Catastrophic loss from external factors supercedes what is normally the industry's biggest concern - pricing and underwriting discipline. Nonetheless, pricing and underwriting discipline (the traditional nemesis of the industry) will be crucial in 2007. Premium growth is expected to slow next year. Most insurers will be paying more for reinsurance, contributing to lower net premium numbers. Premiums will continue to leak from the system as insurers turn to alternative risk transfer. If not appropriately handled, slowing premium growth can result in price-based competition and ill-fated acquisitions.

Fortunately for insurers at least some of the momentum built in 2006 will carry to next year. 2007 is expected to be a more complex and difficult business environment. The winning companies will be those that execute on their business strategy, manage capital judiciously, and innovate.

COMPANY SPOTLIGHT REPORTS

Since 1962, the *Insurance and Financial Review* has spotlighted companies in the insurance industry that PhiloSmith sees as noteworthy and newsworthy. The following companies will be highlighted in the next section:

American Physicians
American Safety
North Pointe
ProCentury

PhiloSmith Spotlight - American Physicians Capital



Source of Opportunity

- Leading provider of physician liability coverage in the upper midwest; ranks 17th nationally among professional liability insurers, with approximately 9,500 policies in-force
 - Emphasis on individual and small physician groups, less competitive target segments
- Focused business strategy producing positive financial results
 - Improved performance since 2003 when strategic initiatives implemented to eliminate unprofitable business, strengthen reserves and return to rate adequacy
- Client focused
 - Founded by physicians and with Board of Directors that includes doctors
- Innovative underwriting practices
- Aggressive claims management and defense of non-meritorious claims
 - 89% favorable trial results vs. 84% industry average
- Key endorsements from medical societies (e.g., Michigan State Medical Society ("MSMS"), Michigan Osteopathic Association and the New Mexico Medical Society)
- Diversified distribution
- Experienced management; senior executives average over 20 years industry experience
- Opportunistic and flexible market timer

What's New

- Increased competition from new market entrants in KY and IL is leading ACAP to re-deploy capital to other states in the short term
- Small foray made into WI
- Increased capital and confidence in the business leading ACAP to retain more business
- Shift in investment strategy toward tax-exempt securities as NOL carryforwards are depleted
- Actively buying back shares

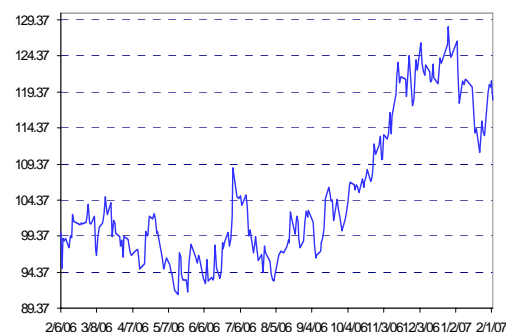
GAAP Summary Financials (\$mm)

	2003	2004	2005	2006	CAGR/AVG
NPW	\$224.6	\$186.4	\$157.4	\$146.7	-13.2%
NI	(\$76.8)	\$20.0	\$72.4	\$43.2	NM
Equity	\$201.8	\$202.1	\$261.2	\$268.8	10.0%
ROE	NM	9.9%	27.7%	16.1%	17.9%
L/R	112.5%	88.6%	77.4%	67.1%	86.4%
E/R	23.3%	23.8%	20.1%	20.4%	21.9%
C/R	135.8%	112.4%	97.5%	87.5%	108.3%

Public Markets Overview (as of 3/19/07)

Price	\$37.92
% 52-wk hi	91%
% 52-wk lo	130%
Market Cap (\$mm)	\$432.7
P/Dil. EPS Before Extra	10.78x
P/Tang. BV	1.6x
Beta	0.72

Relative Performance



Senior Management

	Title	Joined ACAP
R. Kevin Clinton	Pres. & CEO	2001
Frank H. Freund	CFO	1997
Annette E. Flood	COO	2001

Company Description

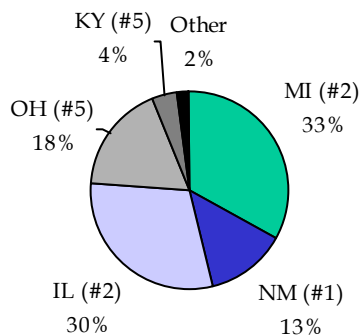
APCapital provides medical professional liability insurance to individuals and small physician groups in Michigan, Indiana, Illinois, Ohio, Kentucky, and New Mexico. APCapital was incorporated in July 2000 to facilitate the conversion of American Physicians from a mutual insurance company (founded in 1975 by MSMS) to a publicly owned stock insurance company. ACAP is headquartered in East Lansing, Michigan.



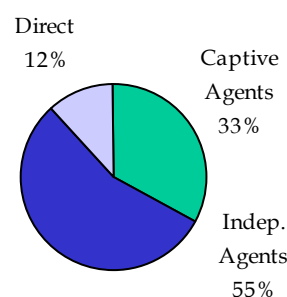
PhiloSmith Spotlight – American Physicians Capital

