

WESTERN WORLD INSURANCE GROUP
2009 ANNUAL REPORT



Re: **CHANGE**



**WESTERN WORLD
INSURANCE COMPANY**
A.M. Best A+ (Superior),
Financial Size Category Class IX

**TUDOR INSURANCE
COMPANY**
A.M. Best A+ (Superior),
Financial Size Category Class IX

**STRATFORD INSURANCE
COMPANY**
A.M. Best A+ (Superior),
Financial Size Category Class IX

**Binding Authority
Brokerage
Programs**

- General Liability
- Products Liability
- Professional Liability
- Commercial Automobile
- Property

www.westernworld.com



INSURANCE CYCLES PRESENT AN EVER-CHANGING
MARKETPLACE. OPPORTUNITIES EMERGE AS DO THE
CHALLENGES IN SUCCESSFULLY CAPITALIZING ON THEM.

MESSAGE TO THE SHAREHOLDERS

Notwithstanding the difficult business conditions that persisted in 2009, we are pleased to report that Western World achieved strong financial results. Last year, we also began to implement a long-term strategic plan that we believe will position us to take advantage of the opportunities that lie ahead.

For the insurance industry as a whole, it was a year of recovery and disappointment. While investment portfolios rebounded, a “Main Street” economic recovery has been much slower to appear. The effect has been a deepening of the insurance cycle downturn caused by over-supply and under-demand.

We are currently in a period of unprecedented decline in property and casualty insurance premiums, particularly surplus lines premiums. During prior soft market years, the surplus lines industry has always remained relatively level between periods of extraordinary increases in premium volume. New capital attracted during the growth years and unwilling to withdraw, intense competition for market share and new surplus lines entrants contributed to this pattern between growth peaks. While these factors remain, the current sustained decline in surplus lines premium is evidence of the uncharted waters in which we find ourselves navigating.

At Western World, we believe that our conservative business practices, thoughtful private ownership and strategic thinking have made us successful for 46 years and will continue to serve us well in conditions that present new challenges and opportunities. As you will read throughout this annual report, the Company is implementing significant strategic changes. We are undertaking this initiative with a view toward the future rather than as a short-term remedy to the current, difficult market environment.

Group Results

Our Group GAAP after-tax profit was \$28.1 million in 2009 representing a 7.9% return on equity for the year. This compares to an after-tax profit of \$28.3 million and a return on equity of 8.3% in 2008. On a per share basis, 2009 profits were \$629 compared to \$628 the prior year.

Group revenues, which include net earned premiums and investment income, declined 11.7% from \$263 million in 2008 to \$232 million in 2009. The 18% increase in investment income was not sufficient to offset the decline in premium.

Investment income, including capital gains and losses, was \$47.6 million in 2009, compared to \$40.3 million last year. We booked capital gains of \$1 million in 2009 after experiencing a net realized loss of \$7.2 million in 2008, including other-than-temporary impairments. The market value of the investment portfolio is \$1.067 billion and is concentrated in high -grade, short -duration fixed income securities and exceeds book value of \$1.059 billion.

Shareholders’ equity rose from \$355 million in 2008 to \$370 million in 2009. Our book value per share rose to \$8,284 from \$7,912. Our growth in book value per share represents an enviable 46-year unbroken record of increased Shareholders’s equity.

Company Results

At Western World we take pride in our focus on conservative underwriting: a guiding principle grounded in the values and culture of our Shareholders, passed down through the generations and rewarded with an enviable record of success. This core value requires discipline when competition is intense, and 2009 was no exception. In 2009, Western World’s premium volume declined 13% to \$189 million, from \$217 million the year before. This is a more modest decline than we experienced in the prior year, but the soft market and weak

demand for commercial insurance continue to require a strong focus on underwriting. We anticipate similar conditions will prevail in 2010.

The Company's consolidated combined ratio was 105.1% in 2009. This is 4.1% higher than in the prior year and the change was primarily driven by an increase in the expense ratio. Our rising expense ratio results from lower written premiums and our willingness to invest in technology and other resources necessary to implement our strategic goals for the future.

