

Best's Rating Report

Amalgamated Life

America's Labor Insurance Company[®]

THE AMALGAMATED LIFE INSURANCE COMPANY

White Plains, New York



A (Excellent)

Ultimate Parent: UNITE HERE National Retirement Fund

THE AMALGAMATED LIFE INSURANCE COMPANY

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AMB#: 006031

Ultimate Parent#: 055392

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NAIC#: 60216

FEIN#: 13-5501223

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 VI.

RATING RATIONALE

Rating Rationale: The rating assignment of Amalgamated Life Insurance Company (Amalgamated Life) reflects the company's established niche in the labor union marketplace, its improving product diversification, and the maintenance of a more than adequate risk-adjusted capital position. Offsetting factors include the competitive nature of its core group life business, the company's challenges in profitably expanding its product base to incorporate new segments of the labor market, and its increased expense structure in recent years.

Amalgamated Life continues to focus on building market share in the Taft/Hartley union labor marketplace, primarily through the sale of its group life insurance and ancillary products. The company has a competitive advantage due to its familiarity with the union market as well as its more unique ownership. Prior to 2009, Amalgamated Life was heavily dependent on growth of its group life insurance to generate premium income and operating profits. However, in recent years, the company has expanded into other product lines such as a medical stop-loss and short-term disability income. Additionally, the company has been expanding geographically into other parts of the country that have large union membership, which gives it more future

growth opportunities. Historically, New York had been its largest source of premium income. Annual operating gains over the past five years, as well as a \$3.9 million capital contribution from its parent last year, have enabled Amalgamated Life to maintain a more than adequate risk-adjusted capital position.

Amalgamated Life faces challenges to increase its premium income in its core group life market due to the very competitive environment. Although net written premiums increased recently, this was partially due to the company ceding less premium versus prior years. A.M. Best notes that group life is a commodity product that is driven largely by price and commissions, particularly in the larger case market. In recent years, the company has experienced a declining trend in its operating earnings in its core group life segment. A.M. Best believes it could take some time for Amalgamated Life to establish a presence in some of its new targeted growth states and achieve favorable operating results there. For the last few years, the company has experienced higher general expenses due to infrastructure projects as well as product and geographic diversification initiatives.

Best's Financial Strength Rating: A

Outlook: Stable

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/20/10	A	05/03/07	A
05/21/09	A	05/09/06	A
04/29/08	A	05/25/05	A

KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital			
		Capital Surplus Funds	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income
2005	51,768	22,932	3,248	33,154	1,902
2006	51,813	25,665	3,429	33,248	2,147
2007	57,375	30,019	3,129	36,698	2,235
2008	62,441	30,861	3,189	38,093	2,484
2009	65,764	33,536	3,220	44,462	2,292

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BUSINESS REVIEW

The Amalgamated Life Insurance Company (Amalgamated Life) began operations in 1943 to provide life insurance, health and disability coverage and retirement annuities for members of the Amalgamated Clothing Workers Union who were participants in the Amalgamated Insurance Fund and its other related funds ("patron funds") on a non-profit basis. Prior to 1992, operations were restricted to selling these insurance products to the patron funds, which are Taft-Hartley plans sponsored by unions which are successors of the Amalgamated Clothing Workers Union. In January 1992, the New York State Insurance Department approved Amalgamated Life's amended charter authorizing it to sell life, health and disability insurance commercially outside of its traditional non-profit base.

Amalgamated Life is currently licensed in 47 states, most recently in New Mexico, and the District of Columbia as of April 30, 2010. The company's traditional client base has been New York, where the majority of union sponsored multi-employer plans covering national collective bargaining agreements had been located. However, Amalgamated Life is looking to expand on the west coast, especially California, as the state has now become the largest labor union state. Regional sales offices are also maintained throughout the country.