- APCapital is a pure play writer of medical professional liability coverage.
 - ACAP discontinued writing personal and commercial lines insurance in 2001.
 - In 2003, ACAP announced plans to exit workers comp and on June 30, 2005, the last workers comp policy expired, effectively completing ACAP's exit from this line.
- ACAP provides coverage to physicians, their corporations, medical groups, clinics and ancillary healthcare providers. Although ACAP generates the majority of its premiums from individual and small group practices, it also insures several major physician groups.
- At December 31, 2006, ACAP had 9,454 policies in force (down 1.1% from 2005) in 7 states, with a concentration in Michigan, Ohio, and Illinois, as well as Kentucky and New Mexico.
 - In December 2002, ACAP began to exit the Florida market but continues to maintain an indirect presence through PIC Florida with limited exposure from its obligation under Florida State law to offer tail coverage to policyholders with non-renewed policies.
- ACAP utilizes strict underwriting and claims management techniques.
 - High risk specialties (e.g, ERs, OBGYNs, radiology) in high risk areas (e.g., major cities) are no longer written.
 - Risk management teams regularly perform on-site inspections.
 - Unique underwriting systems are in place.
 - For example, a doctor's communication skills are an underwriting variable.
 - Policies are primarily written on a claims made basis.
 - Occurrence policies are only offered in MI (where ACAP can draw on 30+ years of data), as well as NM and IN (required for access to state compensation fund and states cap limits).
 - The Company discontinued writing occurrence policies in Ohio and Kentucky, and is in the process of exiting the Nevada market.
 - 98% of policies (as of 9/30/06) had \$1mm or lower maximum limits.
- Products are marketed through a focused, multi-channel system.
 - Direct business is primarily written in NM through society referrals.
 - SCW Agency Group, Inc. is ACAP's captive force in MI.
 - 47 independent agents write business in KY, OH, and IL.
 - The top ten independent agencies produced 68% of total independent agency premium writings in 2005.
 - Sales and marketing efforts also include strategic marketing and business alliances such as medical society endorsements and purchasing group programs.
- Business has improved over the past several years.
 - The company has increased rates an average of 24% annually since 2002.
 - Since 2003, the number of open claims has decreased by approximately 50% and net reserves per open claim roughly doubled.
- ACAP is rated B++ by A.M. Best.
- Geographic expansion has come through acquisitions (NM, KY) and organic growth (IL, OH)

DPW by State and Ranking; LTM 9/30/06



2005 DPW by Channel



Summary of Select Transactions (\$mm)

Close Date	Role	Target	Buyer/Investors	Sellers	Size
Aug-01-2006	Seller	PIC Wisconsin	ProAssurance Corp.	American Physicians Cap.	\$97.3
Aug-31-2005	Buyer	PIC Wisconsin	American Physicians Capital Inc.		\$7.4
Jun-09-1998	Buyer - Parent	Alpha Advisors	American Physicians Assurance		-
Aug-01-1997	Buyer / Surviving Mutual	New Mexico Physicians Mutual Liability	Predecessor Mutual (Mutual Ins. Corp. of America, "MICOA")	New Mexico Physicians Mututal Liability Company	NA
1996	Buyer	Kentucky Medical Insurance Co.	Predecessor Mutual (Mutual Ins. Corp. of America, "MICOA")	Kentucky Medical Insurance Company	\$25.6

PhiloSmith Spotlight – American Physicians Capital

Financial Summary

(\$000s)

	2003	2004	2005	2006	CAGR
Net premiums written	\$224,647	\$186,431	\$157,382	\$146,723	-13%
<i>% growth</i>		-17%	-16%	-7%	
Net premiums earned	\$224,590	\$200,579	\$164,283	\$149,688	-13%
Investment income	43,294	47,373	45,163	45,253	1%
Net realized gains	2,403	1,551	2,033	3,310	11%
Other income	1,104	1,177	1,387	1,031	-2%
Total revenues and other income	\$271,391	\$250,680	\$212,866	\$199,282	-10%
Losses and loss adjustment expenses	\$252,742	\$177,786	\$127,124	\$100,458	-26%
Underwriting expenses	51,104	42,681	33,080	30,521	-16%
Other expenses	808	1,275	7,795	5,300	87%
Total expenses	\$312,274	\$230,930	\$167,999	\$136,279	-24%
Net income (loss)	-\$76,831	\$20,030	\$72,366	\$43,187	NM
<i>% growth</i>		NM	261%	-40%	
Total assets	\$1,063,046	\$1,069,899	\$1,109,328	\$1,095,715	1%
Shareholders equity	\$201,808	\$202,124	\$261,212	\$268,810	10%
<i>Underwriting leverage (NPW:SE)</i>	1.11	0.92	0.60	0.55	
<i>ROE</i>	NM	10%	28%	16%	

2006 Review

- 2006 DPW were declined \$28.6mm, or 15.4% as a result of the impact of the PIC Florida and health line exit (combined for \$10.7mm of the decrease) as well as increased price competition
 - However, insured physician retention rates remained at approximately 82%
- The decline in net premiums was not as great as the Company retained a greater portion of loss exposure and ceded less premium
- For the year, the loss ratio improved to 67.1% with \$12.9 million of positive prior year development. Other factors contributing to the improvement include past rate increases, a stronger book-of-business, and improved claims processes
- In early 2006, ACAP purchased \$193.0 million of tax-exempt securities to bring its total portfolio allocation for these securities to 23.8%. The average return on these tax-exempt securities is approximately 4.0% which resulted in the overall decline in investment yield to 5.30% compared to 5.43% a year ago
- 2006 claims reported totaled 1,168, down 22.8% from the 1,513 reported in 2005
- For the year, the Company repurchased 1,075,350 shares at an average cost of \$32.33

2007 Outlook

- Continued expansion into WI
- Continue to add additional captive agents, with an emphasis in MI; gradual shift away from independent agencies
- Development of additional innovative underwriting techniques
- Seek strategic acquisition that expand lines of business and/or geography
- Additional share repurchases to manage low leverage levels
 - On October 27, 2006, the Company's Board of Directors adopted a new stock repurchase plan for 2007 and authorized the repurchase of \$32 million of its common shares. In addition, the board authorized the rollover of any \$6.4mm dollars allocated to the 2006 plan

PhiloSmith Spotlight - American Safety Insurance



Source of Opportunity

- Flexibility from dual US/Bermuda platform
- Custom-designed programs with superior underwriting results
- Proven to be opportunistic in entering new lines
- Scalable operating platform
- Disciplined underwriting and individual risk pricing has generated loss ratios that have outperformed the industry since 1998
- Success seen from definitive action plan in progress to expand ROE by increasing net retentions, selectively growing core business lines, developing new products, improving operating efficiencies, and enhancing investment income
 - Increased net retentions results in a lower expense ratio in lines of business where the Company has a proven track record
- Experienced management and recent hires of additional underwriting teams with specialized expertise and distribution relationships
- Improving geographic diversification (away from western states) in construction business lines
- Convenient online rating and quoting system in environmental business line
- Select knowledgeable and experienced distribution
- "A" rated by A.M. Best since 1995

