

Best's Rating Report



International Fidelity INSURANCE COMPANY

Newark, New Jersey



A-

INTERNATIONAL FIDELITY INSURANCE COMPANY

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BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the company's Financial Strength, it is assigned a Best's Financial Strength Rating of A- (Excellent). The company's Financial Size Category is Class VII.

RATING RATIONALE

Rating Rationale: The rating reflects the company's solid capitalization, strong underwriting results, improving risk management practices and expertise in its niche fields of contract surety and bail bond surety. Somewhat offsetting these positive factors are International's sub-par underwriting performance prior to 2002, the limited business scope with writings limited to surety business and softening market conditions within the contract surety arena as contraction in construction projects places pressure on all contract surety writers. The rating outlook reflects A.M. Best's expectations that earnings will remain positive, but will likely come under some pressure due to market conditions.

The company's positive rating factors are supported by its conservative underwriting leverage and expertise in contract, commercial and bail surety lines. Improvement in the company's earnings profile in

recent years are driven by International's emphasis on underwriting and control of aggregate exposures, with tighter internal controls and closely monitored agent profitability. The company also maintains strong agency relationships throughout all of its key operating territories. Although the company's underwriting and operating performance has significantly improved since 2002, such results fall short of the surety and fidelity industry composite, as measured by A.M. Best.

Best's Financial Strength Rating: A-

Outlook: Stable

KEY FINANCIAL INDICATORS (\$000)

Year	Net Written Premiums	Pretax Operating Income	Total Admitted Assets	Policyholders' Surplus	Comb. Ratio
2004	64,164	3,897	89,543	48,094	93.5
2005	72,983	8,244	110,616	63,400	89.9
2006	80,667	13,686	149,566	73,247	84.0
2007	94,119	20,832	170,694	86,333	76.9
2008	96,885	22,086	206,530	92,493	79.8

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

2008 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Surety	118,770	96,774	99.9	6.2	19,788
All Other	127	111	0.1	1.6	16
Totals	118,896	96,885	100.0	6.2	19,804

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HISTORY

This company was incorporated December 27, 1904 under the laws of New Jersey and began business January 5, 1905. The Monmouth Insurance Company, Newark, NJ, incorporated and licensed under the laws of New Jersey in August 1963, was merged with this company during the early part of 1964. Stockholders of the absorbed company surrendered their stock certificates for a like number of shares in the International Fidelity Insurance Company.

As of March 1, 1993, paid-up capital was changed to \$1,500,000, consisting of 1,000,000 authorized and outstanding common shares at \$1.50 par value each. On December 3, 1991 the company redeemed and retired 12,000 authorized and outstanding preferred non-voting shares at \$100 per share.

MANAGEMENT

Majority ownership (89.3%) of the company resides with 9 individuals: Konvitz Family Trust (14.2%), Francis L. Mitterhoff (7.7%), Norman Konvitz (5.4%), Charlotte Mitterhoff (9.9%), Judith Altman (10.0%), AIA Holdings, Inc. (15.2%), Barbara Konvitz Dubel (7.3%), Nina Konvitz (5.1%), Jayne Konvitz Kobrin (7.4%), and the Mitterhoff Family Trust (7.1%).

The affairs of the company are directed by Francis L. Mitterhoff, chairman of the board, president, and chief executive officer, who has been associated with the company since 1964.

Officers: President and Chief Executive Officer, Francis L. Mitterhoff; Executive Vice President and Chief Operating Officer, Robert W. Minster; Executive Vice President and Secretary, Norman R. Konvitz; Senior Vice Presidents, Anthony DeMartino, George R. James, Barbara D. Kissner, Mark Riccordella, Beatriz Sampedro, Frank J. Tanzola, Jerry W. Watson; Vice Presidents, Maria Costa, Gary Leuck, Edward Markowich, Robert Marshall, Thomas M. McNally, Daniel J. Mitterhoff, Brian N. Nairin, Paul C. Rogers, Alfred N. Wright.

Directors: George F. Brenner, Ellen S. Kagan, Jayne Ellen Kobrin, Norman R. Konvitz, Francis L. Mitterhoff, Daniel J. Mitterhoff, Eileen Sheffrin.

TERRITORY

The company is licensed in the District of Columbia, Puerto Rico and all states.

Balance Sheet Admitted Assets (\$000)

	12/31/2008	%
Bonds	\$ 93,492	45.3
Common stock	11,590	5.6
Cash & short-term invest	86,018	41.6
Other non-affil inv asset	<u>2,443</u>	<u>1.2</u>
Total invested assets	\$193,543	93.7
Premium balances	5,146	2.5
Accrued interest	1,225	0.6
All other assets	<u>6,616</u>	<u>3.2</u>
Total assets	\$206,530	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 19,804	9.6
Unearned premiums	30,158	14.6
Conditional reserve funds	4	0.0
All other liabilities	<u>64,072</u>	<u>31.0</u>
Total liabilities	\$114,037	55.2
Surplus notes	16,000	7.7
Capital & assigned surplus	1,875	0.9
Unassigned surplus	<u>74,618</u>	<u>36.1</u>
Total policyholders' surplus	\$ 92,493	44.8
Total liabilities & surplus	\$206,530	100.0

Best's Rating Report

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 Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract 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 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 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 Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

Vulnerable Best's 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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