The company provides coverage to participants of its historical patron employee benefit plans throughout the United States through its various group policies and ASO contracts. However, Amalgamated Life has been diversifying its revenue stream, primarily by obtaining licenses in additional states in regions which also have a strong labor market presence. The company's customers are primarily trade union members covered under Taft-Hartley health and welfare and pension plans, or under endorsed voluntary arrangements through their unions. In 2005, the company began joint marketing and underwriting of a worksite program with Boston Mutual. Under the terms, Amalgamated Life's "Worker's Life" Term product is marketed with Boston Mutual's interest-sensitive whole life product. Boston Mutual shares risk and Amalgamated Life retains all the risk on its term life product. Much of the early marketing had been focused on the gaming industry in Las Vegas, however, the company now has seen some initial success with a number of employers in other regions. In 2008, the company began to offer a repackaged product to include increments of whole life, term life and critical illness coverage. In 2010, Amalgamated Life is exploring new partnerships for its voluntary products such as voluntary dental, vision and accident and illness coverage.

Sales in its target labor market are accomplished through direct contacts with trade union groups, brokers and consultants. The company maintains a salaried sales force of twelve experienced insurance professionals and former trade union officials who make these contacts. In 2009, Amalgamated Life hired two new sales representatives to penetrate California's and New England's marketplace to increase its Taft-Hartley market share and identify additional cross-selling opportunities within the organization while retaining a low cost operating structure. Direct mailings are sent to labor leaders and fund administrators to keep them informed of the company's insurance products and services. Group term life is Amalgamated Life's dominant product, which accounts for over four-fifths of net premium income. With respect to worksite products, the company also markets voluntary payroll deduction policies including level and decreasing term, short-term disability and critical illness policies. Once endorsements from union leaders are received, the products are then purchased by union members on a voluntary basis for a small premium amount. The sales force also benefits from referrals from a network of benefit consultants, law, actuarial and accounting firms which also serve the Taft-Hartley market.

In December 2007, Amalgamated Life began marketing medical stop-loss insurance as it continued to look for ways to expand and diversify its product portfolio. The company believes that stop-loss represents an excellent growth opportunity, and takes advantage of the company's presence in the Taft-Hartley market, its access to related distribution channels, and its medical management expertise. Amalgamated Life has taken a measured approach with regard to its entry into this market and is cautiously expanding its presence. The company controls its own underwriting and has developed a very conservative pricing structure. In addition, it utilizes reinsurance to mitigate risks of large claims.

PREMIUM AND RESERVE ANALYSIS

<u>Direct Premiums (000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ordinary life	336	429	301	437	412
Group life	23,081	24,732	23,883	20,822	23,443
Group A&H	6,598	4,150	3,056	3,011	3,357
Total	30,015	29,311	27,240	24,270	27,211
<u>Reins Assumed Prens (000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ordinary life	1,233	872	614	291	73
Group life	13,510	10,859	11,719	11,536	10,525
Group A&H	2,239	2,161	2,407	2,405	2,496
Total	16,981	13,891	14,740	14,233	13,094
<u>Reins Ceded Prens (000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ordinary life	74	65	64	75	53
Group life	2,054	4,753	5,217	5,180	7,099
Group A&H	407	291	...	...	...
Total	2,535	5,109	5,281	5,255	7,151
<u>Net Premiums & Deposits (000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ordinary life	1,495	1,235	850	654	432
Group life	34,537	30,838	30,385	27,178	26,869
Group A&H	8,430	6,020	5,463	5,416	5,853
Total	44,462	38,093	36,698	33,248	33,154
<u>General Account Reserve Distribution (000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ordinary life	2,004	2,031	1,991	2,033	2,026
Group life	3,405	3,511	3,392	3,207	3,054
Group A&H	279	243	253	243	242
Total	5,688	5,784	5,636	5,484	5,321

Geographical breakdown of direct premium writings (\$000): New York, \$22,093 (75.5%); Illinois, \$3,631 (12.4%); New Jersey, \$1,117 (3.8%); other jurisdictions, \$2,417 (8.3%).

EARNINGS

Prior to 2009, the favorable performance of its group life insurance business overall has resulted in continued favorable trends in statutory profitability over the last five years. Net operating earnings in group life insurance fell almost one-third in 2009 due to an increase in claims, declining investment income, higher administrative expenses due to technological improvements, the hiring of new sales executives, and the loss of a large group life client. However, decreasing earnings in this segment were offset by increased earnings in Amalgamated Life's medical stop-loss and Medicare supplemental products. In addition, direct written premiums also increased in 2009 due to the growth in the company's medical stop-loss product line as opposed to the core group life line, which had its direct premium decline for the first time in four years.