What's New

- Recently hired Thomas Callahan as SVP responsible for overseeing the Group's internal reinsurance arrangements and selectively pursue reinsurance ceded from non-affiliated captives, risk retention groups, and specialty insurers
- Two new product capabilities added in 2Q2006:
 - Excess liability/umbrella; Senior underwriting manager hired
 - Non-construction liability; underwriting team in NJ hired for this product and to assist in geographic expansion of construction line
- Continue to increase retention levels and earn higher investment yields as a result of new capital deployment in Bermuda
- New technology enhancements; successfully launched EnviroStar coverage offered through ProStar web-based program.
- Upgraded to "stable" outlook by A.M. Best
- Recently settled the Company's largest outstanding legal matter with no material impact to financial results

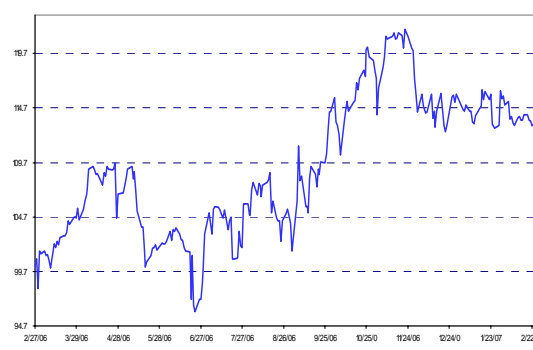
GAAP Summary Financials (\$mm)

	2003	2004	2005	2006	CAGR/AVG
NPW	\$131.5	\$131.9	\$138.5	\$157.3	6.2%
NI	\$0.7	\$14.8	\$14.7	\$20.5	208.2%
Equity	\$95.3	\$108.8	\$118.4	\$196.2	27.2%
ROE	0.7%	13.6%	13.0%	12.4%	9.9%
L/R	60.2%	68.6%	61.4%	62.9%	63.3%
E/R	36.6%	34.1%	37.2%	35.7%	35.9%
C/R	96.8%	102.7%	98.6%	98.6%	99.2%

Public Markets Overview (as of 3/19/07)

Price	\$18.89
% 52-wk hi	95%
% 52-wk lo	123%
Market Cap (\$mm)	\$199.4
P/Dil. EPS Before Extra	8.37x
P/Tang. BV	1.1x
Beta	0.43

Relative Performance



Senior Management

	Title	Joined ASI
Stephen Crim	CEO	1990
Joseph Scollo Jr.	COO	1998
William Tepe	CFO	2005

Company Description

Through its U.S.-based program administrator and insurance company subsidiaries, American Safety Insurance offers excess and surplus lines and alternative risk transfer products. The company was founded in 1986 and is based in Hamilton, Bermuda.



PhiloSmith Spotlight - American Safety Insurance

- ASI was originally organized in response to the mid-1980s shortage of insurance coverage for environmental exposures. Environmental coverage remains a key element of ASI's business strategy which, through organic growth and M&A activity, has expanded into new specialty products and programs.
- ASI's largest segment, excess and surplus lines, targets small to medium-sized businesses in the following industries:
 - Environmental. General, professional and pollution liability for remediation contractors, consultants, property owners, and lenders. ASI does not provide coverage for manufacturers or installers of products containing asbestos that have been the subject of class action lawsuits, but does insure the contractors who remediate asbestos.
 - Marketing efforts include offering multiple coverages in a single convenient form. Small accounts (average premium of \$8,700; approximately 50% GPW) are supported by ProStar Online, ASI's web-based rating and submission program. Mid-sized accounts (average premium \$25,000; approximately 50% GPW) are serviced through three regional underwriting offices.
 - Construction. Mostly primary general liability coverage for residential and commercial construction risks in the western US. Premiums average \$175,000. ASI's ability to write residential and commercial contractors offers a competitive advantage on the commercial side where many contractors cannot find coverage due to their residential operations.
 - Non-construction launched in 2006, focuses on primary general liability coverages for products liability exposures and owners, landlord and tenant risks. These lines are marketed through both ASI's recently acquired Middletown, NJ and Atlanta, GA offices.
 - Excess / Umbrella provides excess and umbrella liability coverage over both ASI and other carriers' primary general liability policies. The focus is on construction and products liability exposures.
 - Surety. Contract performance and payment bonds for environmental contractors.
- Although classified in its E&S segment, ASI writes specialty admitted policies in its environmental business line in California, Illinois, New Jersey, Texas and New York. ASI also writes a small portion of its specialty program business on an admitted basis. Surety bonds are also written on an admitted basis.
- E&S products are marketed through approximately 230 producers in all 50 states and the District of Columbia. Environmental insurance products are written through a mix of retailers and wholesalers, while construction and non-construction insurance products are marketed exclusively through wholesale brokers.
- The alternative risk transfer segment consists of:
 - Specialty Programs. Target programs generate \$5- \$20 million in annual direct written premium within two years and include professional and/or general liability coverages. Workers Compensation, Medical Malpractice, Auto Liability, Ocean Marine, Personal Lines, Crime, Healthcare, USL&M, and CAT-Exposed Property are excluded classes from specialty program business. Underwriting and policy administration is outsourced to third-party program managers/MGAs. To mitigate risk, ASI requires managers or agents to take a true risk position facilitated through ASI's segregated account captive. In addition to program managers, reinsurance brokers also serve as a distribution source of program business.
 - As of 12/31/06, ASI had 12 programs in place; representative current programs include: artisan contractors, bail bonds, pest control operators, taxicab and limo drivers, and real estate E&O.
 - Fully Funded. Policy limits are collateralized by the insureds to ASI's segregated account captive. ASI leverages its infrastructure to generate fee income without assuming risk. Target market segments include residential & commercial contractors and healthcare facilities. Available coverages include general liability, products completed operations and professional liability. Fully-funded products are marketed primarily through retail brokers.
- Prior to 2005, ASI also had a substantial real estate development program in Florida.

