



AMB Credit Report - Business Professional

00327 TRANSGUARD INSURANCE COMPANY OF AMERICA INC.

As of October 8, 2008

Company Information

215 Shuman Blvd.
Suite 400
Naperville, IL 60563

Telephone: **630-864-3500**
Fax: **630-864-3515**
Web: **N/A**

Top Officer: **Stephen L. Stephano**
Top Officer's Title: **President & CEO**
Secretary: **Michael D. Blinson**

A.M.Best Number: **00327**
NAIC Number: **28886**
FEIN Number: **363529298**

History: TRANSGUARD INSURANCE COMPANY OF AMERICA INC. began business in 1987.

Licensing: The company is licensed in the District of Columbia, AL, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

Best's Ratings

Financial Strength Ratings

Rating: **A- (Excellent)**
Affiliation Code: **N/A**
Financial Size Category: **VII (\$50 Million to \$100 Million)**
Outlook: **Stable**
Action: **Affirmed**
Effective Date: **6/19/2008**

Issuer Credit Rating

Long-Term: **a-**
Outlook: **Stable**
Action: **Affirmed**
Effective Date: **6/19/2008**

Previous FSR Rating Event

A- (Excellent) 6/20/2007

Security Ratings

No data available

Rating Rationale

Rating Rationale: The rating reflects the company's solid risk-adjusted capitalization, improved operating performance in recent years and the explicit support provided by its new owner, IAT Reinsurance Company Ltd. (IAT Re). Offsetting these strengths has been significant pre-acquisition variability in loss reserves during the prior five-year period, due to considerable adverse development, which led to operating losses in earlier years. However, these concerns are mitigated by the reinsurance support provided by IAT Re in the form of an adverse loss reserve development cover and an acquisition related reserve guaranty from the former owner of the company. The outlook reflects the improvement in risk-adjusted capitalization and operating earnings in recent years as well as the support of IAT Re, which has considerable resources, provides explicit support through quota share reinsurance and is committed to maintaining adequate risk-adjusted capitalization.

The company specializes in providing coverages to the commercial transportation market focusing on insuring risk for moving and storage agents and owner operators. Historically, operating results were very strong driven by management's market expertise primarily in the moving and storage sector. From 2001 through 2004, the company went through a period of dramatic growth and market expansion into the small freight and owner operator arena and also began retaining workers' compensation risks, which resulted in significant loss reserve charges in 2004 and 2005. Subsequently, management has refocused ongoing operations on its core markets of moving and storage and independent contractors while exiting its small fleet business.

Coincident with IAT Re's strategy of capitalizing on equity market opportunities, the company maintains elevated common stock leverage, which exposes policyholder surplus to fluctuating market values, as evidenced by significant unrealized capital losses during the first quarter of 2008. However, concerns over elevated common stock leverage are mitigated by the investment expertise and financial support of IAT Re, as evidenced by their historical capital contributions to other operating subsidiaries to offset losses on the common stock portfolio attributable to temporary market declines. The rating also contemplates the capital support provided by IAT Re through various reinsurance agreements and capital infusions as well as expanded operational expertise and improved financial and technology support.



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Business Review

TransGuard Insurance Company of America is a specialist in the commercial transportation insurance market covering risks for moving and storage agents and independent contractor-truck drivers. Lines of business include auto liability, general liability, auto physical damage, non-commercial liability, occupational accident/compensation coverage, umbrella, property, workers' compensation and cargo/warehouse liability. The company is licensed in forty-eight states and Washington, D.C. TransGuard has a long history as a moving and storage specialist and also targets independent contractors largely through its affiliation with the National Association of Independent Truckers, an association of over twenty-thousand members that was established to improve the lifestyle of its independent trucker members by providing a range of services including insurance.

Effective December 31, 2005, IAT Reinsurance Company Ltd. completed its acquisition of TransGuard Insurance Company of America, Inc. and certain other insurance-related affiliates from SIRVA, Inc. The other related insurance entities purchased by IAT Re include ClaimGuard, Inc, TransGuard General Agency, Inc, Vanguard General Agency, and National Association of Independent Truckers, LLC.