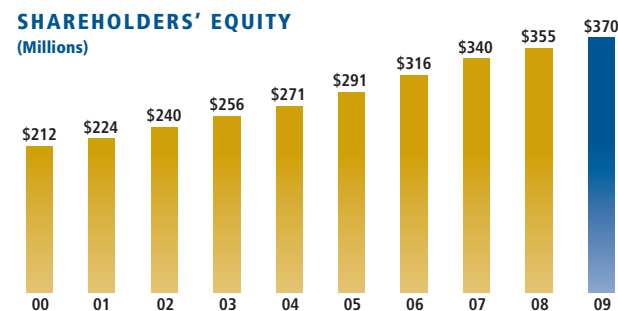
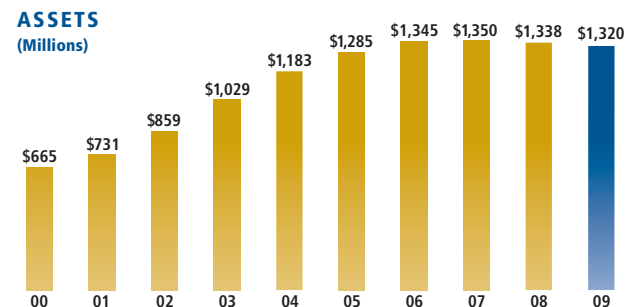
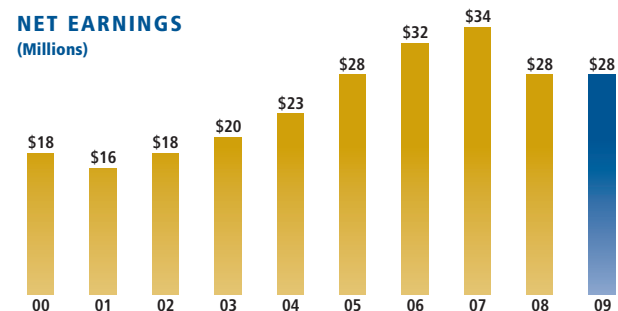
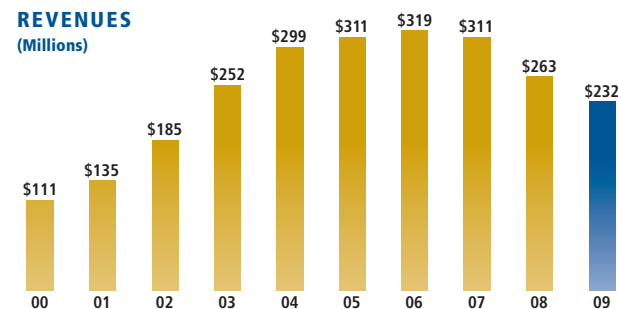
Our conservative reserving practices serve us well in these volatile times. We have once again experienced positive reserve development in 2009 as we have for more than two decades. Our reserves for claims not yet reported equal 82% of our total reserves which continue to be carried at the high end of the range established by our independent actuaries.

In 2009 Western World increased its policyholders' surplus over the year before. Our year-end 2009 consolidated policyholders' surplus stands at \$333 million compared to \$310 million in 2008. Our three Group insurance companies – Western World, Tudor and Stratford – all carry the rating of A+ (Superior) in Financial Size Category IX as determined by A.M. Best Company.

Business Conditions and Market Outlook

Our industry is well into its fifth year of soft market conditions. Predictions for improvement began as early as the fall of 2008 as the depth of the financial crisis became apparent. Since that time, many market observers have backed away from the proposition that industry capital depletion would, in and of itself, be a catalyst for reduced capacity and rising premium rates. We never subscribed to that thesis and always believed in the now commonly-held view that the industry is facing a more traditional soft market, complicated by the weak economy, and that only unsustainable underwriting losses will bring about a meaningful correction.

Despite familiar patterns, each cycle presents a unique challenge to the industry. The surplus lines industry has been particularly affected by the economic downturn due to its primary role as a market for commercial risks. Last year marked the third consecutive year that the surplus lines premium has declined. This has never happened before. The natural catastrophes of 2005 likely prevented an additional year (2006)



MESSAGE TO THE SHAREHOLDERS (continued)

of surplus lines premium volume decline. The familiar cyclical pattern has been further affected by a reduced demand for insurance and a decline in the premium rating base in addition to rate decreases. This rare combination of factors makes it very difficult to predict when the conditions will be in place to once again drive business to the surplus lines market. However, we are encouraged by several factors that bode well for a swifter turnaround than the long drought of the nineties:

- Stricter accounting rules should reveal underwriting (un)profitability more quickly.
- Rate reductions are likely greater than reported, particularly on business that has moved from the surplus lines market to the standard market.
- Reserve redundancy is being quickly diminished.
- Record low interest rates offer no incentive for premium written at an underwriting loss.

We are very fortunate to have Shareholders who fully understand the cyclical nature of our business and that it is prudent at times to retract from the market place. While our recent pattern of premium volume decline reflects our unwillingness to jeopardize our underwriting discipline, Western World is not content to simply wait for others to determine our future.

2010 – A Year Of Transition

As we plan for the years and decades ahead, the year 2010 will be marked as one of transition in leadership, structure, technology and strategy for Western World.

The Western World Insurance Group has been extraordinarily well-served by the leadership of Andrew S. Frazier since he became President and Chief Executive Officer in 1992. Andy retired as President and Chief Executive Officer of our insurance companies effective December 31, 2009. During the 18 years of tenure, Andy has presided over 70% of the premium volume written by

Western World in its entire 46-year history. He continues to serve as a member of our Board of Directors as well as a valued advisor to our Shareholders as President of the holding company.

Andy's predecessors skillfully shepherded Western World through the volatile formative years and then secured its rightful place and reputation in the industry as a company of great integrity. Beginning in 1992, Andy guided the company through a rapidly growing industry where financial security, technology and capital management would be the keys to future success. Clearly, the past 18 years have proven that Andy was the right person at the right time and that he was more than up to the challenge. He built on the success of those who came before him with his unique management style and talents. Under his leadership the Company recorded 18 consecutive years of increased Shareholder equity. Andy provided leadership, mentoring and friendship for those of us privileged to work with him. Our long history of success and our culture of respect for one another are grounded in the values by which he has guided us over the years.