ASI At a Glance					
American Safety Insurance Holdings, Ltd. Bermuda Holding Company					
American Safety Holdings Corp (US)				Bermuda	
American Safety Casualty Insurance Company (Admitted in 48 states)	American Safety Indemnity Company (E&S in 40 States)	American Safety Risk Retention Group, Inc. (Non-subsidiary affiliate)	American Safety Insurance Services, Inc. (Program Administrator)	American Safety Reinsurance, Ltd. (Reinsurer)	American Safety Assurance, Ltd. (Segregated Account Captive)
Insures and places risks			Provides administrative services for US	Reinsures risks	

E&S			ART	
62.6% 2005 GPW 3 year CAGR 25%			37.4% 2005 GPW 3 year CAGR 10%	
Environmental Written since 1986 21.4% 2005 GPW	Construction Written since 1999 40.1% 2005 GPW	Surety Written since 1993 1.1% 2005 GPW	Specialty Programs Written Since 1999 35.8% 2005 GPW	Fully Funded Written since 2004 1.6% 2005 GPW

Statistics as of 2005



PhiloSmith Spotlight - American Safety Insurance

Financial Summary

(\$ 000s)	2003	2004	2005	2006	CAGR
Gross premiums written	\$212,667	\$221,576	\$234,058	\$239,606	4.1%
Net Premiums written	\$131,478	\$131,921	\$138,515	\$157,268	6.2%
% growth		0.3%	5.0%	13.5%	
Net premiums earned	\$109,334	\$136,391	\$137,580	\$146,756	10.3%
Net investment income	5,801	9,773	14,316	21,767	55.4%
Net realized gains (losses)	3,139	208	(54)	1,190	-27.6%
Real estate sales	57,555	67,967	3,000	-	
Total revenue	\$175,991	\$214,656	\$156,115	\$171,440	-0.9%
Loss and LAE expenses incurred	\$65,834	\$93,503	\$84,406	\$92,329	11.9%
Acquisition expenses	21,818	26,529	28,752	27,378	7.9%
Other expenses	78,249	76,171	26,909	28,887	-28.3%
Total expenses	\$165,901	\$196,203	\$140,067	\$148,594	-3.6%
Net income	\$7,414	\$14,757	\$14,656	\$20,532	40.4%
% growth		99%	-1%	40%	
Total assets	\$514,260	\$584,160	\$694,999	\$847,131	18.1%
Total shareholders' equity	\$95,344	\$108,780	\$118,435	\$196,150	27.2%
Underwriting leverage (NPW:SE)	1.4	1.2	1.2	0.8	
ROE	8%	14%	12%	10%	

2006 Review

- Net earnings increased 40% primarily due to greater investment income and realized gains on investments
 - The increase in investment income related to a 30.3% increase in average invested assets and a 16.7% increase in the average yield to 4.5%
- Financial results for the year were adversely affected by the accrual of \$3.7 million in reinsurance reinstatement premiums and \$2.6 million of reserve development. The net effect of the accrual and loss development increased the reported combined ratio by 4.1 percentage points
 - The 2005 year included \$2.6 million of prior year adverse loss development, a \$1.3 million allowance related to reinsurance recoverables and a \$2.4 million reinsurance reinstatement premium, partially offset by a \$1.4 million reversal of the accrual related to the settlement of rescission litigation

2007 Outlook

- Continued growth in core segments despite challenging rate environment (rates softening 5 - 10%):
 - New specialty product offerings
 - New programs
 - Geographic expansion (e.g., construction business)
 - Reduced use of reinsurance
- Ongoing utilization of corporate structure to reduce expense ratio
- Management goals for 2007 and beyond include:
 - 8% top line growth
 - 16% NPW growth
 - 70% retention of GPW
 - NPW: Equity of 1:1
 - Expense ratio <34%
 - Combined ratio around 95%
 - ROE at 15% run rate by year end



PhiloSmith Spotlight - North Pointe Insurance

Source of Opportunity

- Focus on core niche markets with leadership positions
 - Largest underwriter of liquor liability in MI with 30%+ market share
 - Covers 60% of bowling centers in MI and 15% nationwide
- Ability to customize coverage
- Diligent underwriting and claims handling
 - Regular engineering site inspections
 - Low policy limits
 - Encourage quick submission of claims
- History of conservative reserving and reserve redundancy
 - In-house actuaries subject to monthly internal reviews
 - Case and IBNR reserves are set to be "adequate"; Total reserves generally split 50% case/50% IBNR
- Aggressive defense of claims
 - 6 full time litigators on staff
 - 16 attorneys employed as claims professionals
- Sizeable loss ratio advantage relative to industry
- Well-diversified, loyal distribution supplemented by leading association endorsements:
 - Bowling Proprietors Association of America
 - Rolling Skating Centers of America

What's New

- 12/06 upgrade by A.M. Best of North Pointe Insurance Company (NPIC), to A- (Excellent) from B++
- Instituted tools to map cat exposures and monitor internally
- Significantly reduced FL property exposure
 - Legislative changes in FL regarding state cat fund and consequent assessments are resulting in market disruption and are causing NPTE to rethink its remaining presence in the FL market; NPTE is holding its final decision for March session of the FL legislature
- Initiatives underway to replace lost FL business
 - Opened Sacramento office
 - Added underwriters in AZ and NV and on east coast
 - Agent introductions in HI
 - Continue to write FL casualty
 - Expand casualty writings in FL

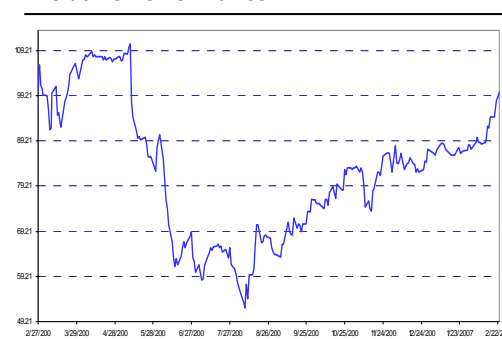
GAAP Summary Financials (\$mm)

	2003	2004	2005	YTD 9/30/06
NPW	\$76.2	\$80.5	\$87.1	\$60.7
NI	\$6.6	\$11.4	\$3.9	\$4.3
Equity	\$26.1	\$34.7	\$82.2	\$87.3
ROE	25.3%	32.9%	4.7%	4.9%
L/R	50.8%	52.4%	46.8%	43.6%
E/R	45.7%	41.0%	43.2%	51.3%
C/R	96.5%	93.4%	90.0%	94.9%

