



AMLI NEWS AND VIEWS

Fall 2009

A MESSAGE FROM THE PRESIDENT & CEO

AMLI is a specialty Life, Accident and Health Insurance company with established nationwide distribution. AMLI underwrites health and welfare products intended to help meet the needs of the uninsured and underinsured. Many of our current customers are employed but do not have access to these products through their employment.

AMLI has gained distinction as a market-driven company that focuses on partnering with licensed independent distributors with the knowledge, experience, and commitment to quality necessary to serve this underserved market.

During the past three years, AMLI has experienced exceptional growth due to the hard work and support of its many partners. We know that regular communication is essential to your ongoing support of our products and services – particularly during this period of change.

As you all know, the healthcare insurance industry as a whole is in the midst of tremendous change and that will certainly have some effect on AMLI. In addition, AMLI has experienced a great deal of its own change over the past year. While some of these changes were the result of challenges we faced in the markets we serve, we also believe strongly that the outcomes and our thoughtful response to these changes provide AMLI with a better opportunity for sustainable growth. Ultimately, we believe, this will lead to our Company being a better partner for you and a better solution for our customers. We hope this update will help provide you with a clearer view of some important current events and developments at the Company. You should also feel free to contact us to learn more about what we're doing to continue to lead in the markets we serve.

We value and look forward to your continued partnership and our shared success.

Sincerely,

John F. Ollis
President and CEO

AMLI'S VISION AND MISSION

We are committed to becoming the best in class underwriter and insurance partner in the markets we serve. We are committed to maintaining and developing our position as an industry leader providing specialty health and welfare products to the underinsured and underserved consumer through our distribution partners and channels. To achieve these goals and enhance our value to you – and equally importantly our shared customers – we have spent significant capital, added personnel, partnered with industry experts and committed AMLI to these shared principles at all levels of our organization. Initiatives currently underway include:

- ★ We are engaged in ongoing efforts to build a financially stronger company capable of supporting meaningful future growth.
- ★ We are adding systems and infrastructure to support a more proactive and service-oriented organization that include tools that will be shared with our partners.
- ★ We have implemented an enterprise-wide risk management, compliance, and regulatory communication architecture that will ensure adherence to regulatory best practices and will allow AMLI to avoid risks and become responsive to issues before they develop into chronic problems.
- ★ We are preparing for new legislation that might emerge from the ongoing healthcare reform debate by adding product components that may more easily adapt to the changing legislative landscape.

Technology and Systems

A highlight of these initiatives includes the major investments AMLI has made in our technology infrastructure. Once fully deployed, AMLI will deliver a broader set of customer-facing services including prompter and more expert customer service, better reporting tools in the generation of powerful data and analytics, and real time reporting and compliance.

Our new operating paradigm will allow AMLI remote and near-instant load-balancing capabilities (and system redundancy), allowing us to redirect calls and claims should any one or more of our partners become overwhelmed or experience a service outage. Our business partners were selected as a result of their demonstrated ability to scale and for having robust infrastructures capable of handling the size and complexity of our business transactions in a timely and credible manner. This model will ensure prompt claims payments and response to customer questions.

We are in the final stages of implementation of our new customer service infrastructure and expect to be able to report more about these achievements over the next several weeks.

THE CURRENT FINANCIAL OUTLOOK

During 2009, AMLI recognized deterioration in the performance of its existing book of Limited Benefit medical business. As a result, AMLI strengthened its reserves, which negatively impacted financial results, and took corrective pricing and design actions to restore profitability. While AMLI utilizes the services of an independent program manager for oversight, analysis, pricing and design services for its Limited Benefit medical program, the Company lacked the internal reporting capabilities to react more quickly to changes in its business. AMLI has developed improved reporting capabilities to improve the quality and timeliness of information available to management. Additionally, to ensure the soundness of its reserves, AMLI now utilizes the services of a highly reputable, national, independent actuarial firm.

AMLI continues to be rated “B” by A.M. Best and will continue to monitor all opportunities to prudently increase that rating over the next year.

HEALTHCARE REFORM AND AMLI PRODUCTS

Like all Americans, we are keenly interested in the outcome of the current legislative process around healthcare reform. Millions of Americans are uninsured, or under insured, for

catastrophic illness or accident. As they are forced to be consumers of health insurance, we believe there will be heightened awareness as to the limits of what major medical policies cover. As the end result is still less than clear, it is difficult to state with certainty how current AMLI products would integrate with the new insurance market envisioned by some members of Congress. However, our current Limited Benefit products provide affordable access to healthcare for those who would otherwise go without any coverage; and, we believe, there will be a continuing demand for some form of these products to complement or enhance any mandated Major Medical offering.

While the prospect of enormous change can be daunting, we see tremendous opportunities for our Company to provide much needed products and services to the new health insurance consumer. The debate in Washington continues to unfold, and we will continue to provide commentary and outlook.

REGULATORY COMPLIANCE AND COMMITMENT TO BEST PRACTICES

AMLI is committed to providing a portfolio of products which bring value to its customers in a regulated environment that is of increasing focus in today’s world. Over the past year, AMLI has built a team of highly experienced compliance and legal professionals to guide its efforts in setting the standard for compliant and ethical behavior in our industry; and continues to develop policies and infrastructure fully informed by its commitment to compliance. We believe that by being a leader in our commitment and execution on these issues we will form long-standing relationships that will grow our business because of the value we provide.

INCREASING COMMUNICATION WITH ALL OF OUR STAKEHOLDERS

This summary is designed to help keep you aware of important activities and developments within AMLI and more broadly in the market we serve. We hope you’ll find this update informative and invite your questions and comments. Please contact us at: info@usamli.com or call us at (866) 691-9353.

This document may contain certain forward-looking statements including, but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as “expects”, “anticipates”, “believes”, “estimates”, the negative of these terms and similar expressions to identify forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason