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Bermuda Market Report 2009

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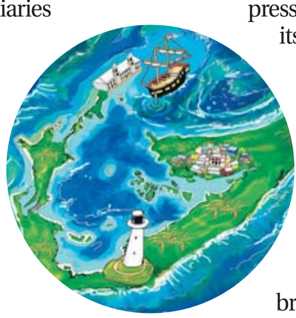
BIG QUESTIONS, CHALLENGES

Buyers of insurance and reinsurance seek two fundamental capabilities from their carriers: a product at an acceptable price and a partner that has the strength and long-term commitment to pay claims.

Carriers must, therefore, be able to raise capital and manage that capital effectively so that business can be profitably underwritten, claims paid and adequate returns delivered to investors.

To meet more complex and higher-value business needs, insurance companies tend to gather together into markets. This enables buyers to use intermediaries to build capacity at a competitive price. This is why the Bermuda market exists.



Like London before it, Bermuda emerged to become a leading center of risk transfer because it was able to offer buyers badly needed coverage that would pay out when needed.

A turning point for Bermuda occurred in the mid-1980s, when ACE Ltd. and XL Capital Ltd. were formed by U.S. policyholders to fill a severe shortage of liability coverage. Mirroring the island's rise to prominence, those two companies have evolved into global leaders.

Bermuda has been chosen again and again as the place to build capacity after a crisis. In 1992, after Hurricane Andrew, property catastrophe reinsurers were established. In 2001, following the terror attacks on the United States, another wave of companies formed. And it happened again in 2005 after the record Hurricanes Katrina, Rita and Wilma. But the Bermuda market faces some big questions.

The global financial crisis and last year's catastrophes have combined to erode its capital base (see story, page 8). During 2009, premium volumes will come under intense pressure as the global economy shrinks. But reduced capital and falling premiums are not a great combination when investment conditions remain poor.

At the back of everyone's minds lurks the question of what will happen if another big catastrophe hits this year? Where will the market find fresh capital to replenish the coffers and even take advantage of soaring rates this time (see story, page 10)?

Also, the market faces political pressure from interests in its U.S. core market.

Bermuda is an attractive place to underwrite business, with formations relatively easy, low capital costs and low distribution costs due to a mature brokerage community.

But powerful forces within the U.S. insurance sector are seeking to close what they call a tax loophole that they argue gives Bermuda an unfair advantage.

Bermuda companies in turn have argued that they pay plenty of U.S. taxes for business written onshore. The market also points out that Bermuda companies have played a critical role in rebuilding the U.S. economy following disaster. Where would reconstruction capital come from, if not Bermuda, they ask?

Whether for everyday risks or big catastrophes, the last thing most insurance and reinsurance buyers want is a weak Bermuda market.

We hope that readers will find the following analysis of the Bermuda market informative and thought-provoking. As ever, we welcome your ideas.

Bermuda Market Report

FROM CATASTROPHES TO CAPITAL: Bermuda's challenges escalate

Potential tax changes in the United States overlook 'valuable commodity'

By Adrian Ladbury

The Atlantic island of Bermuda has transformed itself into one of the most important insurance and reinsurance markets in the world in little more than 20 years.

Experts agree that this achievement has been built upon the market's ability to offer insurance and reinsurance buyers the capacity and security that they have required in a capital-efficient manner, particularly when other markets have failed to deliver.

As Kenneth LeStrange, chairman, president and chief executive officer of Pembroke, Bermuda-based Endurance Specialty Holdings Ltd., said: "Over time, capital will flow to where it is trusted best. Bermuda has been a very friendly place for capital and we decided seven years ago to have our headquarters here. Certainly the tax structure of the Bermuda headquarters is part of it; but from a regulatory point of view, we were able to receive approval to establish a $1.2 billion company in a week. Some say this represents lax standards, but it is a very sensible regulatory structure."

Bermuda's growth has been spurred by its ability to react to major market dislocations such as the U.S. liability crisis in the mid-1980s that led to the formation of ACE Ltd. and XL Capital Ltd., Hurricane Andrew in 1992, the Northridge, Calif., earthquake in 1994, the terror attacks in the United States in 2001, and Hurricanes Katrina, Rita and Wilma that struck in 2005.

Each time the catastrophes have hit, Bermuda welcomed a wave of fresh capital, keen to cash in on the rapidly hardening conditions.

Market experts agree, however, that it is highly unlikely that the Bermuda market will be able to replicate its "knight in shining armor" impression if a big catastrophe occurs this year or even next.

Most credit and equity analysts agree that the recently published year-end results were not too bad, given that last year saw the second-worst year on record for catastrophic losses (in Bermuda's back-yard of the United States) that combined with rapidly worsening investment income to produce sharply reduced profits (see story, page 16).

The good news for policyholders was that core capital among the main listed Bermuda companies was reduced, but not dangerously so. But, as all the market leaders that we interviewed for this report attested, there is little spare capital left in the tank and there is equally little prospect of rapid refueling as in the past if it is needed.

"There is little capital right now and the debt markets are non-existent—this is one reason why (Standard & Poor's Corp.) says we have to raise our prices. We may experience a normal insurance year; but if there are losses, it is unlikely that we would see the same level of first-party startups as we did in the past," said Rees Fletcher, president and CEO of Hamilton-based ACE Bermuda Insurance Ltd.

> "There is little capital right now and the debt markets are nonexistent—this is one reason why (Standard & Poor's Corp.) says we have to raise our prices. We may experience a normal insurance year; but if there are losses, it is unlikely that we would see the same level of first-party startups as we did in the past."
>
> REES FLETCHER
> ACE BERMUDA INSURANCE LTD.

"The cost of capital is up. The availability of capital may have disappeared altogether at the moment. There is no free-market replacement," said Michael Butt, chairman of Pembroke, Bermuda-based AXIS Capital Holdings Ltd.

Don Kramer, CEO of Hamilton, Bermuda-based Ariel Holdings Ltd., agreed with Mr. Butt that a significant fresh wave of capital would be unlikely this year.

"In 1993, it seemed like it was such an easy deal. We raised $500 million in capital and made a 20% return in the first year, and sold stock at 125% of book. Today, the market is more like 80% of book. Why would capital come in with these economics? These conditions will probably lead to a more sustained hard market," he said.

Mr. LeStrange added: "In past market cycles, when you have sensed things are changing, new capital has flooded in…Now there is almost a complete absence of hedge funds and private equity money. The capital you have is the capital you have."

Experts agree that Bermuda's success to date has been built upon its ability to attract high-quality people and capital to its low-cost environment. Some ask whether the rise of recent alternative centers, such as Zurich and Dubai and even the re-emergence of the London market, will make it more difficult for Bermuda.

The Bermuda market leaders say, however, that they do not fear competition from other centers, even in this environment.

John Charman, CEO of AXIS, said: "We have modern business platforms (and)

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Bermuda Market Report

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very good technology. We do not have a plethora of legacy systems delivering bad and out-of-date data that the management has no real confidence in. And I do believe we have a better selection of management and underwriters located in Bermuda than most other centers—and that includes London…I think the development of the regional centers will be slowed (as a result of) global recession, their aspirations will be dampened over the next three or four years."

Patrick Thiele, president and CEO of PartnerRe Ltd., said: "Last year we moved our non-U.S. reinsurance headquarters to Dublin because we want to be able to operate freely within the European Union under the EU Reinsurance Directive. But it is not a substitute for Bermuda. Our group headquarters remain in Bermuda and we have an operating entity here, as well as entities in Canada, the United States, Europe and Asia. For regulatory and tax purposes, this is the right structure for us."

David Brown, CEO of Hamilton, Bermuda-based Flagstone Reinsurance Holdings Ltd., said that the markets are more complementary than competitive. "This is a big market and you can place an entire catastrophe program in half a day and other lines, increasingly. Important business stays here. Capital is only one part of it. When Lloyd's business came to Bermuda, London did not lose it. Lloyd's is great for some things; Switzerland for others. It is in no one's interest for one market to be dominant."