Public Markets Overview (as of 3/19/07)

Price	\$12.15
% 52-wk hi	100%
% 52-wk lo	192%
Market Cap (\$mm)	\$110.8
P/Dil. EPS Before Extra	75.37x
P/Tang. BV	1.4x
Beta	NA

Relative Performance



Senior Management

	Title	Joined NPTE
James G. Petcoff	CEO	1987
Brian J. Roney	CFO	1999
B. Matthew Petcoff	COO	1989

Company Description

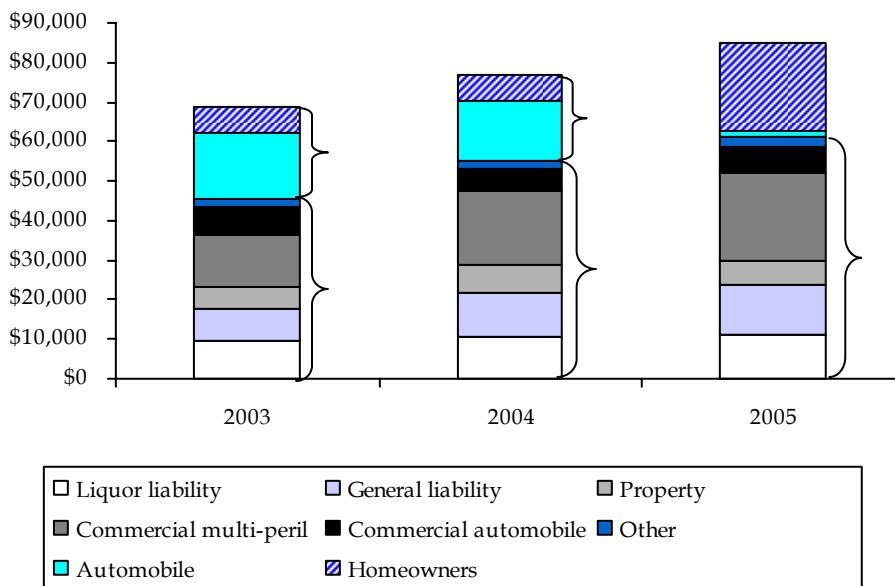
North Pointe writes Commercial Lines (72% 2005 NPW) and Personal Lines (28%) Insurance and also offers administrative, agency, and premium finance services. The company markets its products through a network of independent agents. North Pointe Holdings was incorporated in 2001, IPO'd in 2005, and is headquartered in Southfield, Michigan.

PhiloSmith Spotlight - North Pointe Insurance



- North Pointe's commercial lines segment consists of 2 primary categories:
 - 1) Restaurants Bars & Taverns / Bowling and Roller Skating Centers
 - NPTE provides liquor liability to restaurants, bars, and taverns in MI with an average premium size of \$1,500.
 - NPTE provides general liability and property coverage to bowling and roller skating centers nationally with an average premium size of \$20,000.
 - 2) Owner operated businesses in the Southeast including grocery and convenience stores, automobile repair facilities, and artisan contractors.
 - NPTE provides commercial multiperil, BOP, and commercial auto policies
- NPTE also occasionally offers small specialty commercial programs in instances where one of the independent agents has expertise in the particular coverage. For example, NPTE offers property and liability coverages to small owner-operated MI assisted-living facilities (less than 12 beds) but maintains final underwriting authority. These programs accounted for 3.2% of 2005 NPE.
- The Personal Lines Insurance segment provides non-standard homeowners insurance in IN, IL, IA, and TN as well as standard homeowners in FL, HI and AZ.
 - Non-standard auto was discontinued in 2004.
 - NPTE has filed for FL rate increases.
- Effective 10/1/05, NPTE was approved to underwrite flood insurance for the United States government's National Flood Insurance Program and collect service income.
- North Pointe offers premium financing to commercial account policyholders through N.P. Premium Finance Company. This subsidiary is licensed to provide premium financing in eight states, but does most of its business in Michigan, Iowa, Ohio and Illinois. As of each month-end during 2005, the average finance receivable balance was approximately \$1.0 million, and averaged just over 500 accounts serviced for each month during such period.
- NPTE markets and sells its products through a network of over 1,650 independent agents in 2,490 sales offices located in 34 states. NPTE augments agent marketing by obtaining the endorsement of trade associations.
 - NPTE is not dependent upon any single agent; in 2005, the largest agent accounted for 4.3% of total gross premiums written and the top 5 agents accounted for 13.5% of GPW with no other agent accounting for more than 1.4%.
 - 70% of agents have been with NPTE for 10 years or more.
- In June, 2006, NPTE reduced its wind exposure in Florida because it could not obtain adequate catastrophe reinsurance coverage.
 - 35% of FL homeowners policies were cancelled (26% of total homeowners book).
 - Commercial policy count was reduced by 40%.
 - NPTE reduced its probable maximum loss by 85%.
 - Reinsurance now protects the commercial book to the 1/500 year event.
 - NPTE will continue to target commercial casualty business (e.g., landscape/artisan contractors) in Florida and expand its overall commercial lines segment into AL and GA from its FL office.

Net Premiums Earned - by Segment





PhiloSmith Spotlight - North Pointe Insurance

Financial Summary

(\$ 000s)

	2003	2004	2005	YTD 9/30	
				2005	2006
Gross premiums written	\$88,203	\$96,461	\$112,096	\$86,691	\$90,425
Net premiums written	\$76,224	\$80,493	\$87,133	\$72,143	\$60,732
<i>% growth</i>		6%	8%		-16%
Net premiums earned	\$68,740	\$76,957	\$84,736	\$66,844	\$61,316
Investment income, net of investment expenses	2,174	2,377	4,003	2,755	4,755
Net realized capital (losses) gains	1,264	886	(168)	(155)	(266)
Fees and other income	2,047	2,222	1,903	1,474	1,291
Gains on sales of businesses	200	4,285	0	0	0
Total revenue	\$74,425	\$86,727	\$90,474	\$70,918	\$67,096
Losses and loss adjustment expenses, net	\$33,141	\$41,503	\$44,003	\$30,356	\$27,317
Policy acquisition costs	17,409	18,687	21,779	17,109	16,776
Other underwriting and operating expenses	13,159	13,730	17,855	12,379	15,355
Interest expense	422	763	959	884	1,207
Total expenses	\$64,131	\$74,683	\$84,596	\$60,728	\$60,655
Net income	\$6,569	\$11,433	\$3,850	\$6,646	\$4,262
<i>% growth</i>		74%	-66%		-36%
Total assets	\$165,433	\$205,079	\$275,036	\$275,036	\$256,761
Shareholders equity	\$26,093	\$34,692	\$82,227	\$87,288	\$82,227
<i>Underwriting leverage (NPW:SE)</i>	2.9	2.3	1.1	0.8	0.7
<i>ROE</i>	25%	33%	5%	8%	5%