Although profitability was impacted by costs associated with investments in infrastructure for future planned growth in 2008 and 2009, the company has generally recorded increased returns on equity over the last five years. Additionally, a considerable portion of Amalgamated Life's core group life insurance block, representing just over one-fifth of its group life premiums, covers group life patron fund business. Each year the patron funds pay the company premiums to cover their group life insurance benefits, none of which exceed \$10,000 per life. Any plan deficits or surplus are offset in the following year's premium. This arrangement has enabled the company to provide the patron funds with group coverage for neither a profit nor loss. In addition, over \$3.0 million is held in a contingency reserve to cover any claims fluctuations during the year which may cause plan deficits. This reserve is held in addition to traditional reserves such as IBNR and waiver of premium.

While group life continues to represent the majority of Amalgamated Life's business, the company has strategically planned to diversify its revenue base and has implemented a number of initiatives to foster top line growth. In 2007, the company increased the assumption of business on its strategic initiative with Boston Mutual to sell its term-life product along with Boston Mutual's interest-sensitive whole-life product. Amalgamated Life also introduced a

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new medical stop-loss line of business in 2007. The company continues to open up new sales offices and has hired new marketing and sales executives in a number of locations with the intention of increasing new business sales. One example that the company is seeing benefits from these initiatives is in the sizable increase in premium production and net operating earnings of its medical stop-loss product. A.M. Best believes Amalgamated Life will continue to be challenged in increasing its core group life premiums in the near-term due to the ultra competitive marketplace and recessionary environment and will continue to monitor the company's ability to profitably grow its top line.

PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2005	80.2	167.0	5.2	3.0	12.2	4.41	4.64
2006	80.5	30.2	5.9	3.4	12.5	5.01	5.10
2007	83.9	155.2	7.6	4.4	14.8	4.91	4.89
2008	83.8	168.5	4.3	2.6	8.4	5.01	3.99
2009	85.5	158.5	3.9	2.3	7.8	4.39	4.17

PROFITABILITY ANALYSIS

Net Operating Gain (000)	2009	2008	2007	2006	2005
Ordinary life	253	280	67	56	49
Group life	1,517	2,231	3,747	2,837	2,266
Group A&H	746	90	322	150	406
Other	...	-46	-2	-2	-74
Total	2,516	2,556	4,135	3,042	2,647

CAPITALIZATION

Amalgamated Life's capital and surplus has grown considerably over the past five years from consistent net operating income and a material capital contribution in 2009, partially offset by recent realized investment losses. The company, benefiting from the explicit support of its parent organization, has historically maintained an appropriate risk-adjusted capitalization level for its insurance and investment risks. Capital contributions, when needed, have met cash flow and reserve requirements. In 2009, Amalgamated Life received a \$3.9 million capital contribution from Alico Services Corporation (ASC). With no dividend requirements from ASC, the company has been able to retain its profits and as a result, have been able to annually increase its level of risk-adjusted capital.

LEVERAGE TESTS

Year	C&S to Liabilities	Surplus Relief	Reins Leverage	NPW & Dep to Capital	Change in NPW & Dep	Change in Capital
2005	80.1	...	24.4	1.3	7.7	16.5
2006	99.0	...	23.7	1.1	0.3	11.1
2007	110.7	...	20.3	1.1	10.4	13.9
2008	97.7	...	22.6	1.1	3.8	2.7
2009	104.3	...	20.1	1.2	16.7	7.9

2009 BCAR: 380

SOURCES OF CAPITAL GROWTH (\$000)

Year	Net Gain	Realized Capital Gains	Unrealized Capital Gains	Change AVR	Other Changes	Change in C&S
2005	2,647	...	...	-11	-17	2,619
2006	3,042	...	...	-14	-295	2,733
2007	4,135	...	...	-18	238	4,354
2008	2,556	-431	...	123	-1,407	842
2009	2,516	-33	...	-31	223	2,675

CAPITAL TRENDS (\$000)

Year	Year end C&S	Surplus Notes	Stockholder Divs	Policyholder Divs	Asset Valuation Reserve	Interest Maintenance Reserve
2005	22,932	...	...	...	92	132
2006	25,665	...	...	...	105	...
2007	30,019	...	...	...	123	...
2008	30,861	...	...	...	...	...
2009	33,536	...	...	...	31	...