Together with the American Institute for Chartered Property Casualty Underwriters/The Insurance Institute of America (The Institutes), we are very pleased to announce the creation of The Andrew S. Frazier/AICPCU Honorary Scholarship. This scholarship is being established as an ongoing tribute to Andy to acknowledge his many contributions to Western World and the entire industry in a fashion that meaningfully aligns with his personal and professional interests. Each year, the Institutes will award scholarships in Andy's name to two students who complete their CPCU designations, major in insurance and seek a career in our industry.

We are very proud that Andy and our Company will be forever associated with the support and promotion of professional education in the insurance industry.

The Board of Directors has elected Thomas F. Mulligan, President and Chief Executive Officer, and Robert J. Livingston, Executive Vice Presi-

dent and Chief Operating and Financial Officer, effective January 1, 2010. Tom joins me for the first time in signing this letter to the Shareholders. On the one hand, this completes a carefully-planned management succession. On the other, it marks a major step towards the implementation of our long-term strategic goals.

2010 will also be a year of transition in structure, technology and strategy as outlined elsewhere in this report. This is a process that began over two years ago with intensive contemplation about our long-term objectives and the goals of our Shareholders. With the aid of independent research and with Shareholder and Board approval, the Management and Staff of Western World are now fully engaged in implementing a strategic plan centered on three key elements:

- A broader choice of products for our customers;
- Alignment with the leaders in wholesale distribution;
- Creating a business culture supported by technology that allows us to provide our customers with industry-leading ease-of-access to products, services, staff and information.

This report will provides additional details on our strategic plans, already well underway, including a customer-focused underwriting structure under which we have consolidated five underwriting divisions into three, and dedicated significant resources to Product Management and Development. Our advances in technology will provide our agents and brokers with more efficient access to all products and services offered by the Western World Insurance Group. Our entire organization has been engaged in this project, and we are very enthusiastic about introducing these initiatives to our Business Partners.

Many contribute to the progress and success of Western World – our Shareholders, Directors, Management and Staff, and Business Partners. We thank you all for your service and guidance on which we will continue to rely.

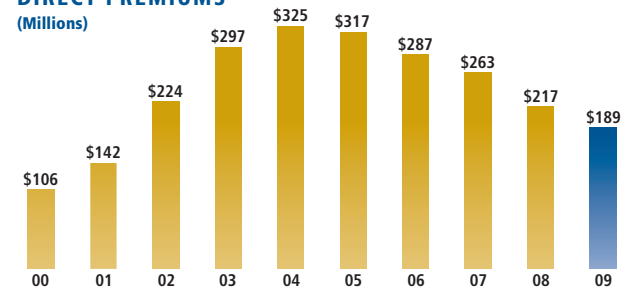


Thomas F. Mulligan
President and Chief Executive Officer

January 1, 2010

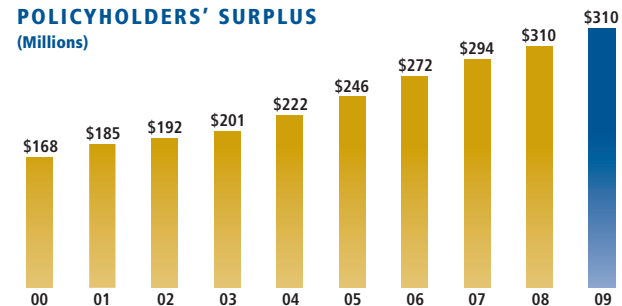
DIRECT PREMIUMS

(Millions)



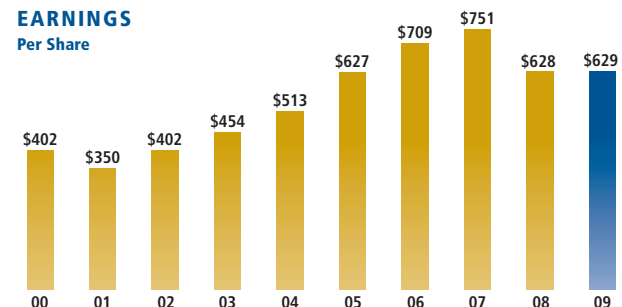
POLICYHOLDERS' SURPLUS

(Millions)



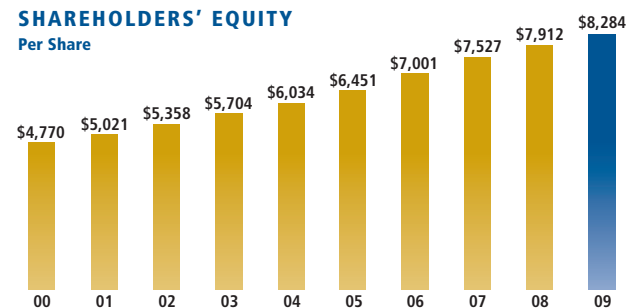
EARNINGS

Per Share



SHAREHOLDERS' EQUITY

Per Share



To Our Shareholders, Directors, Staff and Business Partners

This report marks the conclusion of my 18 years as President and CEO of Western World Insurance Company as well as the beginning of the next era of the Company's development.

Western World is engaged in a difficult business where there always have been and always will be challenges to evaluate and overcome. We face a constantly changing landscape of competition, regulation and market conditions.