Konrad Rentrup, president and CEO of Hamilton-based Hannover Reinsurance (Bermuda) Ltd., was less bullish. "Zurich or Switzerland in general is in competition with Bermuda as a marketplace. Various reinsurers have relocated to Zurich since 2005 by moving their headquarters there or by setting up subsidiaries. Zurich has been a reinsurance center for a long time and by being in this location, companies hope to have better market access, especially the European market. Switzerland provides a tax-efficient environment. Companies are exempt from federal excise tax and writing business on a worldwide basis, including the U.S., with no legal barriers. Some of the Bermuda companies that set up over there just want to ensure they have an alternative to Bermuda," he said.

The Bermuda government and market has recognized that its long-term health will be partly dependent upon the strength of its regulation. This is why Matthew Elderfield was hired in 2007 as CEO of the Bermuda Monetary Authority to upgrade its supervisory system and meet the highest international standards. The market is impressed with what has been achieved.

"Matthew Elderfield is doing a good job. We were part of the working committee to develop the legislation and it is sensible. They are looking to position the domicile with a seat at the table with the major market. The BMA has good people and it regulates well. The Bermuda government fully understands the importance of international business and I believe that the public and private sector will move forward together," said Graham Pewter, president and CEO of Hamilton, Bermuda-based Catlin Insurance Co. Ltd.

Despite the progress made on regulation in recent times and the market's proven track record with claims payment, there remains a big threat from its core market in the United States.

In the United States, Congress is currently considering a proposal that would close a supposed loophole by which insurers avoid domestic taxes by reinsuring business in Bermuda-based subsidiaries.

The market fears that the U.S. politicians do not really understand the issue and that they risk throwing the proverbial "baby out with the bath water."

Mr. Brown of Flagstone said: "Bermuda plays an important role for the U.S. industry. If there is an increasing cost of reinsurance as a result of any changes from the U.S. government, then that will increase the cost to the consumer. It may lead to a short-term inflow of cash but in the long-term, the cash comes from the policyholders."

Stephen Catlin, CEO of Catlin Group Ltd., said the tax argument has been overplayed: "How the industry reacts to the global recession is more important than talking about tax. It can be an edge, but you can make far too much out of it. It is not going to make or break a business."

James Few, chief underwriting officer and managing director of Aspen Re, part of Hamilton-based Aspen Insurance Holdings Ltd., said that the bill needs to be considered carefully: "The whole point is to keep capital in the United States. Whether it is passed or not is yet to be seen. One consideration will be that U.S. insurers rely on reinsurance from Bermuda and elsewhere. It is very valuable capital. International capacity works and claims are paid. Another consideration for the U.S. government will be the fact that international companies covering U.S. exposures pay a premium tax regardless of profitability and cannot offset losses against taxes due. Recent reports have suggested the net increase in expected taxation should the Neal bill (legislation sponsored by U.S. Rep. Richard Neal, D-Mass., last September that seeks to reform the way non-U.S.-based reinsurers are taxed) pass is not significant."

Mr. Kramer of Ariel Re said: "The U.S. is undergoing a massive fiscal problem; therefore, the U.S. authorities have identified revenue-generating opportunities. They are targeting supposed tax havens and the perception is that we are one of those. Unfortunately, some in Congress do not understand that we supply a very valuable commodity that otherwise would not be available to them; and if we were shot down, then the cost would go up dramatically."

But as Mr. Kramer and his peers are well aware, at times of crisis, such changes may be approved, at least partially.

On its own, experts agree that any U.S. legislation would not destroy the Bermuda market. But if it were to combine with another big catastrophe at a time of scarce capital, then the market would face its biggest challenge yet.

For buyers, the good news is that up until now, this market has proved itself intelligent and strong enough to overcome such challenges.

"Bermuda plays an important role for the U.S. industry. If there is an increasing cost of reinsurance as a result of any changes from the U.S. government, then that will increase the cost to the consumer. It may lead to a short-term inflow of cash but in the long-term, the cash comes from the policyholders."

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Bermuda Market Report

Capital likely to be costly and in short supply after a catastrophe

Replenishment of capital of major concern to investors

Judy Greenwald & Adrian Ladbury

A major catastrophe could leave Bermuda insurers and reinsurers in dire need of capital, which may be expensive if it is even available at all in the financial market turmoil, many observers say.

In fact, there are signs that some reinsurers already are preparing for just such a contingency, observers say (see story, page 10).

Observers also say any available capital is likely to go to well-established companies with strong track records, which means insurance and reinsurance buyers are less likely to see the formation of new companies after major catastrophes, which has happened in previous years.

But some observers believe a major catastrophe could harden the market and bring back capital that has been sitting on the sidelines.

Sea change

"Capital has always had a history of coming to Bermuda following a catastrophe," including Hurricane Andrew in 1992, the terrorist attacks of Sept. 11, 2001, and Hurricane Katrina in 2005, said Vincent McGeehan, executive vp and managing director at Willis (Bermuda) Ltd. in Hamilton, Bermuda.

But that may no longer hold true, some observers say.

"It is a major concern," said John Berger, chief executive officer of Hamilton, Bermuda-based Harbor Point Ltd. It was not that long ago that the conventional wisdom was that companies could replenish their capital whenever they needed to. "Now people are really scratching their heads" on this issue, Mr. Berger said.

"In today's environment, capital markets are substantially closed to all manner of financial institutions," including the insurance and reinsurance industry, said Kenneth LeStrange, chairman, president and CEO of Pembroke, Bermuda-based Endurance Specialty Holdings Ltd.

David Brown, chief executive officer of Hamilton, Bermuda-based Flagstone Reinsurance Holdings Ltd., said when his firm was formed in December 2005, "some $20 billion of capital flowed in, particularly for peak zones, from hedge funds, direct sidecars, (industry loss warranties) and the like. Now these investors are all hiding under their desks. Therefore, the capacity crunch could be more severe, as in the past, after Katrina and 9/11 perhaps."

Don Kramer, chairman and chief executive officer of Ariel Reinsurance Co. Ltd.

"I believe that the Bermuda markets could probably absorb a relatively large cat loss, but it is unlikely it could replenish its capacity with new capital in the short term, and that's the real issue," said John L. Ward, CEO of the Cincinnati-based Cincinnatus Partners L.L.C.

"With the capital markets completely frozen, the ability for companies to look at avenues such as catastrophe bonds and sidecars, and in general to reload capital with new capital raising, has been completely shut down, and only time will tell when the capital market and credit markets begin to loosen up a bit," Mr. Ward said.

"There is no longer a significant prospect that fresh capital will come in to take advantage of rising rates, as in 2005 and 2006," said Don Kramer, chairman and CEO of Hamilton, Bermuda-based Ariel Reinsurance Co. Ltd. "The cost of capital is very high and the capital markets are very depressed."

Kevin O'Donnell, president of Pembroke, Bermuda-based Renaissance Reinsurance Ltd., said with demand increasing and supply decreasing simultaneously, "clients will continue to want to reduce risks and investors will remain on the sidelines until we see better conditions in the capital markets."

Not everyone will necessarily need to go out and raise capital after a catastrophe, though, including those with contingent capital arrangements already in place, depending upon the size of the event, said Enrico Leo, an analyst with Moody's Investors Service in New York.

But those that do will find it costly, observers say. "I think it would be more expensive, obviously," but the "right business model would be able to attract" additional capital, said Willis' Mr. McGeehan.

Many observers say the formation of new reinsurers, which came after past catastrophes, is unlikely to recur, though.

"I think it is unrealistic to think you would be able to have the number of new startups that you had following the 2001

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>
> JOHN L. WARD, CINCINNATUS PARTNERS L.L.C.

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Capital likely to be costly, scarce

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and 2005 events," said W. Marston Becker, chairman and chief executive officer of Hamilton, Bermuda-based Max Capital Group Ltd.

"I think the bias would be more towards existing entities being able to perhaps raise additional capital to take advantage of near-term opportunities," Mr. Becker said.

Even among existing firms, it is only the more successful companies that are likely to attract capital, observers say.

Britt Newhouse, chairman of reinsurance intermediary Guy Carpenter & Co. L.L.C. in New York, said the days "where you can hire an investment banker, and they can go to 50 or 100 different hedge funds and equity funds" are gone.

But companies with "good, solid track records" will "be able to go to their original sponsors or their existing shareholders, who understand the business and raise some additional capital," said Mr. Newhouse, who noted that the insurance and reinsurance industry has weathered the financial storm well, relative to other financial industry sectors.