INVESTMENTS AND LIQUIDITY

Amalgamated Life maintains a conservative investment portfolio that has generated consistent returns in recent years. Investment grade bonds comprise over four-fifths of invested assets, with cash and short-term investments, along with a small percentage of stocks, comprising the remainder of the investment portfolio. Corporate bonds make up over three-fifths of the bond portfolio while state and special revenue issues comprising another one-fifth. The remaining bonds consist of U.S. government and foreign bonds. The average maturity of the bond portfolio is between six and seven years, down from ten years, which reflects the short-term duration of Amalgamated's new and growing stop-loss product. A.M. Best notes that although mortgage-backed securities make up three-tenths of the company's investment portfolio, the securities are investment grade.

LIQUIDITY TESTS

Year	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital	Delinq & Foreclsd Mtg to Capital	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital
2005	-450	153.8	163.6	...	...	...	...
2006	820	154.9	168.9	...	...	...	...
2007	5,183	164.7	181.2	...	...	...	...
2008	3,787	120.0	154.4	0.1	...	...	...
2009	2,272	167.8	184.0	0.7	...	...	...

INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short Term	Real Estate Gross	Real Estate Net	Invest. Exp. Ratio
2005	4.41	4.67	...	...	0.28	...	...	0.33
2006	5.01	4.97	...	...	4.14	...	...	0.28
2007	4.91	5.20	...	...	0.35	...	...	0.31
2008	5.01	5.42	9.79	...	2.14	...	...	0.26
2009	4.39	5.22	2.06	...	0.25	...	...	1.56

INVESTMENT DATA

Current Year Distribution of Bonds by Maturity	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20-	
Government	4.8	3.4	0.5	...	...	2
Gov't Agencies & Muni	3.1	7.3	4.8	1.3	1.5	6
Industrial & Misc	16.7	20.4	23.0	1.7	11.6	8
Total	24.6	31.1	28.3	2.9	13.1	7

	2009	2008	2007	2006	2005
Bonds (000)	45,409	42,678	42,217	43,314	42,493
US Government	9.3	11.7	13.3	26.9	45.0
Foreign - All Other	7.2	5.8	5.6	1.3	1.2
State/Special Rev. - US	20.2	25.9	22.5	12.1	0.1
Industrial & Misc - US	63.3	56.6	58.5	59.7	53.7
Private Issues	...	30.3	...	...	...
Public Issues	100.0	69.7	100.0	100.0	100.0

Bond Quality (%)	2009	2008	2007	2006	2005
Class 1	85.4	91.1	88.9	90.5	89.3
Class 2	14.1	8.9	11.1	9.5	10.7
Class 3	0.5
Class 6	0.0	0.0

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	2009	2008	2007	2006	2005
Stocks (000)	78	421	171
Unaffiliated Preferred	100.0	100.0	100.0
	2009	2008	2007	2006	2005
Other Inv Assets (000)	8,147	8,884	6,238	301	713
Cash	28.3	44.2	55.9	51.3	-99.9
Short-Term	71.1	55.1	43.3	33.1	227.5
All Other	0.6	0.7	0.8	15.6	8.7

HISTORY

Date Incorporated: 09/29/1943 **Date Commenced:** 02/01/1944

Domicile: NY

OFFICERS

Chairman of the Board, Bruce Raynor; President and Chief Executive Officer, David Walsh; Executive Vice President and Chief Financial Officer, Paul Mallen; Executive Vice Presidents, Michael Hirsch, Claire A. Levitt, Richard Rust, John Thornton; Senior Vice President, Secretary and Treasurer, Mark Schwartz; Senior Vice Presidents, Leslie Bostic, Arthur Kurek; Vice President and Chief Information Officer, Raghubar Singh; Vice President and Chief Actuary, Martin Cohen; Vice Presidents, Nina Chakraborty, Patrick Coughlan, John Dubil, Ann Joo Kim, Victoria Sartor, Thomas Thompson.