Yet, Western World has prospered, performing consistently well over each of its 46 years of operation. This is only possible because of the balanced efforts of many contributors: *Shareholders, Directors, Management and Staff*, and *Business Partners*. The individuals may have changed over the years, but the culture has not.

Our Shareholders have the confidence to always take the long-term view, and they demonstrate that confidence with their enthusiastic and unwavering support of the Directors and Management and Staff.

Our Directors also take the long-term view while sharpening our performance with their constructive probing into our actions and strategy.

Our Management and Staff are uniformly dedicated to the best interests of Western World and are satisfied only with their highest level of performance.

Our Business Partners must have success if we are to be successful. We regard every relationship to be a two-way street, and we seek out partners that hold the same view.

It has been my privilege to be associated with every individual contributor. I thank each of you for your support over these most rewarding 18 years and I especially thank the Shareholders and Directors for affording me the opportunity to lead this great company.

As I look ahead, I see as many business challenges as ever, and I am gratified by the capability, experience and enthusiasm of the new leadership of Western World. Tom Mulligan, and Bob Livingston are uniquely prepared to address the newest challenges of the marketplace. Standing with them are the same remarkable contributors assisting them in their mission of leading Western World into its next era.

My new role in this next era is as a director and advisor. My association with Western World dates back to 1975, and I am looking forward to 2010 and many years beyond working with the Shareholders, Directors and Management toward the continuing success of our enterprise.



Andrew S. Frazier
President and Chief Executive Officer

December 31, 2009



Re: **CHANGE**

READJUST STRATEGIES

WESTERN WORLD IS ACUTELY AWARE OF THE DYNAMICS OF MARKET CYCLES. THE DYNAMICS ARE DIFFERENT EACH TIME, AND EACH CYCLE REQUIRES AN ADJUSTMENT TO COMPETE.

CONSOLIDATED BALANCE SHEET*

Western World Insurance Group, Inc.

ASSETS

	2009	December 31, 2008
Bonds and Short-term Investments (Held to Maturity) — at Amortized Cost (Market Value \$964,681,824 and \$967,637,284)	\$ 956,976,202	\$ 980,535,848
Bonds and Sinking Fund Preferred Stocks (Available for Sale) — at Market Value (Amortized Cost \$86,415,371 and \$59,563,738)	88,437,620	57,916,267
Common and Other Preferred Stocks — at Market Value (Cost \$13,425,132 and \$13,290,191)	11,319,074	7,974,743
Total Investments	1,056,732,896	1,046,426,858
Cash	2,373,995	522,872
Uncollected Premiums	21,746,934	23,707,554
Deferred Policy Acquisition Costs	22,233,387	24,116,877
Deferred Federal Income Tax	36,965,238	37,805,801
Reinsurance Balances Recoverable	162,854,356	180,117,678
Other Assets	16,715,585	25,253,607
Total Assets	\$1,319,622,391	\$1,337,951,247

FINANCIAL HIGHLIGHTS*

	2009	2008	Change
Revenues	\$ 232,370,325	\$ 263,222,797	-11.7%
Assets	1,319,622,391	1,337,951,247	-1.4%
Shareholders' Equity	369,702,540	355,373,990	4.0%
Net Income	28,122,143	28,275,272	-0.5%
Earnings Per Share	629	628	0.2%
Book Value Per Share	8,284	7,912	4.7%
Return on Equity	7.9%	8.3%	

*These GAAP statistics have been condensed from the Group's financial statements as audited by Ernst & Young LLP.

LIABILITIES

	2009	December 31, 2008
Losses and Loss Adjustment Expenses	\$ 784,010,670	\$ 809,288,595
Unearned Premiums	79,761,023	88,988,786
Funds Held Under Reinsurance Treaties	31,147,179	35,920,335
Other Liabilities	55,000,979	48,379,541
Total Liabilities	\$ 949,919,851	\$ 982,577,257

SHAREHOLDERS' EQUITY

Common Stock	\$ 906,920	\$ 906,920
Paid-In Capital	10,056,312	9,842,747
Retained Earnings	358,739,308	344,624,323
Total Shareholders' Equity	\$ 369,702,540	\$ 355,373,990
Total Liabilities and Shareholders' Equity	\$1,319,622,391	\$1,337,951,247

STATUTORY HIGHLIGHTS**

	2009	2008	2007	2006	2005
Premiums Written	\$ 189,133,123	\$ 216,797,843	\$ 262,931,436	\$ 287,325,189	\$ 317,022,547
Policyholders' Surplus	332,630,632	310,187,696	294,299,306	271,722,014	246,406,937
Assets	1,094,144,091	1,100,037,392	1,097,099,588	1,050,252,275	979,792,448
Combined Ratio	105.1%	101.0%	99.5%	98.8%	98.7%
Ratio of Net Premiums Written to Policyholders' Surplus	.5 to 1.0	.7 to 1.0	.9 to 1.0	1.0 to 1.0	1.1 to 1.0

*These GAAP statistics have been condensed from the Group's financial statements as audited by Ernst & Young LLP.

**These statistics were condensed from the Companies' Statutory Annual Statements as filed with the New Hampshire Insurance Department.

Rated A+ (Superior) Financial Size Category Class IX by A.M. Best Company.