Hard target

Some observers believe the harder market that could come after a major catastrophe will attract more capital back into the business. Much will depend on the size of the catastrophe, said Howard Mills, chief adviser of the global insurance industry practice at Deloitte & Touche U.S.A. L.L.P. in New York.

"If it were strong enough to harden (market) prices, that's what would attract capital," he said. "There is still money out there," said Mr. Mills, who is a former New York insurance superintendent.

Bryon G. Ehrhart, chairman of Investment Banking Group and CEO of Aon Benfield Analytics at Aon Benfield in Chicago, said there are "now many investors on the sidelines that do not believe the returns—even with some additional hardening through the June 1 period—are sufficient (to devote capital to the insurance and reinsurance market)."

» STRATEGIES IN PLACE FOR 'RELOADING' CAPITAL

Judy Greenwald

Some Bermuda insurers and reinsurers already are preparing for a post-catastrophe shortage of capital by using strategies that include higher rates, conservative underwriting and more diversification, observers say.

Steven K. Bolland, president of New York-based reinsurance intermediary Gill & Roeser Inc., said a number of Bermuda company officials stated flatly during January renewals "that their inability to 'reload,' as they call it, means that, effectively, they have to push prices up" to receive a better return on capital under the circumstances.

"If reinsurers are not able to capitalize by issuing stock or some other mechanism that they're used to, they really have a limited set of options, one of which is to restrict their writings" across the board or by underwriting more attractive lines of business, said Eric Brosius, senior vp and manager of reinsurance for Liberty Mutual Insurance Co. in Boston.

"Companies are keenly aware of the situation and, I think, reacting by being very conservative on their risk-taking activities," said Robert DeRose, vp at Oldwick, N.J.-based rating agency A.M. Best Co. Inc. "They're not providing as much capacity to various business segments as they had previously" and are suspending share buyback programs as well.

"They're trying to keep their powder dry, because they realize they have to come through the event (in one piece) and must have capacity to redeploy to the market without necessarily relying on capital-raising," Mr. DeRose said.

Don Kramer, chairman and chief executive officer of Hamilton, Bermuda-based Ariel Reinsurance Co. Ltd., said the reinsurer tries "to obtain a fair risk-adjusted return for each risk we assume."

Kenneth LeStrange, chairman, president and CEO of Pembroke, Bermuda-based Endurance Specialty Holdings Ltd., said, the company's management and capital position are driven by the belief that it would be "very challenging to replenish capital today."

He said Endurance has structured its "balance sheet" so there is sufficient financial flexibility to "get us through any kind of event that I would anticipate," although it might mean, for instance, that its debt-to-equity ratio may go up for a period of time, but remain comfortably within rating agency tolerance levels.

As for Max Capital Group Ltd., Chairman and CEO W. Marston Becker said the Hamilton, Bermuda-based company has always been a more conservative underwriter of catastrophe exposure than many of the other players. "We have always had a more diversified approach and a lower tolerance level of surplus (capital) at risk, so we are continuing to operate within our existing policy of no more than a range of 15% to 20% of our surplus being at risk for the classic one-in-250-(year) event."

—Adrian Ladbury contributed to this article.

REASONS TO BE CHEERFUL: Bermuda's optimism for the future

» Though growth has slowed, future of island as insurance center secure

Colleen McCarthy

BERMUDA CONTINUES TO THRIVE AS AN important insurance and reinsurance center, and most observers say its future is secure despite competition from rival markets.

The island has succeeded as a jurisdiction over the past two decades, in part because of its attractive regulatory and tax environment that has encouraged the accumulation of investment capital in insurance operations, observers say. In addition, Bermuda has extensive underwriting talent and has carved out a niche in specialty reinsurance and captive insurance.

Bermuda is the world's third-largest supplier of reinsurance after the United States and Germany in terms of net premiums written, according to an analysis by J. David Cummins of the University of Pennsylvania, and the largest captive insurance company domicile. Insurer startups and redomestications frequently have chosen Bermuda over other domiciles.

Quick response

Observers say the island offers distinct advantages including a flexible regulatory framework that allows insurers and reinsurers to respond quickly to new and emerging risks. Bermuda's proximity to the United States is another key advantage.

In addition, analysts say Bermuda appears to be well-positioned to withstand a downturn as Bermuda insurers and reinsurers are "still well-capitalized" following two strong years of results.

"Bermuda remains a fundamental leg in a broader worldwide marketplace," said Paul Markey, chairman of insurance brokerage Aon (Bermuda) Ltd. But the island has been under pressure from various challenges, both internal and external, and many are watching the economic and political landscape closely for changes that could adversely affect Bermuda's position, said Steven Ader, an analyst with Standard & Poor's Corp. in New York.

"We are clearly aware of the outside influences," Aon's Mr. Markey said. "As in any circumstance, the landscape could change, but for now we think Bermuda is

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Products issued by Ironshore Indemnity Inc. and Ironshore Specialty Insurance Company. © 2009 Ironshore Inc. All rights reserved. One Exchange Plaza, 12th Floor, New York, NY 10006 in a good position," he said.

Last year, S&P said Bermuda-domiciled insurers were facing increasing competition from other regions of the world. The report noted that Bermuda will remain important, but "insurers are also beating paths to Dublin, Zurich and Luxembourg in a bid to be closer to their customers."

Among insurers moving some of their operations from Bermuda last year were Flagstone Reinsurance Holdings Ltd. and ACE Ltd., which moved to Switzerland and boosted fears that other companies may follow suit.

More recently, Fitch Ratings Ltd. in New York highlighted significant challenges for the Bermuda market, including ongoing efforts to reduce or eliminate its tax advantages and difficulty coping with its unique demographic and infrastructure issues (see story page 4).

John Charman, CEO,
AXIS Capital Holdings Ltd.

Defense is offense

But observers say Bermuda is keenly aware of its challenges and continually takes steps to maintain its position. For example, the Bermuda Monetary Authority has taken aggressive steps to strengthen the island's regulatory standards to attract more global insurers and reinsurers. A recent International Monetary Fund report said the island has made "impressive progress developing and implementing a risk-based approach" to regulation.

In addition, the government is working to address infrastructure issues, including work permits, term limits for noncitizens, housing and other concerns that have persisted on the 22-square-mile island, said Bradley Kading, president and executive director of the Hamilton, Bermuda-based Association of Bermuda Insurers and Reinsurers.

Despite the rise of regional-focused centers, such as Singapore and Dubai, as insurance and reinsurance markets, observers say the Bermuda market is unique among offshore domiciles in its ability to provide a complete package of products and services that accompany an established, mature jurisdiction—including a well-developed broker network, and legal, banking and audit. Others say alternative domiciles lack Bermuda's track record of success.

"Bermuda has been a longstanding leader in attracting capital. It has a very well-developed market and sophisticated regulatory system," said Kevin O'Donnell, president of Pembroke, Bermuda-based Renaissance Reinsurance Ltd., who said he is not worried about competition from other markets.

Evolutionary

In addition, the trend of companies redomesticating or setting up operations elsewhere, is "really just part of the ebb and flow that we see within global markets," said Julian James, chief executive officer of Lockton International, a unit of Lockton Cos. International Ltd. in London.

"We have seen Bermuda companies investing in centers like London and Singapore, and that is just a natural evolutionary stage of their own development," Mr. James said. "We view it as a positive, as it gives our clients more choice where they can go to access underwriting capacity."

Flagstone cited access to the European market as part of its motivation in moving to Switzerland last year as did Pembroke-based Partner Reinsurance Ltd. when it moved its non-U.S. reinsurance headquarters to Dublin, Ireland.

"But it's not a substitute for Bermuda and we have an operating entity here as well as entities in Canada, the United States, Europe and Asia," said Patrick Thiele, president and CEO of Partner Re. "For regulatory and tax purposes, this is the right structure for us."

S&P's Mr. Ader said the so-called European passport, which enables insurers to conduct business throughout the European Union as long as they are regulated in one E.U. member state, was "very appealing."

Bermuda continues to attract a diverse range of startups, although not at the same pace as in the past.

In 2008, 40 insurers set up on the island compared with a record 82 startups in 2006, according to the BMA. The BMA's 2007 annual report indicates there were 1,481 registered insurers on the island writing gross premiums totaling $115.80 billion in 2006.