2006 Review

- Challenging year with significantly increased reinsurance costs and a large portion of Florida property insurance and supporting liability coverages cancelled/non-renewed
- Profitable full year results expected nonetheless
- Gross premiums benefitted from \$9.3mm fronted crop program
- 2006 earnings release scheduled for March 15

2007 Outlook

- Normalized growth to return with sustained underwriting profitability
 - Roller Skating centers expected to continue as growth driver
 - Geographic expansion
 - Introduction of liquor liability business into new states with statutes and conditions similar to those of MI
 - Growth of specialty commercial into AZ, NV, HI, east coast
 - Selective expansion of homeowners business in Midwest (IA, TN)
 - Enhanced commercial lines product offering to include workers comp coverage
 - Growth into related hospitality and entertainment industries
- Improving underwriting expense ratio with increased premium volume and eliminated FL assessments

PhiloSmith Spotlight - ProCentury Insurance



Source of Opportunity

- Essentially pure play in excess and surplus lines market
 - Focus on smaller risks (\$3,800 average premium) that are less prone to competitive pressure
 - Target short tail risk to enhance predictability
- Profitable underwriting
 - PROS re-underwrites all policies
- Closely managed distribution network with strong position among its agents
- State-of-the-art technology (Century Online, "COL") to enhance agent service
- Strong balance sheet subject to quarterly review by internal actuaries
- Strong "A-" rating from A.M. Best
- Track record of consistent, manageable growth

What's New

- Pre-2000 legacy issues remain under control
- Continuing to expand licensing of admitted carrier (PIC)
 - Licenses in 17 states added since acquisition in 2005
- Recently launched segregated cell captive in Washington DC. Cell is able to leverage administrative, accounting and actuarial functions of PROS to translate into cost savings to agents who participate in the business
- Continued investments in COL and enhanced service to agents
 - Agents are now able to rate, quote, bind, and in the near future will be able to issue policies online
 - 95% of binding agents continually use COL

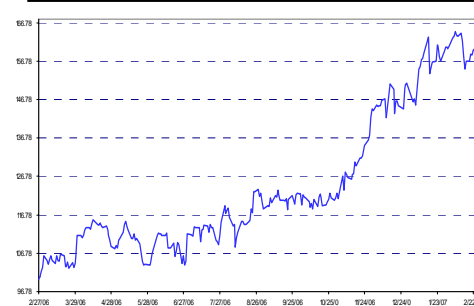
GAAP Summary Financials (\$mm)

	2003	2004	2005	2006	CAGR/AVG
NPW	\$131.8	\$166.0	\$189.5	\$247.9	23.4%
NI	\$0.3	\$15.0	\$10.2	\$20.9	311.5%
Equity	\$36.4	\$115.2	\$121.2	\$142.4	57.6%
ROE	0.8%	13.0%	8.4%	14.7%	9.2%
L/R	74.8%	59.9%	66.6%	61.9%	65.8%
E/R	34.2%	31.9%	32.8%	32.6%	32.9%
C/R	109.0%	91.8%	99.4%	94.5%	98.7%

Public Markets Overview (as of 3/19/07)

Price	\$21.38
% 52-wk hi	100%
% 52-wk lo	171%
Market Cap (\$mm)	\$283.6
P/Dil. EPS Before Extra	13.56x
P/Tang. BV	2.4x
Beta	0.63

Relative Performance



Senior Management

	Title	Joined PROS
Edward Feighan	CEO	2000
Erin West	CFO	2001
Greg Ewald	SVP Und.	2000
Christopher Timm	EVP, Pres Century Surety	2000

Company Description

ProCentury is the parent holding company of Century Insurance Group, which operates primarily as an E&S writer but also writes specialty programs and alternative risk transfer programs, as well as a limited amount of landfill and specialty surety bond business on a direct and assumed basis. The company markets its products through approximately 130 agents. ProCentury was founded in 1978 and is headquartered in Westerville, Ohio.



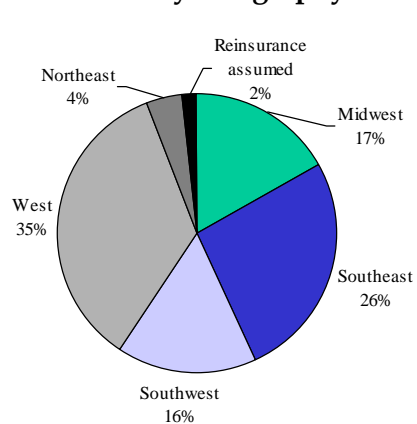
PhiloSmith Spotlight - ProCentury Insurance

- Since 2000, ProCentury has honed its strategy to capitalize on opportunities in the booming E&S market.
 - ◻ PROS typically writes habitat ional accounts (e.g., apartments, hotels), and retail/wholesale accounts (e.g., stores and artisan contractors).
 - ◻ The Company has increased its focus on property business to shorten the tail of its overall book.
 - ◻ In 2000-2001, PROS made the decision to run-off its workers comp and commercial auto businesses and de-emphasize longer-tail risk.
- PROS underwrites for predictability.
 - ◻ It does not write wind and hail perils along the shoreline from TX to ME (and nowhere in FL); wind peril is only covered under inland marine.
 - ◻ Exclusions on fixed properties in certain coastal regions enhances the company's competitive position in other geographies.
 - ◻ As market conditions change, PROS will shift its mix of property vs. casualty business to maintain predictability.
- Products are primarily sold through 127 wholesale general agents in 213 locations; 99 with binding authority
 - ◻ Relationships with GAs are actively managed and growth of the force is controlled.
 - ◻ PROS requires that it is among an agents' Top 3 insurers and generally seeks \$1 million in minimum premium volume.
 - ◻ The Company targets 60% of premiums written with binding authority since this tends to be stickier business than that written on a brokerage basis.
 - ◻ Typical accounts (given their small size) are generally placed in the field by the GAs but PROS audits and re-underwrites all accounts. Temporal authority limits granted vary by agent based on regular audit results from the agent's bound accounts.