Re: **CHANGE**

RECOGNIZE OPPORTUNITIES

WE WILL LEVERAGE OUR CORE COMPETENCIES TO CAPITALIZE ON OPPORTUNITIES WE UNCOVER FOR EXPANSION IN OUR BUSINESS.

WESTERN WORLD CONTRACT DIVISION



SMALL TO MID-SIZE GENERAL AND PROFESSIONAL LIABILITY, PROPERTY AND COMMERCIAL AUTO

- > **General and professional liability, and property**
- > **Comprehensive commercial auto insurance available in 40 states**
- > **Trust built on long-term relationships with select agents**
- > **Personalized service**
- > **Technical knowledge applied to specific geographic regions**

Examples of general and professional liability classes underwritten are as follows:

- Alcohol/Drug Rehab Centers
- Ambulance Attendants
- Amusement Devices
- Apartments
- Athletic Events
- Buildings
- Clubs
- Contractors
- Daycare
- Dwellings
- Exercise or Health Studios
- Home Health Care
- Homeowners' Associations
- Janitorial
- Law Enforcement

- Nurses/Nurses' Registries
- Outpatient Clinics
- Pest Control
- Schools
- Social Workers
- Special Events
- Tanning Salons
- Therapists
- Volunteer Firefighters

Examples of commercial auto classes underwritten are as follows:

- Contractors/Artisans
- Daycare Buses
- Dump Trucks
- Flatbeds
- Grain Haulers
- Limousines
- Loggers
- Social Service Agencies
- Taxis
- Truckers
- Wreckers

In 2009, the implementation of our customer-focused Group underwriting organization structure began with the consolidation of two binding authority divisions into one. Contract Casualty and Transportation are now the Western World Contract Division. In addition to general liability, professional liability and property coverages, we offer commercial auto coverages on small-to-medium size commercial risks. In 2009, we also began the process of offering our non-profit directors' and officers' professional liability product, for certain classes, within our agents' binding authority. This will be implemented in 2010.

Contract business is distributed through select general agents with binding authority located throughout the United States. The Division is made up of distinct underwriting units which provide personalized service and technical expertise to specific geographic areas of the country.

WESTERN WORLD CONTRACT DIVISION (continued)



The Western World Insurance Group has been a leader in surplus lines binding authority for 46 years. Trust and authority are the cornerstones of our successful business partnerships. Our Contract Division products, authority and services can be tailored to the specific market opportunities and challenges presented to our agents as well as the marketing strengths of the agency itself.

Despite the soft market conditions and poor economy during 2009, our personalized service, unique range of products and loyal distribution system contributed to another strong top-line performance.

Enhancements to our technology continued in 2009, with specific emphasis on our Western World Underwriting Guide. Our website will be entirely new in 2010, and we will implement significant ease-of-use capabilities to our online Underwriting Guide. This will provide our agents with the ability to underwrite, rate, quote, bind and issue from the Western World Integrated Platform (WWIP). This comple-

ments the improved distribution of policy forms, which began in 2008, through the in-house management of Docucorp libraries. Our goal in 2010 is to move to Docucorp's centralized web-based system.

Ongoing enhancements in technology and online access will improve our service to our agents while maintaining our underwriting integrity.

In our view, our success in distributing small-to-medium size commercial risks, on a binding authority basis, depends on our careful selection of classes, the management of our underwriting authority and our alignment with the best possible business partners. We have made a commitment to enhance these business relationships by using all tools available to us in underwriting, marketing, technology, claims and customer service. The Contract Division Department can provide a completely autonomous product line, or it can work with our newly-formed Product Management and Development department (PMD) and other underwriting departments to fulfill broader product needs for our select general agents.



The Contract Division now offers commercial automobile liability, physical damage and cargo coverages. Business is distributed through select general agents located throughout the United States. We currently write commercial auto in 40 states.

The Transportation products can be offered both on admitted and non-admitted paper depending on the product and local regulatory requirements. Our transportation products are distributed on a binding authority basis with the trust and authority essential to long-term relationships and successful underwriting.

We specialize in local and intermediate trucking, public auto and business auto. We also provide a limited long-haul product, writing truckers with an operating radius of up to 1,000 miles. Coverages provided include auto liability, physical damage, general liability, cargo and in-tow.

Trucking classes include flatbeds, produce and grain haulers, dump trucks and general commodity haulers. Although we primarily use admitted paper (Stratford Insurance Company), we are a specialty commercial auto insurer, focusing on hard-to-place risks. Acceptable insureds can include new ventures, risks with difficult driving records and accounts with severe losses.

The commercial auto market is experiencing the same cyclical downturn as other lines of business and is also negatively impacted by declining truck freight volume. During 2009 we continued to reduce our exposure to the dump truck class while replacing this business with more profitable opportunities. That strategy will continue in 2010 as we update our products.



Re: **CHANGE**

RESPOND CREATIVELY

DRAWING ON THE EXPERIENCE OF OUR AGENTS AND BROKERS AS WELL AS OUR SEASONED STAFF WE ARE POISED TO MEET CHALLENGES WITH INNOVATION.