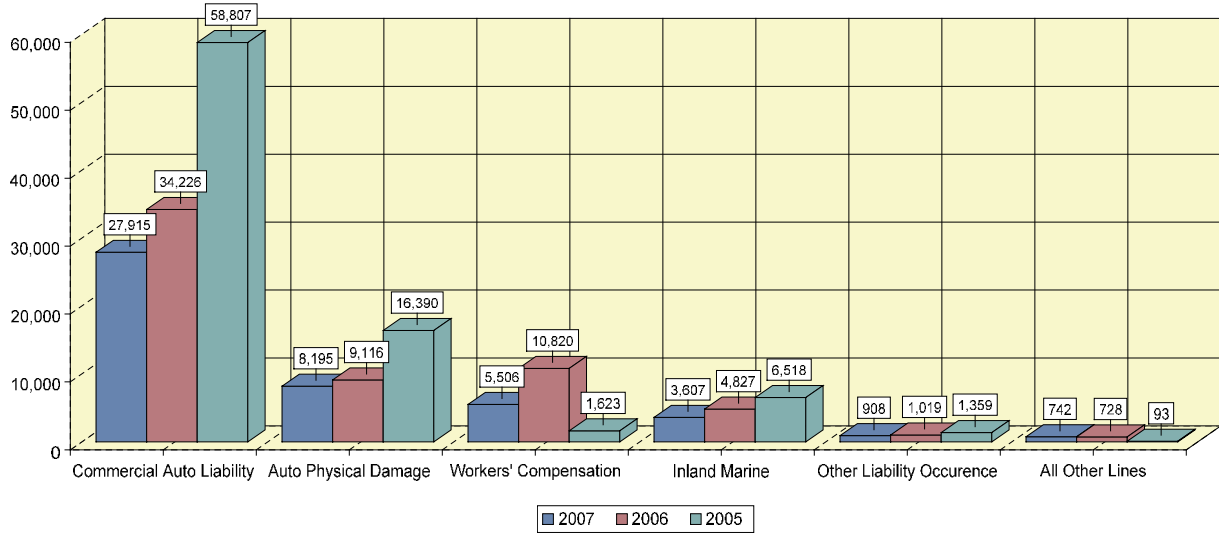


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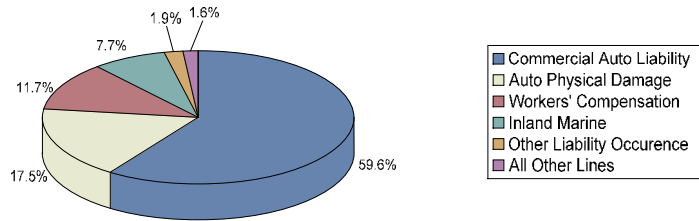
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Top Lines and States of Business (\$000)

3-Year Net Premiums Trend Analysis

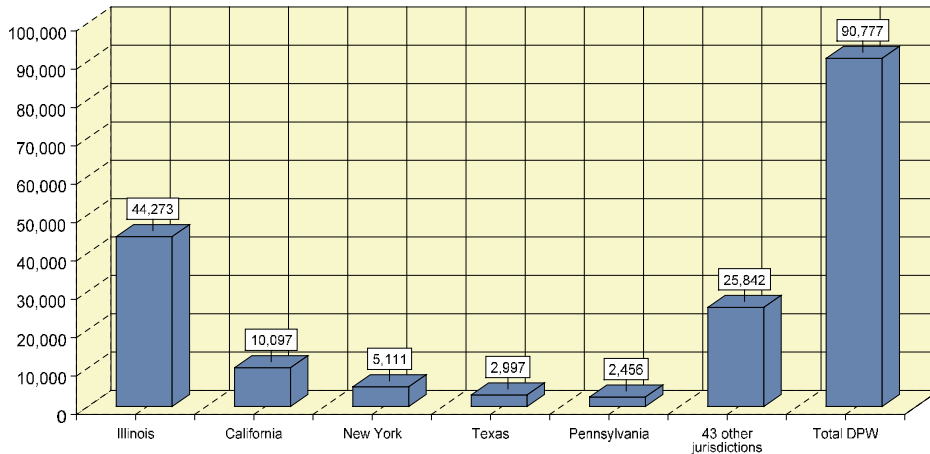


Top Lines of Business (Net Premiums Written)



	2007	2006	2005
Commercial Auto Liability	27,915	34,226	58,807
Auto Physical Damage	8,195	9,116	16,390
Workers' Compensation	5,506	10,820	1,623
Inland Marine	3,607	4,827	6,518
Other Liability Occurrence	908	1,019	1,359
All Other Lines	742	728	93
Total	46,873	60,736	84,790

Top States of Business (Direct Premiums Written)



	2007
Illinois	44,273
California	10,097
New York	5,111
Texas	2,997
Pennsylvania	2,456
43 other jurisdictions	25,842
Total DPW	90,777