ProCentury At A Glance (Statistics as of 2005)

Casualty 63% GPW			Property 32% GPW	Other 5% GPW
Short-Tail Casualty 51% GPW Owners, landlords, and tenants	Other Garage liability, professional liability, auto physical damage, commercial excess/umbrella	Specialty Program ART E.g., agent-funded captives, genl. liab. for oil and gas service contractors, low limit auto liab. for CA taxis, laundromats, low to mid-priced franchised hotels	Apts, comml. buildings, low value dwellings	Landfill and specialty surety
Distribution				
Wholesale GAs	Wholesale GAs	17 program agents in 17 locations	Wholesale GAs	Wholesale GAs

2005 GPW By Geography



- Top 10 states accounted for roughly 95% of 9 month 2006 GPW
- Top 5 accounted for 80%

Select Transactions/History

- 1978 Century formed as a specialty insurance carrier for inland marine, surety and fidelity coverages for the surface mining industry
- 1984 Century initiated a business strategy centered on hard to place property/casualty risks
- 1992 Acquired Continental Heritage Insurance Company, which wrote specialty surety and bail bond business
- 1993 Acquired Evergreen National Indemnity Company, which wrote landfill and specialty surety business
- 1996 Century was acquired by Century Business Services, Inc. (CBIZ)
- 1997 Century acquired the assets of the managed care workers comp business of the Anthem Casualty Insurance Group
- 2000 Management buyout team formed ProCentury and acquired Century and its subs from CBIZ
Focus shifted to E&S lines; exit commercial auto and workers' comp
- 2004 Spin-off of Evergreen and Continental (including surety and assumed excess workers' comp business); IPO with net proceeds of \$77.9MM
- 2005 Acquired Fireman's Fund of Texas (admitted shell) for \$5.9MM to develop admitted business; renamed ProCentury Insurance Company (PIC)

PhiloSmith Spotlight - ProCentury Insurance



Financial Summary (\$ 000s)

	2003	2004	2005	2006	CAGR
Gross written premiums	\$149,708	\$191,405	\$216,164	\$283,036	24%
Net written premiums	\$131,839	\$166,024	\$189,519	\$247,919	23%
% growth		26%	14%	31%	
Premiums earned	\$108,294	\$148,702	\$177,630	\$218,992	26%
Net investment income	6,499	10,048	14,487	19,372	44%
Net realized investment gains (losses)	1,932	50	(326)	80	NM
Total revenues	\$116,725	\$158,800	\$191,791	\$238,881	27%
Losses and loss expenses	\$81,004	\$89,066	\$118,346	\$135,480	19%
Amortization of deferred policy acquisition costs	25,237	33,872	42,935	54,404	29%
Other operating expenses	11,757	13,542	15,058	17,043	13%
Interest expense	1,548	2,016	1,873	2,318	14%
Total expenses	\$119,546	\$138,496	\$178,212	\$209,245	21%
Net income	\$314	\$14,980	\$10,241	\$20,901	305%
% growth		113%	23%	104%	
Total assets	\$332,113	\$394,927	\$474,145	\$579,048	20%
Total shareholders' equity	\$36,397	\$115,237	\$121,203	\$142,388	58%
Underwriting leverage (NPW:SE)	3.6	1.4	1.6	1.7	
ROE	1%	13%	8%	15%	

2006 Review

- 2006's strong results benefited from premium growth generated by PROS' program business, as well as enhanced agency service levels.
- During the fourth quarter of 2006, PROS revised its accounting policies and changed the timing of recording GPW. In the past, PROS recorded premiums on a received and processed basis, which did not take into account premiums written by agents but not yet submitted to the Company. Under the revised accounting, the Company records an estimate of the premiums that have been bound by agents, but have not yet been processed.
 - PROS made the accounting change in light of COL, which will eventually, and significantly, reduce the time that it takes to receive information about the binding business.
 - One time adjustments impacted 2006 financials as follows: Premiums in the course of collection, deferred policy acquisition costs, loss and loss expense reserves and unearned premiums were higher by \$16.7mm, \$2.7mm, \$2.6mm, and \$16.2mm, respectively. GPW, NPW and NPE were \$20.9mm, \$18.2mm and \$4.1mm higher, respectively. Losses and loss expenses, the amortization of deferred policy acquisition costs and other operating expenses were higher by \$2.6mm, \$784,000, and \$396,000, respectively. Net income was higher by \$216,000.

2007 Outlook

- Favorable pricing during recent hard market should continue to benefit operating performance.
- Increased competition as standard lines carriers continue to enter the E&S market.
 - PROS will compete within agencies based on service, efficiency, and the ability to take business.
 - COL and temporal authority limits given to agents will continue to provide competitive advantages.
- PROS expects GPW growth in the range of 10% to 15% in 2007 (excluding the one-time 2006 accounting adjustment) with the majority of growth in the second half of the year as new initiatives develop.
 - Geographic expansion initiative in place.
 - Grow E&S business beyond current top 10 states, leveraging technology of COL.
 - Continue admitted licensing of PIC into remaining states; by the end of 2007, PIC is expected to begin writing specialty lines with admitted requirements.
 - Growth in the core book will be modest; new products and programs as well as the continued development of garage liability and ART business will fuel 2007 growth.
- 2007 combined ratio likely to increase slightly with increased binding business (higher commission business) and continued technology investments; longer-term goal to reduce expenditures and expense ratio.
- Long-term average return on equity targeted in the range of 13% to 15%.