WESTERN WORLD PROGRAMS DIVISION



BUILDING ON OUR REPUTATION FOR DEVELOPING CUSTOM SOLUTIONS

> **Professional and commercial general liability plans for affinity group program managers**

> **Specialized coverage solutions tailored to unique exposures**

> **Personalized attention**

The Western World Programs team takes pride in the number of unique and diversified programs successfully underwritten thus far such as:

- Allied Health Fields
- Artisan Contractors
- Crane Operators
- Daycare
- Equine Risk
- Fire Suppression Contractors
- Food Services
- Hospitality
- Hot Air Balloons

- Janitorial Services
- Marinas
- Outfitters & Guides
- Pest Control Services
- Property Recovery Agencies
- Psychologists
- Scaffold Contractors
- Social Service Agencies
- Sports Camps
- Storage Facilities
- Swim Clubs

The Western World Programs Division completed its 9th successful year of operation in 2009. Over this period, Programs has surpassed \$290 million of total written premium and diversified its product offerings and capacity in response to growing base of customer need.

The Programs Division added several new specialty programs during 2009 and continued to build on its reputation as a provider of customized solutions for a broader range of specialty niche classes of business by capitalizing on the core competencies of the entire Western World Insurance Group.

Western World Programs continues to build on its strategy of catering to program administrators who place a high value on an enduring relationship with a stable insurance company partner. Despite our growth, Western World Programs offers unmatched personalized attention and protection to agents who add unique value to the distribution process through their expertise in specific classes of

WESTERN WORLD PROGRAMS DIVISION (continued)



business. The clients of Western World Programs focus on affinity group marketing. This class of business often involves trade association ties and may require the development of solutions for unique or newly emerging liability exposures, including property and automobile coverage.

In the Western World Programs Division, we take the time necessary to understand the specific needs of an affinity group and provide underwriting and technical expertise to meet the service needs and expectations of the agent. Although a high premium volume commitment is not essential to our business model, all of our clients have

the attention of senior management, receive our highest level of service and have access to all areas of the Company.

In addition, Western World Programs maintains its commitment to offer program exclusivity and protection to agents where warranted. Western World Programs' customers usually have established books of business and are in search of a market that will be more protective of their business and responsive to their program performance and technical and service needs. As a business practice, Programs provides greater access to management and demonstrates the value of the relationship through service, exclusivity and attention to detail. Western World Programs generally seeks programs that initially have premium production that is in excess of \$1 million per year.



The Western World Programs Division designs tailored solutions for the following types of exposures:

- Professional and commercial general liability, including packaged property and automobile coverages.
- Classes of business that are difficult to price and where published rates are not available.
- Clients needing manuscript coverages.
- Unique risks that are typically recognized only in the surplus lines marketplace.

Western World Programs provides specific binding authority to qualified wholesale and retail program managers and can bring together the underwriting, processing and claims expertise from all divisions in the Group.

The advances that Western World Programs Division has made in technology are highlighted by the recently launched Rating Plus system, a web enabled policy management and workflow system that provides our agent partners with the capability to more effectively manage their business in real time with streamlined processing and data transfer tools that are completely customized to their specific needs. In addition, we have created dedicated claims handling capabilities through the formation of the Western World Programs Claims Unit, allowing agents and insureds direct access to a claims team that understands the unique characteristics of their business.



Re: **CHANGE**

REFINE INITIATIVES

WE WILL CONTINUE TO DEVELOP AND ENHANCE NEW UNDERWRITING AND SERVICE INITIATIVES SUCH AS PRODUCT DEVELOPMENT BETWEEN UNDERWRITING DEPARTMENTS.

WESTERN WORLD BROKERAGE DIVISION



PROFESSIONAL, GENERAL AND PRODUCTS LIABILITY INSURANCE FOR COMPLEX, SPECIALIZED RISKS

- > **Peace of mind professional liability protection**
- > **Premiere level of service from dedicated middle-market underwriters**
- > **Expertise and resources to meet complex general and products liability challenges**
- > **Select brokerage channel**

Current products written by Tudor Professional include:

- Architects & Engineers Liability
- Business and Technical Consultants Errors & Omissions
- For-Profit Directors & Officers Liability
- Information Technology Professional Liability
- Miscellaneous Professional Liability
- Non-Profit Directors & Officers Liability
- Non-Profit Organization Professional Liability
- Public Officials Liability
- Real Estate Professional Liability
- School Officials Liability

Examples of classes of business written by the Specialty Brokerage Department are as follows:

- Apartments
- Condo Associations
- Equipment Rental
- Furniture Manufacturers
- General Contractors (Commercial Construction & Residential Remodelers)
- Hotels
- LRO Accounts
- Machine Shops
- Shopping Centers
- Sporting Goods Manufacturers
- Steel Erection & Fabrication
- Supermarkets
- Toy Manufacturers
- Trailer Manufacturers

The Western World Insurance Group has specialized in writing both stand alone professional liability and more complex general liability coverage for the majority of its 46 years of operation. While operating as two separate underwriting units, all this business was being written on a brokerage basis. In 2009 the groundwork was set for the combination of Tudor Professional and Specialty Brokerage to the newly formed Western World's Brokerage Division. Bringing the two units under one management structure aligned to our production sources, puts us on firm footing to better meet the needs of our customers moving forward.

Professional Liability

Tudor Professional writes a wide range of E&O and D&O classes through a select group of appointed wholesale brokers. Despite softening market pricing, premium volume in 2009 remained constant. This is a testament to the disciplined underwriting and competitive products offered.