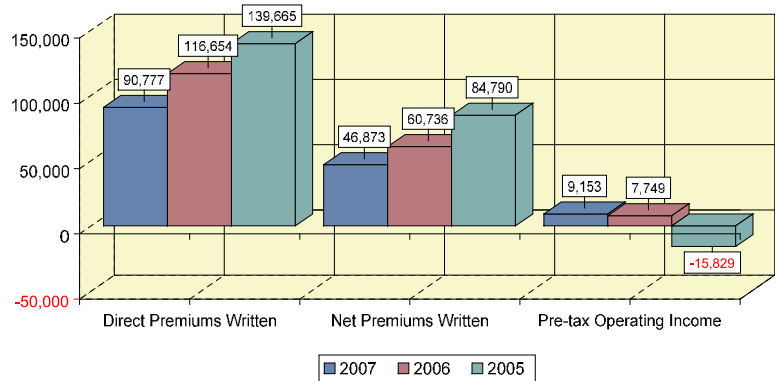
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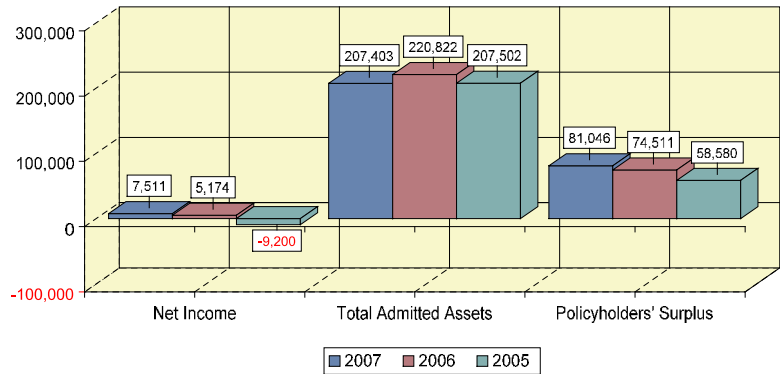
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Key Financial Indicators (\$000)

	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income
2007	90,777	46,873	9,153
2006	116,654	60,736	7,749
2005	139,665	84,790	-15,829



	Net Income	Total Admitted Assets	Policyholders' Surplus
2007	7,511	207,403	81,046
2006	5,174	220,822	74,511
2005	-9,200	207,502	58,580



Profitability

	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)
2007	99.1	3.9	18.1
2006	97.2	4.0	13.0
2005	128.1	5.3	-14.0

Leverage

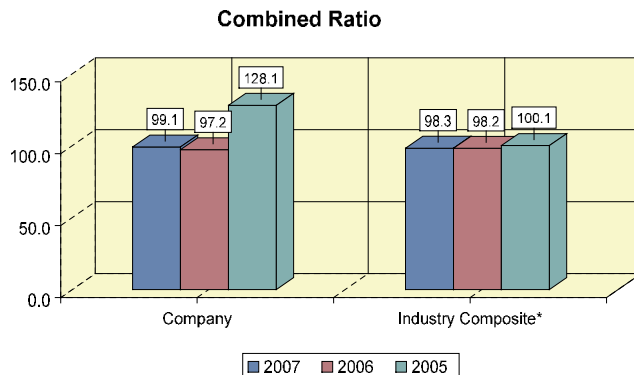
	NA Inv. Leverage	NPW to PHS Net Leverage
2007	64.2	0.6
2006	57.9	0.8
2005	11.7	1.4

Liquidity

	Overall Liq. (%)	Oper. Cash Flow (%)
2007	164.1	97.2
2006	151.5	120.1
2005	140.2	122.1

Combined Ratio

	Company	Industry Composite*
2007	99.1	98.3
2006	97.2	98.2
2005	128.1	100.1



*Industry Composite for this company is Commercial Automobile Composite



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Underwriting Experience (\$000)

	Net Underwriting Income	Loss Ratios			Expense Ratios				Comb. Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	
2007	1,535	40.2	29.7	69.9	-2.4	31.6	29.2	0.0	99.1
2006	1,332	56.6	16.4	73.0	-6.1	30.4	24.3	0.0	97.2
2005	-21,508	71.1	20.6	91.7	9.4	27.0	36.4	0.0	128.1

	2007	2006	Change Amount	Change %
Direct Premiums Written	90,777	116,654	-25,878	-22.2%
Net Premiums Written	46,873	60,736	-13,863	-22.8%
Pretax Operating Income	9,153	7,749	1,405	18.1%
Net Income	7,511	5,174	2,336	45.2%
Total Admitted Assets	207,403	220,822	-13,420	-6.1%
Policyholders' Surplus	81,046	74,511	6,536	8.8%