Among those setting up shop in Bermuda last year was Torus Insurance Holdings (Bermuda) Ltd., a specialty insurers and reinsurer headed by Chief Executive Clive Tobin, who spent more than a decade at Bermuda-based XL Capital Ltd. Torus also has U.K- and U.S-based subsidiaries.

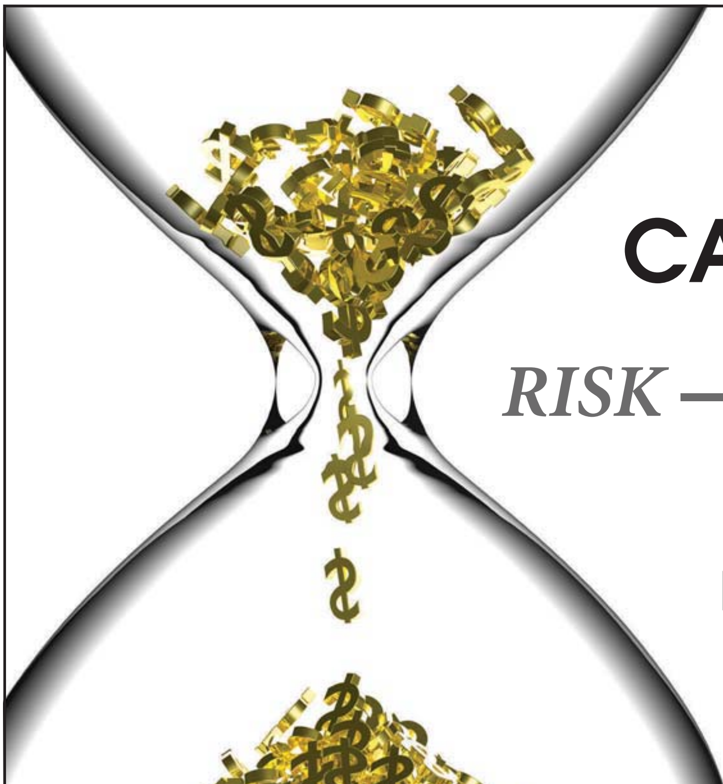
"For us, Bermuda is an extremely important market" for large commercial business, Mr. Tobin said. In addition, Bermuda's proximity to the United States "as the largest commercial marketplace," is another advantage, he said.

Fleet of foot

Others point to Bermuda's relatively rapid licensing procedure as another distinct advantage. "We were able to receive approval to establish a $1.20 billion company in a week," said Kenneth LeStrange, president and chief executive officer of Endurance Specialty Holdings Ltd., which launched in 2001.

While many observers agree Bermuda's future is not at risk, some predict the island's period of major growth has ended.

"The issue is the industry will not be growing at anywhere near the rate that it has over the last seven or eight years. By that I mean new business and new capital, and that is going to impact all financial sectors. So naturally there will be a slowdown," said John Charman, CEO of Bermuda-based AXIS Capital Holdings Ltd.



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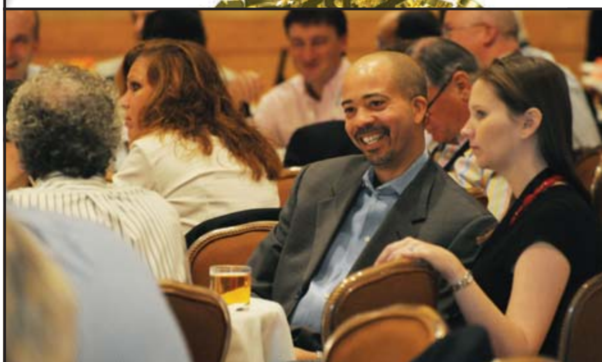

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Staying ahead of the regulatory curve

Adrian Ladbury

Most experts agree that Bermuda is a great place to carry out the business of insurance because it has no corporate tax, and it is much quicker and easier to create a licensed company than in the mature onshore markets like London.

But while these basic factors contribute to the island's success, they also act as its fundamental Achilles' heel, the island's leading executives agree.

This is because rival centers find it all too easy to claim that it offers unfair competition because of the fiscal advantages. They also allege it has substandard security for policyholders because of its supposed "light touch" regulatory approach.

This is the primary reason why the island's insurance community currently finds itself having to fight off another threat to its long-term position from the United States, based upon its alleged tax advantage.

It is also the main reason why two years ago, the island hired Matthew Elderfield as chief executive officer of the Bermuda Monetary Authority from the U.K. Financial Services Authority and asked him to upgrade its supervisory system to bring it up to the highest possible international standards (see Q&A, next page).

In particular, Bermuda's regulation will need to be on a level with Europe's planned new capital adequacy regime Solvency II that will need to be met for those companies that wish to write European business.

His job has been made that much easier by the cooperation of the industry itself.

All the industry leaders polled by *Business Insurance* indicate they are fully behind Mr. Elderfield and are happy to pay the extra price required to make it happen.

Regulation respect

"Five years ago, the perception was that the regulatory environment in Bermuda was not equivalent to the United States or Europe. It is a perception I do not hear anymore," said Patrick Thiele, chief executive officer of Pembroke, Bermuda-based reinsurer PartnerRe Ltd.

Mr. Elderfield and his team received a welcome boost last year when the Washington-based International Monetary Fund gave Bermuda its approval for the publication of its 2007 assessment of financial regulation and supervision on the island, "IMF Report—Assessment of Financial Sector Supervision and Regulation in Bermuda."

The report was conducted to determine how much progress Bermuda had achieved since the IMF's initial review of the island's regulatory framework in 2003.

The report noted that Bermuda has a "high level" of observance of the International Association of Insurance Supervisors Core Principles. It also said that the decision to restructure the island's supervisory system to create a risk-based framework enhanced the system beyond the recommendations it had made in 2003.

It did say, however, that the process would need to be completed, spread out to other markets and monitored constantly and that the BMA would need to hire more staff and build more experience and expertise.

Rees Fletcher, president and chief executive officer, ACE Bermuda Insurance Ltd., said that the IMF report was an important step forward, but stressed that further work is needed.

"The BMA has been working for some time on solidifying our position as a well-regulated jurisdiction, meeting and exceeding international standards. (The) recent third party analysis of the market by the International Monetary Fund (on) Bermuda's insurance regulatory environment received very positive remarks. But there is still work to be done (for Bermuda and internationally) to reach the levels expected under Solvency II," said Mr. Fletcher.

Moving forward

The next big steps were clearly outlined in the BMA's "2009 Business Plan" that was published at its first annual meeting in January.

The plan outlined four main areas of work for the BMA this year. These were: continued management of the effects of the global financial crisis; achievement of mutual recognition for its regulatory framework; implementation of new anti-money laundering standards; and continued improvement of operational efficiency.

For the insurance market, the key focus is on mutual recognition, and in particular with Europe and the United States.

Mutual recognition is a process through which a jurisdiction recognizes the regulatory frameworks of other jurisdictions as being broadly equivalent to their own.

Once a jurisdiction is assessed and achieves mutual recognition, it allows firms from that country to conduct business on nondiscriminatory terms and avoid duplicative regulation.

The discussion paper "Proposed Enhancements to Insurance Supervision and Enforcement Powers," published last month is a key part of this effort.

The basic aim of the paper is to identify whether there are any powers used by other regulators that may enhance the capacity of the BMA to effectively regulate the insurance sector.

The points up for discussion are:

- Publication of enforcement action—The BMA said that "adverse inferences" could be drawn from too much secrecy and pointed out that other regulators are happy to publicize their actions. Why not Bermuda? It said it sees this as a matter of priority for the insurance sector and would look to extend it to other sectors.
- Enforcement powers concerning individuals—The BMA believes that if an individual is unfit to hold a senior position at one insurer, then surely they would be unfit for similar positions with other insurers. "Any power should extend to a banning from the industry generally, rather than from a specific entity."
- Civil fines—The BMA does not currently have the power to impose civil fines under insurance legislation, and believes it could be a simple and effective tool. It is faster than criminal proceedings and can be more accurately tailored for the size of the entity and importance of the breach, the BMA pointed out.

The BMA sought comments and suggestions to its paper by March 31 and suggested that it will not sit on the responses long.