To keep current with trends in the professional liability marketplace, we constantly re-evaluate our underwriting guidelines and policy wording to provide proper coverage for the expected exposures. We will continue to combine our disciplined approach with the financial strength of the Western World Insurance Group to secure our position as a valuable business partner. Our financial stability, knowledgeable underwriting, experienced staff and diverse and extensive menu of products meet the vast majority of our brokers' professional liability product needs.

As a direct response to the customer feedback we continually seek, we made significant operational improvements in 2009. These improvements have greatly increased the speed in which we can deliver quotes and policies. Even greater customer benefits are expected in the future from the work, started this past year, on our long-term strategic goals.

All of our actions are supported by a seasoned underwriting and claims staff. We are very proud that nearly 100% of our professional

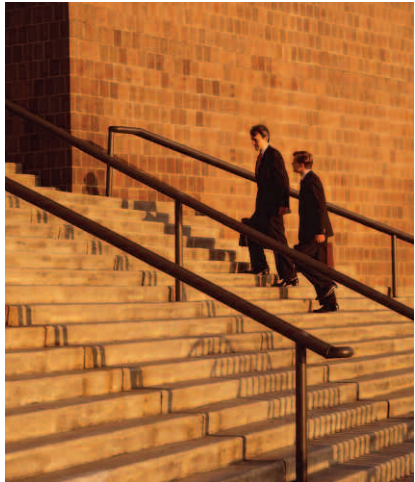
liability underwriting staff has earned the Registered Professional Liability Underwriting (RPLU) designation. Our staff welcomes the opportunity to share their knowledge and experience by participating as presenters at training functions hosted by our brokers.

General Liability

Tudor Specialty Brokerage writes larger, more complex general liability and products liability risks distributed through excess and surplus lines brokers. Specialty Brokerage offers balance and diversification to the Group and our general agents.

Tudor Specialty Brokerage complements the Western World portfolio through:

- A select brokerage distribution channel.
- A dedicated staff of seasoned underwriters providing the service required to compete in the E&S middle-market segment.
- The resources to analyze intricate and hard-to-place primary business driven by the risk of severe loss or frequency of loss.



With an ample appetite for a broad spectrum of general liability risks, typical insureds include large multi-state habitational schedules, contractors, equipment rental and various manufacturers. Specialty's risk portfolio is divided between general liability and products liability exposures.

The Department prides itself on a commitment to underwriting integrity. In order to make difficult risks acceptable, the Department makes extensive use of deductibles and unique forms. Premiums typically range from \$10,000 to \$250,000 per policy, but vary depending upon risk.

Tudor Specialty Brokerage's long-term objective is to evolve into an increasingly influential player in the individual risk surplus lines casualty marketplace while continuing to enhance the Group's binding authority relationships. To this end, the Department executes its focused marketing strategy in two ways: first, it offers the highest possible service standards to a select number of appointed producers; second, the Department understands the culture of the Group's

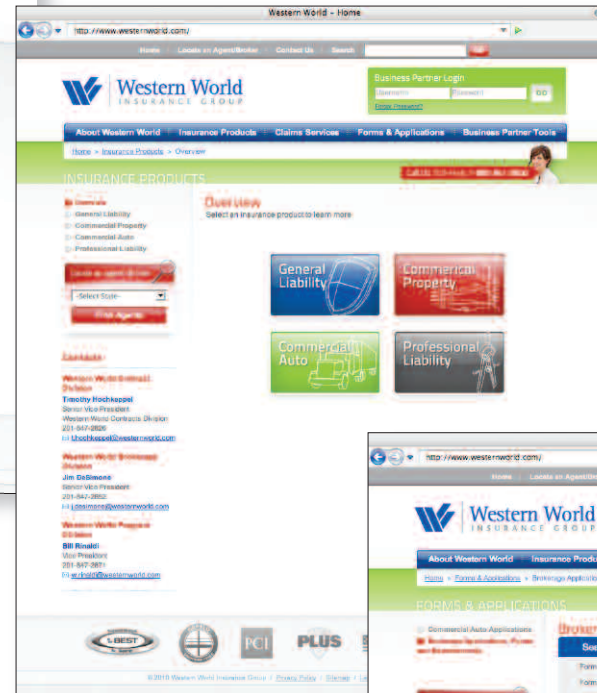
binding authority agents who have relationships with other underwriting departments. This dual focus is unique to Specialty Brokerage and enables it to achieve longer-term competitive advantages.

Advances in information technology and resources enable the underwriters to make sound decisions quickly. This facilitates the ability to provide superior service to our valued wholesale distribution partners.

Our website allows our Specialty Brokerage producers to view and print our policy forms and endorsements without entering a password. The ability to retrieve loss runs and complete and send applications is also available from our website.

Tudor Specialty Brokerage is available to every Contract Casualty Agent and to appointed brokers.