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PHILOSMITH

Merger & Acquisition Advisory

*Leading Provider
of Solutions for
Small to Mid-sized
Financial Institutions*

P&C / Life Co. Transactions 2000 - 2006

Rank	Advisor	#
1	Bulge Bracket Firm	39
2	Regional Firm	32
3	Bulge Bracket Firm	29
4	Philo Smith & Co.	26
5	Bulge Bracket Firm	25
6	Bulge Bracket Firm	18
7	Bulge Bracket Firm	16

Source: SNL Securities


Notable Property / Casualty Transactions

Undisclosed



Advised State Automobile Mutual Insurance on its announced purchase of Beacon Insurance Group

\$400,000,000




Advised GMAC Insurance Holdings on its purchase of MEEMIC Insurance Company, a subsidiary of ProAssurance Corporation

\$25,000,000



Advised HI Holdings in its sale to Kingsway Financial Services, Inc. The sale included HI Holdings' wholly-owned subsidiary Zephyr Ins.

\$50,000,000



Advised Allianz USA in its sale of its subsidiary Fireman's Fund Direct to Direct Response Corporation

\$50,000,000



Advised Response Insurance Group in its purchase of Worldwide Direct Ins. Co., a subsidiary of American Financial Group

\$14,500,000



Advised Iowa Mutual Insurance Group in its affiliation with The Motorists Insurance Group


Notable Agent / Broker Transactions

\$47,600,000




Advised Texas General Agency and affiliates in its sale to Hallmark Financial Services, Inc.

\$30,600,000




Advised Future Planning Associates in its sale to U.S.I. Holdings Corporation

Undisclosed



Advised American Re in its sale of its subsidiary Beecher & Carlson to Risk Strategy Partners

\$5,500,000



Advised Longhorn General Agency in its sale to National Lloyds Insurance Company


Notable Life Transactions

\$135,000,000



Advised COUNTRY Life Insurance Co. and COUNTRY Mutual in their acquisition of Cotton States Life

\$103,100,000



Advised GuideOne Insurance Group in its sale of GuidOne Life Ins. Co. to Kansas City Life Ins. Co.

Differentiating Platform

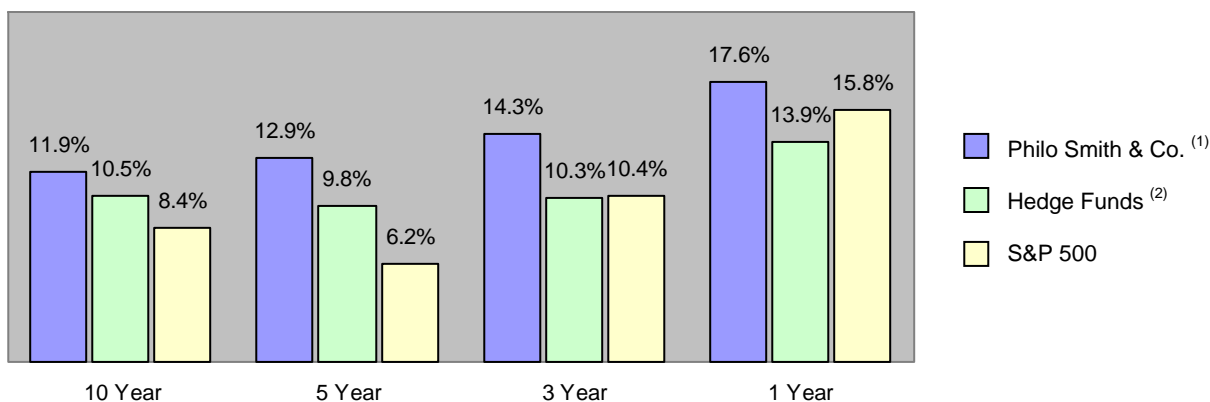
Consistently ranked as a top M&A advisor for property / casualty / life insurance companies and insurance agents and brokers.

Focus is on transactions ranging from \$2 million to \$500 million in deal value.

In addition to M&A, the firm raises private debt / equity / seed capital, provides valuations and fairness opinions, and advises mutual insurance companies on affiliation transactions.

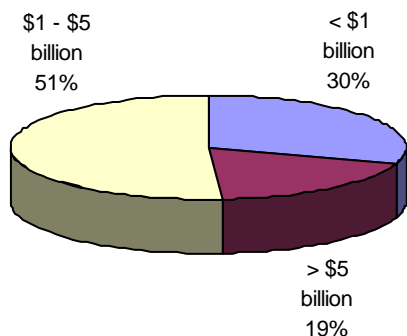
PHILOSMITH Investment Management / Equity Research

Consistent Out-Performance (Total Return Through December 31, 2006)

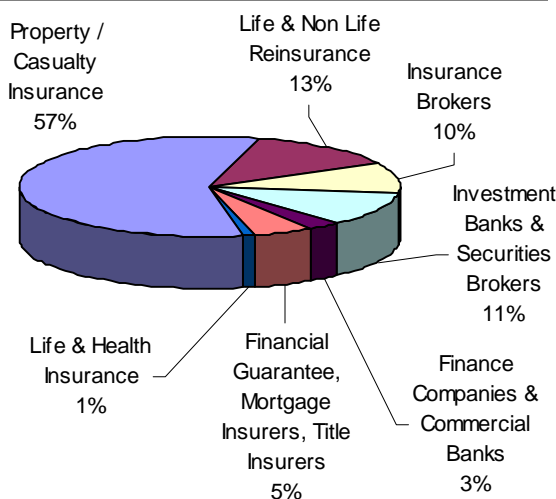


Notes: (1) Audited Results, net of management fees
(2) Credit Suisse's Tremont Index

Target Allocation (By Market Cap)



Target Allocation (By Sector)



Differentiating Platform

Investment focus is on smaller, faster growing specialty companies with better than average profitability and growth prospects.

Strategy emphasizes fundamental analysis and face-to-face meetings with company leadership.

Investments are primarily in publicly-traded securities of financial service companies with a concentration in insurance.

Assets under management total over \$100 million.

Manage investment partnerships and separate account assets for high net worth individuals, family offices, and insurance companies.