The BMA said that it is particularly eager to move quickly on the publication of regulations because the importance has "increased at a time when there is significant scrutiny of the effectiveness and validity of regulatory regimes throughout the world."

It promised, therefore, to initiate the legislative process in the "immediate future" to enable it to publicize regulatory action when necessary.

Q&A

BMA seeks to become top-tier regulator

Business Insurance International Editor Adrian Ladbury talked to Matthew Elderfield, chief executive officer of the Bermuda Monetary Authority, about his plan to create a new insurance supervisory system.

Q: Your latest annual business plan stressed the importance of mutual recognition and Bermuda's effort to become a top-tier regulator. How do you plan to achieve this?

A: The key medium-term goal is that Bermuda will be recognized under the mutual recognition framework in Europe and the United States. In Europe, Solvency II will require either a standardized model or economic capital models. We have learned lessons about the reliability of models and have set out how to recognize diversification effects, data and how to check the models. We (also) need more checks. Phase II of this project will commence midway through 2009.

Q: Has the recent global financial crisis underlined how important effective group and cross-border supervision is nowadays?

A: Group supervision is high on the agenda. We have seen some very large banking and insurance groups [find themselves in difficulty] and the challenges involved with managing these showed the importance of consolidated supervision. I think you will see a lot more emphasis on supervision on a group basis. Solvency needs to be consolidated to ensure that there are no unregulated units in a group. But group supervision will not mean a cast of thousands poring over all accounts worldwide. We require group level controls, governance and risk management and equally require consolidated solvency returns that show how well-capitalized the group is, shows whether it is double-geared, has intra-company reinsurance transactions, guarantees, letters of credit and so on. You need to look at the solvency position in the round and see if there are any contagion risks. If (there are) cross-border (risks), you need different tools.

Q: What about the practical problems? How do you coordinate all of this?

A: You have to work on a number of levels. You build relationships with the National Assn. of Insurance Commissioners in the United States, just as with the International Assn. of Insurance Commissioners. You also need supervisory cooperation with partner jurisdictions. We have significant working relationships with other supervisors.

The NAIC is carrying out solvency modernization to upgrade the rules in line with Solvency II and point of entry rules to reduce the collateral. This works so long as you have effective home country supervision. At some point in the future, we will have mutual recognition and have an international passport.

Q: What has the BMA done to update its insurance regulation since you took charge two years ago?

A: We already have a heightened interest in solvency regulation, levels of capital and how to handle tail events. Enhancements have been made to the regime. Work on the stress-based approach and economic capital models will open the door to allow the use of economic capital models. This will be phased in gradually.

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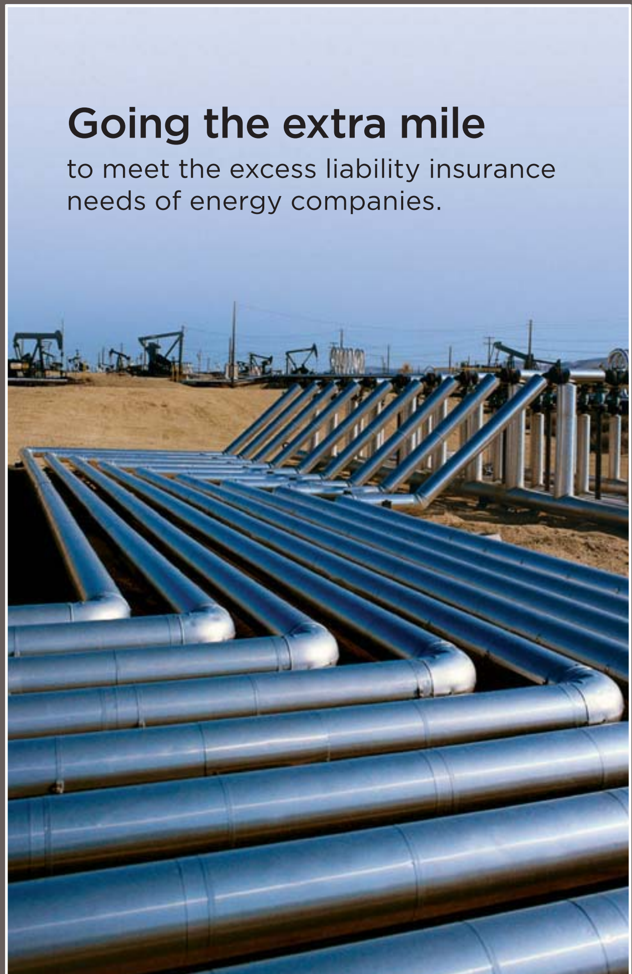

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Bermuda Market Report

Batten down the hatches

Buyers should expect more conservative reception in Bermuda this year

By Adrian Ladbury

Last year was a tricky one for the leading listed Bermuda insurance and reinsurance companies as they struggled to cope with continued soft underwriting markets, exceptionally high losses and a dreadful investment market. Prices are finally rising and the outlook looks healthier for 2009. But premium volumes are under threat as the recession bites and there is scant hope for fresh capital this year. In nautical terms, it looks like it is time to batten down the batches and hope for the best. In insurance terms, buyers can expect a more conservative and dour reception in Hamilton, Bermuda, this year. The good news for buyers is that despite the exceptionally tough year, the market's capital base looks reasonably firm for now, even if capacity may be restricted.

Kenneth LeStrange, chairman and chief executive officer of Endurance Specialty Holdings Ltd.

Year-end profits hammered as catastrophe and investment losses wipe out premium growth

For the group of 19 listed Bermuda insurance and reinsurance companies that had reported 2008 results when this report was closed, net premiums were slightly up by 2%, from a total of $49.95 billion in 2007 to $50.98 billion last year. But this could not protect the loss and combined ratios. The group reported an average loss ratio last year of 60.88% against 51.13% in 2007, a deterioration of some 9.75 percentage points. The average combined ratio for last year was 94.13% compared with 78.6% in 2007, an increase of 15.53 percentage points.

Largely as a result of this, the group of 19 companies reported a much-reduced combined operating profit of some $5.94 billion last year compared with $13.30 billion the year before—an average per company of $312.4 million in 2008 against $699.9 million in 2007.

This represents a fall of some 55% from year to year.

The group of companies reported a combined net loss of $702.6 million last year, set against a net profit of $10.84 billion in 2007.

Not surprisingly, the earnings per share for the group plummeted from an average in 2007 of $7.38 per share to a negative $2.51 for last year.

Almost all the Bermuda companies were keen to stress that policyholders could rest relatively easy at night, despite the tough year.

Share repurchase programs ceased, capital levels remained relatively strong and the ratings agencies did not announce widespread downgrades of Bermudian companies. This was reflected in the 16.8% fall in total shareholders' equity for the group to $64.55 billion last year, from $75.39 billion in 2007.

John Charman, chief executive officer and president of AXIS Capital Holdings Ltd., summed up the year when he announced the insurer's net profit of $351 million for 2008 vs. $1.06 billion in 2007.

"In 2008, we estimate that the insurance and reinsurance markets will digest more than $60 billion insured catastrophe, property and energy losses worldwide," he said in a conference call to investors. "This was also a period that presented the most competitive market conditions we have experienced since the formation of AXIS."

Many of the results were boosted by the release of prior-year reserves. RenaissanceRe Holdings Ltd., Arch Capital Group Ltd., Partner Re Ltd. and ACE Ltd., all reported favorable developments on prior year losses for 2008.

But these releases were nowhere near big enough to offset the parlous investment conditions and those Bermudian companies with more aggressive alternative investments suffered worst.

Sara Street, chief investment officer of XL Capital Ltd., told investors that the group's net investment income on the property/casualty general portfolio for the final quarter was $276 million, a drop of 16% against the equivalent 2007 quarter. The insurer's fourth quarter decline on investments—on a mark-to-market basis—was $852 million.

Neill Currie, CEO of RenaissanceRe, reported that 2008 was the first year of negative investment returns in the company's history and blamed the losses on its "moderate" allocations to high-yield private equity and hedge funds.

Kenneth LeStrange, chairman and CEO of Endurance Specialty Holdings Ltd., pointed out that the way in which companies account for investment losses can have a big effect on the way the numbers compare.