DIRECTORS

Harold Bock, Gary Bonadonna, Alexandra Dagg, Mark Fleischman, John Fowler, Lynne Fox, Richard Gilbert, Julie Kelly, Christine Kerber, Peter Lindenmeyer, Richard Macedonia, Desmond Massey, David Melman, Gail Meyer, Homi Patel, Warren Pepicelli, Bruce Raynor, Harris Raynor, Edgar Romney, Richard Rumelt, Steven Thomas, Christina Vazquez, David Walsh, Steven Weiner.

REINSURANCE

Amalgamated Life renewed its principal reinsurance treaties with Swiss Re Life and Health America, effective October 1, 2008. Generally, group term life and conversion coverage is reinsured with a maximum retention of \$100,000 per life. All accidental death and dismemberment coverage remains 100% reinsured. The company also maintains catastrophic coverage with Swiss Re. Facultative reinsurance quotes for new group life and disability programs are obtained as needed through various reinsurance relationships. In addition, Amalgamated Life maintains a reinsurance treaty with Westport Insurance Corporation, a Swiss Re affiliate, to cede a portion of its medical stop-loss insurance line of business.

REGULATORY

An examination of the financial condition is being made as of December 31, 2008 by the Insurance Department of New York. The 2009 annual independent audit of the company was conducted by BDO Seidman, LLP. The annual statement of actuarial opinion is provided by John D. Ladley, Ladley Actuaries, LLC.

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

Reserve basis: (Current ordinary business): 1980 CSO 4 1/2%; Net Level and CRVM valuation methods.

FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2009

Assets		Liabilities	
*Total bonds	45,409	+Net policy reserves	5,688
*Total preferred stocks	78	Policy claims	10,829
Contract loans	50	Payable on reins	1,427
Cash & short-term inv	8,097	Comm taxes expenses	8,717
Funds held or dep with reins	1,600	Asset val reserve	31
Premis and consids due	3,058	Funds held coinsur	1,600
Accounts receivable	2,568	Contingency reserve	3,189
Accrued invest income	540	Other liabilities	746
Other assets	4,364	Total Liabilities	32,228
		Common stock	2,500
		Paid in & contrib surpl	7,550
		Unassigned surplus	23,486
Assets	65,764	Total	65,764

*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. +Analysis of reserves: Life \$5,215; disability active lives \$17; miscellaneous reserves \$178; accident & health \$279.

SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	31,625
Ordinary life	1,495	Surrender benefits	45
Group life	34,537	Group conversion	7
Acc & health group	8,430	Acc & health benefits	6,337
Total premiums	44,462	Incr life reserves	-132
Net investment income	2,292	Incr a & h reserves	36
Amort interest maint res	-87	Commissions	728
Other income	1	Comm exp reins assumed	1,063
Mgt and/or service fee	64,562	Insur taxes lic & fees	974
		General ins expenses	6,351
		Misc operating expense	61,376
Total	111,229	Total	108,411
Gain from operations before FIT & div to policyholders.....			2,819
Federal income taxes incurred.....			303
Net gain from operations after federal income taxes.....			2,516

CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	108,821	Benefits paid	36,305
Long-term bond proceeds	15,057	Comm, taxes, expenses	67,969
Capital surplus paid in	3,900	Long-term bonds acquired	18,374
Other cash provided	283	Other cash applied	6,142
Decr cash & short-term	729		
Total	128,789	Total	128,789

NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Par (%)	Par (%)
2005	6,313	122	...	189,932	...	196,367	100	0
2006	19,144	163	...	683,736	...	703,043	100	0
2007	29,500	8	...	2,912,658	...	2,942,166	100	0
2008	30,078	...	...	1,087,236	...	1,117,314	100	...
2009	36,629	40	...	521,576	...	558,245	100	...

LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds	Term	Credit	Group	Industrial	Total Insurance In Force
2005	14,064	6,017	...	13,566,950	...	13,587,031
2006	28,437	5,618	...	14,286,250	...	14,320,305
2007	50,682	4,966	...	15,656,155	...	15,711,803
2008	66,645	5,373	...	16,215,526	...	16,287,544
2009	80,112	4,503	...	15,811,172	...	15,895,787

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Why is this *Best's*[®] *Rating Report* important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The 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 valuation 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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