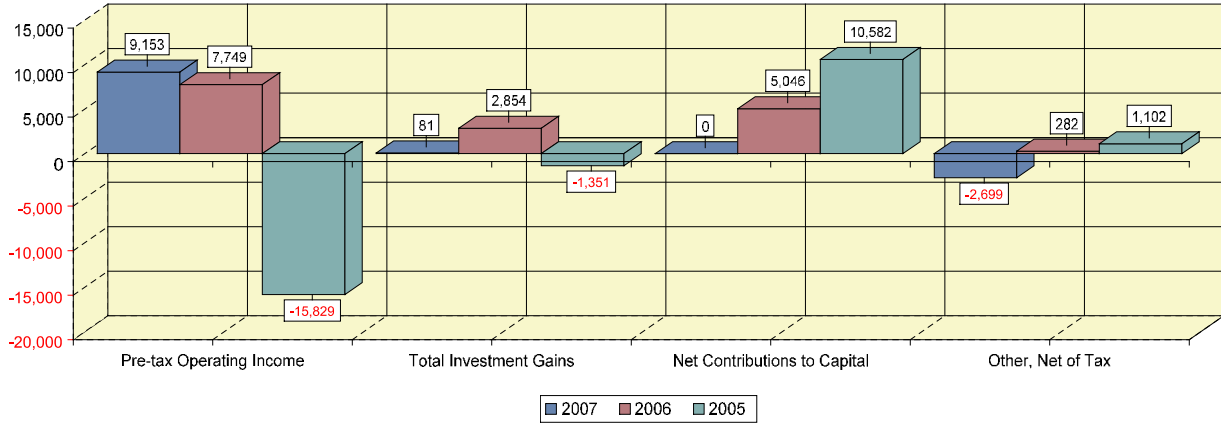


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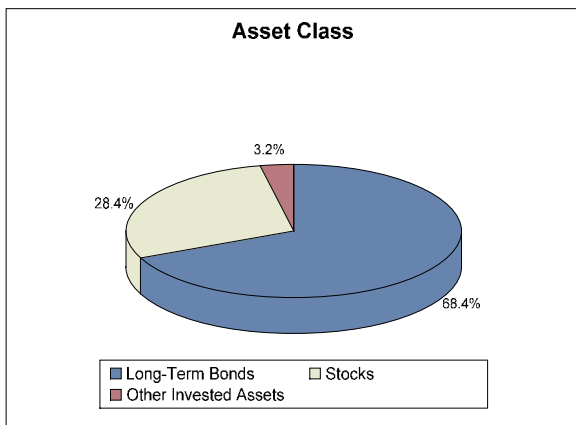
Capital Generation Analysis (\$000)



	Pre-tax Operating Income	Total Investment Gains	Net Contributions to Capital	Other, Net of Tax
2007	9,153	81	0	-2,699
2006	7,749	2,854	5,046	282
2005	-15,829	-1,351	10,582	1,102
3-Year Total	1,073	1,584	15,628	-1,315

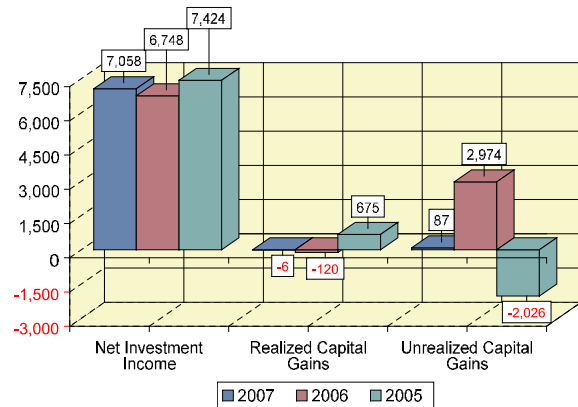
Investment Portfolio Analysis (\$000)

Asset Class	2007
Long-Term Bonds	125,169
Stocks	52,061
Affiliated Investments	0
Other Invested Assets	5,882
Total	183,112



Investment Income Analysis (\$000)

	Net Investment Income	Realized Capital Gains	Unrealized Capital Gains
2007	7,058	-6	87
2006	6,748	-120	2,974
2005	7,424	675	-2,026





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Balance Sheet (\$000)

ADMITTED ASSETS		2007
Bonds		125,169
Preferred stock		2,918
Common stock		49,143
Cash & short-term invest		4,252
Other non-affil inv asset		302
Total invested assets		181,785
Premium balances		13,781
Accrued interest		1,328
All other assets		10,509
Total Assets		207,403
LIABILITIES & SURPLUS		2007
Loss & LAE reserves		96,253
Unearned premiums		13,779
Conditional reserve funds		5
All other liabilities		16,319
Total Liabilities		126,356
Capital & assigned surplus		43,228
Unassigned surplus		37,819
Total policyholders' surplus		81,046
Total Liabilities & Surplus		207,403

Summary of Operations

STATEMENT OF INCOME		2007
Premiums earned		50,544
Losses incurred		20,296
LAE incurred		15,020
Undrw expenses incurred		13,694
Net underwriting income		1,535
Net investment income		7,058
Other income/expense		560
Pre-tax oper income		9,153
Realized capital gains		-6
Income taxes incurred		1,636
Net Income		7,511

Note: The most recent data contained in this AMB Credit Report is "Quality Checked" indicating that this financial data was recorded after having cleared A.M. Best Quality Checks.

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