"It has been a confusing year to compare profits. If you look at net income, you see a significant impact at Endurance that is related to alternative investment results which (is accounted for in) our income statement, whereas two-thirds of our peers put it through the balance sheet as "Other Than Temporary Impairment" charges. So if you look at the balance sheet side, Endurance is comparatively well placed," he said. OTTI rules are U.S. accounting standards that force companies to report losses for investments that regulators deem to be impaired for the long term.

Mr. LeStrange also said last year was complicated by foreign exchange effects. He said Endurance lost $41 million in the income statement from foreign exchange effects, but gained $39 million in the balance sheet. A number of the Bermuda company leaders used the year-end conference calls with analysts to also point out that a significant portion of the investment losses are accounting driven losses that ultimately may recover.

Albert Benchimol, chief financial officer of PartnerRe, said: "We experienced more than $531 million in realized and unrealized losses for the full year and since we adopted (accounting standard) FAS 159 on Jan. 1 of 2008, these are fully reflected in our income statement.

"We did incur losses and impairments during the year, but a larger portion of the decline in market values of our portfolio relate to increases in spreads that reflect the overall fear and illiquidity in the markets, rather than meaningful declines in the quality of our assets.

"For example, at Dec. 31, 2008, we have approximately $400 million in unrealized losses on various fixed-income assets. But close to 95% of this amount relates to investment grade securities that we expect will perform according to their original terms."

John Vollaro, executive vp and CFO of Arch Capital Group Ltd. said: "In my view, the accounting rules involved are not consistent with the economic reality in the current environment, because the OTTI rules are based on an implicit, but flawed, assumption that the market price of a security is always a reasonable proxy for its actual value or, if you will, that the markets are always efficient."

Impact on security—capital down but balance sheets still look safe

The catastrophes of last year, combined with the dreadful investment markets, may have rudely forced the Bermuda companies to stop handing capital back to investors and watch their book values, shareholders' equity and share prices tumble.

But there have so far been no insolvencies and the rating agencies seem to be reasonably comfortable with the market's capital position, apart from a few isolated cases.

Michael McGavick, CEO of XL, stressed that capital is not the issue. "We have no need to raise capital and the rating agencies tell us they agree. We have taken several steps to make that strength more obvious," he said.

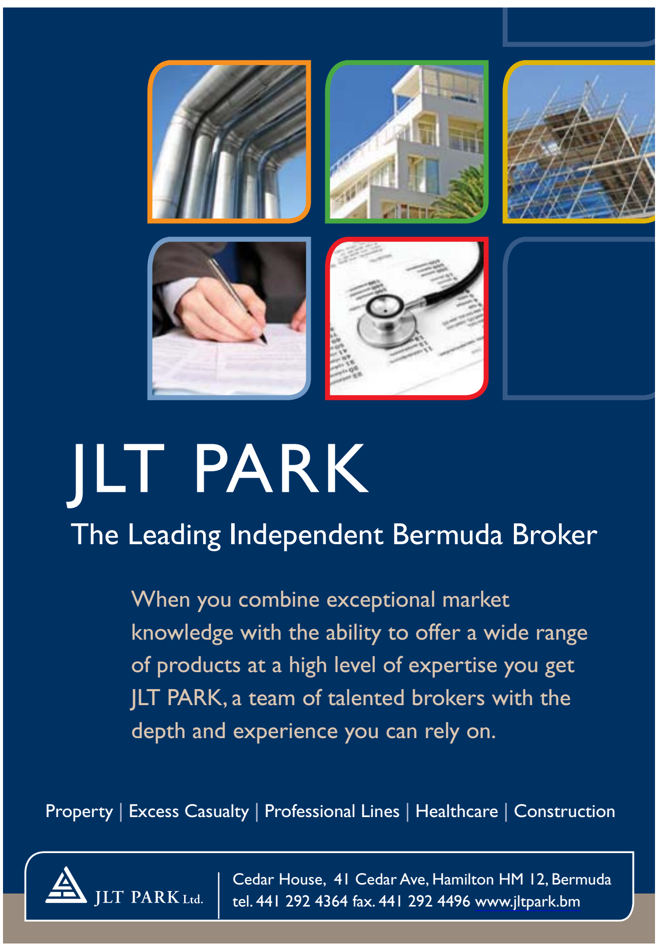
One of those steps was a noncash charge that XL took against its acquisition of Mid Ocean Re in 1998. Mr. McGavick said that, under Generally Accepted Accounting Principles, XL had to recognize current market valuations in how it carried the goodwill for the company. XL, therefore, took a goodwill impairment of $990 million during the final quarter, mainly for the Mid Ocean business.

Fred Donner, CFO of RenaissanceRe Holdings Ltd., also felt moved to explain why things may not look as stretched as they appear on the surface. "For the quarter, our book value per share remained relatively flat—down less than 1%—and for the full year our book value per share declined by 5.6%. But about 5 points of that decline comes from the share repurchases we made towards the end of the year…we discontinued our share repurchases late in the second quarter of 2008," he explained.

Joseph Taranto, chairman and CEO of Everest Re Group Ltd., pointed out that the reinsurer ended 2008 with a surplus of $5 billion—an amount that "amply supports" its business plans for 2009.

"When you consider the hurricanes we experienced, the global financial meltdown and its impact on assets, the devaluation of foreign currencies which reduced surplus by $193 million and factoring that we bought $151 million back in stock, and $119 million we have paid in dividends, the $5 billion in surplus represents a solid result," he said.

Patrick Thiele, CEO and president of PartnerRe, was equally bullish: "Year over year, our balance sheet was stable, which is a significant achievement in a year like 2008. Invested assets and cash are up 1.3% to $11.7 billion from $11.6 billion at Dec. 31, 2007. Nonlife reserves increased 4% to $7.5 billion and our common shareholders' equity was down only 3% to $3.7 billion … I can honestly say that our balance sheet is as strong as it has ever been," he added.



Pricing at year end–soft market ends as recessionary fears bite

Last year was a good year for buyers of primary and reinsurance coverage, as prices continued to soften in many primary lines and remained stubbornly flat in reinsurance for most lines.

The mood changed at year end, however, as buyers appeared to accept that their carriers would be unable to continue to offer cheap coverage in such a difficult trading environment.

The most obvious change reported was in the retrocessional market that one leading player described as "harder than ever." Almost all the Bermudian companies expect prices to harden as the year progresses.

Mr. LeStrange of Endurance summarized the market when he said: "In July 2008, our view on price monitoring information was that both insurance and reinsurance markets were softening. They stabilized at year end and we saw single-digit improvements across the portfolio at Jan. 1."

Mr. LeStrange said he agrees with recent comments from Brian Duperreault, president and CEO of New York-based brokerage Marsh & McLennan Cos. Inc., that the environment looks healthy for insurers because of an "invisible hard market."

"Because of the recession, everyone is under pressure. People will always look to minimize costs, but the risk is still there. The insurance and reinsurance industry tends to do pretty well sustaining demand for products in such an environment. Exposures are declining and this does have an effect on the premium to exposure equation. Mr. Duperreault has called it the invisible hard market in that exposures are reducing at a more significant pace than rates. Therefore, from a premium-to-exposure perspective, insurers and reinsurers should be doing better."

Mr. Charman of AXIS said that, as usual, the most capital-intensive lines, such as those with catastrophe exposures, in the insurance and reinsurance markets have responded first and most significantly. "As we anticipated, the generally weaker managed insurance markets are lagging the reinsurance market," he added.

Mr. Thiele of PartnerRe said that, based on this renewal and the rapidly deteriorating economy in the United States and Europe, the recession will negatively impact exposure growth in many treaties. He said PartnerRe expects a "subdued" year for the industry for nonlife written premiums. "However, pricing remains by and large adequate and we feel we can participate in any opportunities that may present themselves as primary companies seek to shed risk," he said.

Mr. Thiele agreed with Mr. Charman's analysis that the opportunities for carriers first emerged in those areas that had experienced losses in 2008 such as catastrophe, offshore energy and credit.

He said this hardening hopefully would spread to the more stable lines. "The greatest uncertainty as to underlying profitability remains the U.S. casualty business," he concluded.

Kevin O'Donnell, president of RenaissanceRe, told analysts during the group's year-end conference call that the most profound impact on the reinsurance market emanates from the overall financial crisis.