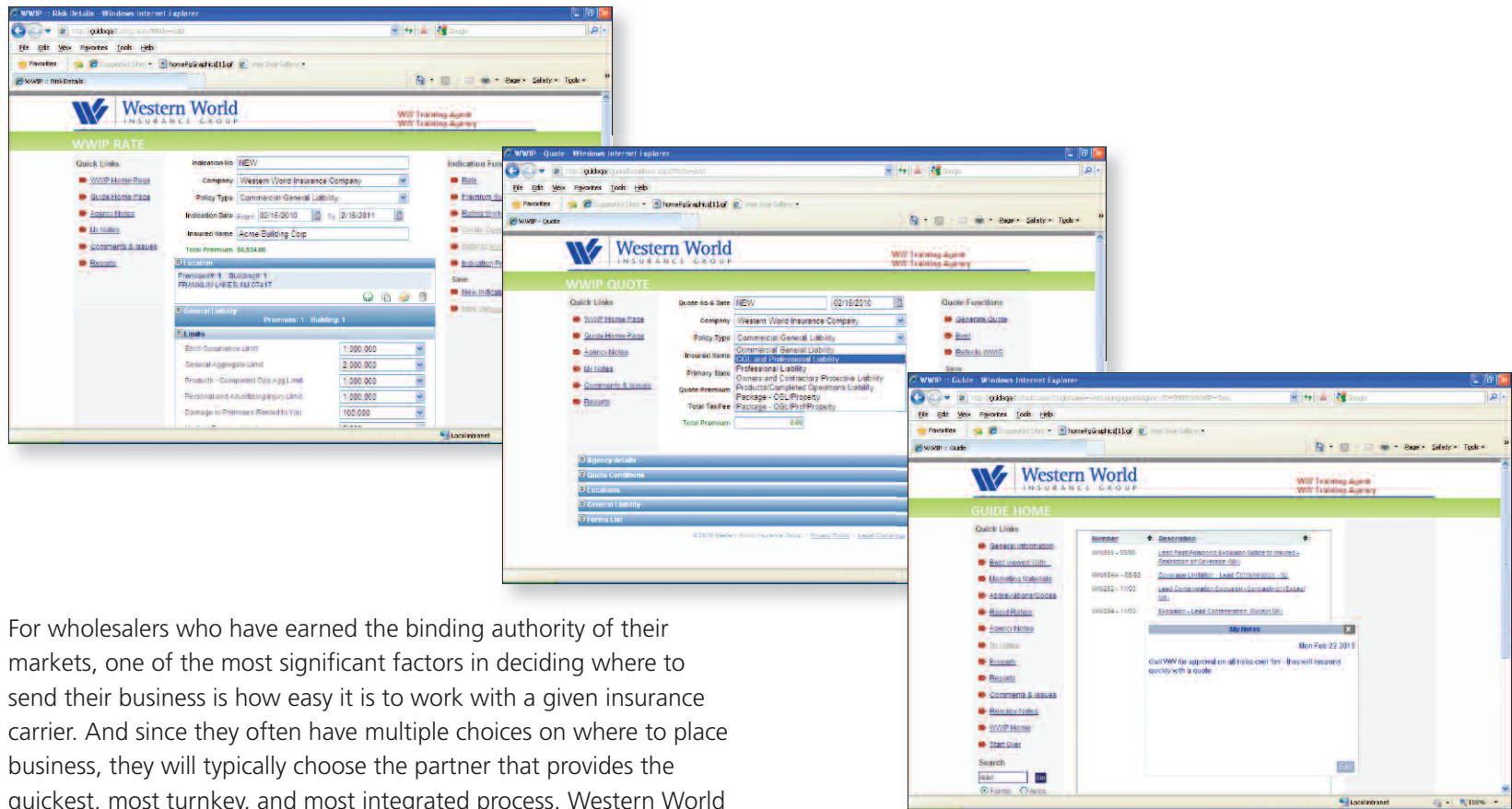
WESTERN WORLD'S NEW CORPORATE WEBSITE



Western World has undertaken a company-wide effort to improve all access points into the company for our business partners and to provide more customer-focused solutions. As part of this effort, we have redesigned our corporate website for easier navigation and increased functionality so that our partners will be able to find all the information they are looking for in less time.

- Find the appropriate company contacts
- Initiate the claim process by submitting information directly through our website to our experienced Claims staff
- Find a list of products and classes that Western World frequently writes with our partners
- Get updates on coverages offered, contracts and all other information

WESTERN WORLD INTEGRATED PLATFORM (WWIP)



For wholesalers who have earned the binding authority of their markets, one of the most significant factors in deciding where to send their business is how easy it is to work with a given insurance carrier. And since they often have multiple choices on where to place business, they will typically choose the partner that provides the quickest, most turnkey, and most integrated process. Western World has improved our agency processing environment to offer the easiest-to-use platform.

Our answer to this critical need is the Western World Integrated Platform (WWIP) – an innovative online platform that provides a complete underwriting guide as well as a rating and policy administration system that supports multi-state, multi-location, and multi-line processing. Our integrated platform was explicitly designed for the non-admitted commercial P&C market and allows Western World employees and agents to rate Western World specialty classes as well as all ISO General Liability classes.

- The WWIP system represents a dramatic improvement in the way our wholesalers are able to interact with our company.
- It is fully integrated and eliminates the need for any re-keying of information.
- Western World takes care of all the maintenance for our agents. Rates, forms and endorsements are centrally kept up-to-date so our agents don't have to do that work.
- We only ask for information when we need to during the various underwriting functional steps.



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