"Market forces are curbing supply and increasing demand … companies want to manage their risk down to reduce the probabilities that they need to access the capital markets. The buyers are buying more and sellers are selling less. Having supply and demand move in our favor at the same time is a unique situation for this market," he said.

> "Buyers today are not as likely to maintain large participations with a single reinsurer as they have in the past."
>
> CONSTANTINE IORDANOU, ARCH CAPITAL

Pricing outlook–rates up but volumes under pressure

Looking forward, most Bermuda executives were confident that terms would improve for them as the year progresses.

Mr. Charman at AXIS said he believes the insurance markets will begin to respond "positively" from midyear onwards. However, he said the outlook could be hurt by defensive action taken by those insurance companies with stressed balance sheets.

"The least responsive areas of the insurance markets tend to be less capital-intensive and are constantly challenged by the competitive behavior of distressed market participants. We have not, cannot and will not abandon our underwriting and operational standards, which, in some areas, mean that we will continue to shrink our underwriting activity and our exposures," he said.

Mr. Greenberg at ACE said overall rate to exposure is improving, rates are firming and would continue to firm as the year progresses. "How fast, what lines and where, I cannot predict with certainty, but as they do, we will gain share and that equals growth. On the other side of the coin, recession is impacting exposures and clients' insurance budgets and this, along with foreign exchange, will negatively impact premium growth rates…We remain optimistic about the year," said Mr. Greenberg.

Constantine Iordanou, president and CEO of Arch Capital Group Ltd., said conditions are improving, and in reinsurance in particular, Arch should benefit from a "flight to diversification" among buyers.

"We see buyers who are more willing to introduce new names to their treaties and who are a bit less loyal to their long-standing reinsurers irrespective of the share these reinsurers offered them in the past. Buyers today are not as likely to maintain large participations with a single reinsurer as they have in the past," he explained.

As with many of his peers, however, Mr. Iordanou was keen to downplay the impact of improved shares and rates on volumes in 2009.

"Rate improvements will not necessarily translate into more premium revenue as the exposure base is negatively affected by reduced payroll and sales. In addition, some customers are limiting their purchases due to affordability by retaining more risk themselves or buying less limits.

"For the U.S. property/casualty industry, where premium revenue statistics exists going back to the beginning of last century, premiums for the industry were down 0.6% in 2007 and are projected to be 0.8% for 2008. This is the first time since 1932 and 1933 that the industry has experienced negative premium growth for two consecutive years. The last time premium growth was negative on a single year was 1943," he said.

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Web site: www.acelimited.com

MAIN OPERATING OFFICE:
ACE Ltd.
Bärengasse 32
CH 8001 Zurich
Switzerland
Phone: 41-43-456-7600

BY THE NUMBERS
2008 NPW: $13.10 billion
2008 combined ratio: 89.6%
2008 net income: $1.20 billion
Staff: 16,000

SENIOR EXECUTIVES:
Chairman and Chief Executive Officer: Evan G. Greenberg
Chief Financial Officer: Philip V. Bancroft
Chief Risk Officer: Sean Ringsted

COMPANY PROFILE:
A consortium of 34 Fortune 500 companies established ACE in 1985 to provide excess liability and directors and officers insurance. The first ACE office opened in 1986 with six full-time employees.

In 1993, the company completed its initial public offering and was authorized to trade on the New York Stock Exchange. The next year, ACE diversified its product line by adding satellite insurance. In 1995, the company added financial lines, excess property and aviation product liability coverages. ACE's growth continued, and among its early acquisitions were Westchester Fire Insurance Co. and the property/casualty business of CIGNA Corp.

Mr. Greenberg was named president and CEO in 2004. Brian Duperreault retired as chairman in 2006, a position Mr. Greenberg filled the next year. In 2008, the insurer enhanced its personal lines business by acquiring the high-net worth personal lines business of Atlantic Cos. ACE also purchased Combined Insurance Co. of America for $2.56 billion, expanding its ability to provide supplemental accident and health, life and disability insurance.

Last year, ACE redomiciled to Zurich, Switzerland. It now operates offices in more than 50 countries and jurisdictions, and with correspondent, or partner, insurers in about 90 others.

The largest portion of ACE's business comes from North America. Overseas general insurance is the next-most significant part of its writings. Global reinsurance and life business make up the remainder of ACE's business.

ALLIED WORLD ASSURANCE CO. HOLDINGS LTD.

EXECUTIVE OFFICES:
27 Richmond Road
Pembroke HM 08
Bermuda
Phone: 441-278-5400
Web site: www.awac.com

BY THE NUMBERS
2008 NPW: $1.07 billion
2008 combined ratio: 84.2%
2008 net income: $183.6 million
Staff: 578

SENIOR EXECUTIVES:
Chief Executive Officer: Scott A. Carmilani
Senior Vp and Chief Financial Officer: Joan H. Dillard

COMPANY PROFILE:
Allied World launched in 2001 as one of several Bermuda startups formed to provide capacity after the terrorist attacks in the United States. The company began with four employees in a small Bermuda office.

The Bermuda operation offers insurance products to Fortune 1000 and larger clients. Allied World also writes reinsurance coverages for a range of insurers in Bermuda, North America and other parts of the world.

As the company has grown, it opened offices in six U.S. cities as well as Dublin, Ireland; London and Zug, Switzerland.

The Bermuda operation writes reinsurance for standard-market companies as well as excess and surplus lines insurers. It writes a variety of treaty programs and some casualty facultative business.

Allied World expanded last year with the acquisition of Darwin Professional Underwriters Inc., a unit of New York-based Allegheny Corp. Darwin, based in Farmington, Conn., is a specialty insurer focusing on health care coverages.

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BY THE NUMBERS
2008 NPW: $2.81 billion
2008 combined ratio: 95.0%
2008 net income: $291.0 million
Staff: 990

SENIOR EXECUTIVES:
President and Chief Executive Officer: Constantine Iordanou
Executive Vp and Chief Financial Officer: John D. Vollaro

COMPANY PROFILE:
Arch Capital launched in October 2001 as demand for insurance and reinsurance grew after the Sept. 11, 2001, terrorist attacks in the United States. From its formation through May 2006, the company has raised more than $1.8 billion to support its insurance and reinsurance underwriting.

Arch writes insurance and reinsurance with a focus on specialty lines from its operations in Bermuda, the United States, Europe and Canada.

The company's subsidiaries write reinsurance through Arch Reinsurance Ltd. in Bermuda and Arch Reinsurance Co. in Morristown, N.J.

Property facultative business is primarily handled by Arch Reinsurance Co., with some functions conducted through Arch Re Facultative Underwriters Inc. in Farmington, Conn.

Arch Reinsurance Ltd. operates a branch office in Zurich, Switzerland.

The group's U.S. insurance operations are based in New York. European operations are conducted through Arch Insurance Co. (Europe) Ltd. in London. Arch Insurance (Bermuda) is a division of Arch Reinsurance Ltd.

In 2008, Arch Capital entered a $400 million joint venture with Gulf Investment Corp. to form Gulf Reinsurance Ltd., a specialist reinsurer in Dubai, United Arab Emirates. The company writes property/casualty reinsurance for high-value oil and gas, industrial, utility and transportation risks in United Arab Emirates.

ARGO GROUP INTERNATIONAL HOLDINGS LTD.

EXECUTIVE OFFICES:
110 Pitts Bay Road
Pembroke HM08
Bermuda
Phone: 441-296-5858
Web site: www.argolimited.com

BY THE NUMBERS
2008 NPW: $1.15 billion
2008 combined ratio: 100.4%
2008 net income: $62.9 million
Staff: 1,181

SENIOR EXECUTIVES:
Chairman: Gary V. Woods
President and Chief Executive Officer: Mark E. Watson III
Chief Financial Officer: Jay Bullock

COMPANY PROFILE:
Argo Group's structure originates from a 2007 merger of Argonaut Group Inc. and PXRE Group Ltd. The group became the Bermuda holding company for Argo Group's existing insurance subsidiaries and Argonaut's operations in the United States. Included under the holding company was Peleus Reinsurance Ltd., Argo Group's Bermuda-based reinsurer.

Late in 2007, Argo Group restructured its Bermuda and U.S. operations. Under the new structure, all U.S. subsidiaries were merged into a single company called Argonaut Group Inc. In Bermuda, PXRE Reinsurance Ltd. was merged into Peleus Reinsurance Ltd., a company that continued Argo's reinsurance business plan.

Argo in 2008 acquired Heritage Underwriting Agency P.L.C., an underwriter of specialty business through a syndicate at Lloyd's of London. The acquisition gave Argo a larger distribution network.

Argo writes coverage in four areas: international specialty business, excess and surplus lines, commercial specialty coverages and reinsurance.

ASPEN INSURANCE HOLDINGS LTD.

EXECUTIVE OFFICES:
Maxwell Roberts Building
1 Church St.
Hamilton HM 11
Bermuda
Phone: 441-295-8201
Web site: www.aspen.bm

BY THE NUMBERS
2008 NPW: $1.84 billion
2008 combined ratio: 95.6%
2008 net income: $103.8 million
Staff: 550 total employees

SENIOR EXECUTIVES:
Chairman: Glyn Jones
Chief Executive Officer: Chris O'Kane
Chief Operating Officer, Chairman and CEO AIL (Bermuda): Julian Cusack
Chief Financial Officer: Richard Houghton

COMPANY PROFILE:
Aspen, established in 2002, writes property/casualty insurance and reinsurance through a network of wholly owned subsidiaries and offices in Bermuda, France, Ireland, the United States, the United Kingdom, Singapore and Switzerland.

Aspen Insurance Ltd. (Bermuda), which does business as Aspen Re, writes treaty and facultative reinsurance as well as structured risk solutions.

At Lloyd's of London, Aspen writes marine, energy and other risks through Syndicate 4711. Aspen also writes excess and surplus lines property/casualty business in the United States through two owned managing general agents.

ASSURED GUARANTY LTD.

EXECUTIVE OFFICES:
30 Woodbourne Ave.
Hamilton HM 08
Bermuda
Phone: 441-299-9375
Web site: www.assuredguaranty.com

BY THE NUMBERS
2008 NPW: $604.6 million
2008 combined ratio: 120.1%
2008 net income: $68.9 million
Staff: 158

SENIOR EXECUTIVES:
President and Chief Executive Officer: Dominic J. Frederico
Chief Financial Officer: Robert B. Mills
President of Assured Guaranty Corp.: Michael J. Schozer

COMPANY PROFILE:
Assured Guaranty Ltd. was established in 2003 as the holding company for its insurance subsidiaries. Its principle units are Assured Guaranty Corp., Assured Guaranty Re Ltd., Assured Guaranty (UK) Ltd. and Assured Guaranty Re Overseas Ltd.

Assured Guaranty Corp., a U.S.-domiciled financial guarantee insurer, began operations in 1988. The company, licensed in all states, the District of Columbia and Puerto Rico, is the group's principal direct financial guarantee company. It focuses on mortgage- and asset-backed securities, public finance, structured finance and structured credit markets.

Assured Guaranty (UK) is authorized to write financial guarantee business throughout the European Economic Area.

Assured Guaranty Re is a Bermuda company that provides financial guarantee reinsurance to AAA-rated bond insurers. Assured Guaranty Re Overseas also is based in Bermuda and writes financial guarantee and mortgage reinsurance.

AXIS CAPITAL HOLDINGS LTD.

EXECUTIVE OFFICES:
AXIS House
92 Pitts Bay Road
Pembroke HM 08
Bermuda
Phone: 441-405-2640
Web site: www.axiscapital.com

BY THE NUMBERS
2008 NPW: $2.67 billion
2008 combined ratio: 89.8%
2008 net income: $351.0 million
Staff: 700

SENIOR EXECUTIVES:
Chairman: Michael A. Butt
President and Chief Executive Officer: John R. Charman
Chief Financial Officer: David Greenfield

COMPANY PROFILE:
AXIS Capital started post-Sept. 11 startups, entering the marketplace when capacity was needed after the 2001 terrorist attacks in the United States. The company was capitalized with around $1.7 billion in November 2001 and went public in 2003.

It has grown to become an insurer and reinsurer with more than a dozen locations in Bermuda, the United States, Europe and Singapore.

AXIS Capital provides specialty insurance and treaty reinsurance through its subsidiaries and branch networks across the world. Its two major businesses are AXIS Insurance and AXIS Re.

AXIS Re reinsures catastrophe coverages, traditional and specialty property/casualty, motor, credit and other risks. AXIS Re has offices in Pembroke, Bermuda; New York; Zurich, Switzerland; and Singapore.

AXIS Insurance operates from Alpharetta, Ga., and writes property, marine, terrorism, aviation, political risk, credit risk, liability and professional lines insurance. The company underwrites coverage in all states except New Hampshire.

CATLIN GROUP LTD.

EXECUTIVE OFFICES:
Cumberland House
6th Floor
1 Victoria St.
Hamilton
Bermuda HM 11
Phone: 441-296-6016
Web site: www.catlin.com

BY THE NUMBERS
2008 NPW: $2.61 billion
2008 combined ratio: 95.0%
2008 net income: ($12.6 million)
Staff: 1,051

SENIOR EXECUTIVES:
Chief Executive Officer: Stephen Catlin
Chief Financial Officer: Christopher Stooke
Group Chief Operating Officer: Paul Jardine
Chief Underwriting Officer: Paul Brand

COMPANY PROFILE:
Catlin Group is an international specialty property/casualty insurer and reinsurer. The group's underwriting

operations provide coverage for more than 30 classes of business. The underwriting operations include Catlin's Syndicate 2003 at Lloyd's of London, Catlin Insurance Co. (UK) Ltd. and Catlin U.S., which encompasses all the group's operations in the United States. Catlin also operates a network of international offices in Europe, North America, South America, Asia and Australia.

Catlin's history can be traced to 1984 when Catlin Underwriting Agencies was established at Lloyd's. Catlin Group Ltd. was incorporated in Bermuda in 1999 as a holding company. The first international offices were opened in Singapore; Kuala Lumpur, Malaysia; Houston; and New Orleans.

In 2002, private equity firms invested $482 million in Catlin. An initial public offering in 2004 raised $182 million. A further $65 million in new capital was raised in 2006 from a stock placement.

Catlin acquired Wellington Underwriting P.L.C. in 2006, nearly doubling its size and substantially expanding its operations.

In 2007, a preferred share issue raised $600 million.

Catlin aims to write a diversified book of specialty business, with significant amounts of uncorrelated risk, by class of business and geographic region.

ENDURANCE SPECIALTY HOLDINGS LTD.

EXECUTIVE OFFICES:

Wellesley House
90 Pitts Bay Road
Pembroke HM 08
Bermuda
Phone: 441-278-0400
Web site: www.endurance.bm

BY THE NUMBERS

2008 NPW: $1.78 billion
2008 combined ratio: 93.5%
2008 net income: $83.1 million
Staff: 700

SENIOR EXECUTIVES:

Chairman, President and Chief Executive Officer: Kenneth J. LeStrange
Chief Actuary and Chief Risk Officer: Michael Angelina
Chief Underwriting Officer: David S. Cash

COMPANY PROFILE:

Endurance launched in Bermuda near the end of 2001 after raising about $1.2 billion from a diverse group of investors that included Aon Corp., Zurich Financial Services Group and others. The next year, Endurance acquired the property catastrophe business of LaSalle Reinsurance Ltd. from Trenwick Group Ltd. As it grew, Endurance added operating units in the United Kingdom and United States.

Endurance raised $202.3 million in an initial public offering of stock in 2003 and expanded further with the acquisition of most of the reinsurance business of HartRe, a unit of Hartford Financial Services Group Inc.

The Bermuda company continued its expansion in 2004 by acquiring the majority of XL Reinsurance America Inc.'s surety business. By this time, Endurance was writing specialty lines including marine, personal accident and agriculture risks.

Today, Endurance writes property/casualty insurance and reinsurance worldwide through principle underwriting operations in New York, Bermuda and London.

EVEREST RE GROUP LTD.

EXECUTIVE OFFICE:

Wessex House
45 Reid St.
2nd Floor
P.O. Box HM 845
Hamilton HM DX
Bermuda
Phone: 866-233-0686
Web site: www.everestre.com

BY THE NUMBERS

2008 NPW: $3.51 billion
2008 combined ratio: 95.6%
2008 net income: ($18.8 million)
Staff: 779

SENIOR EXECUTIVES:

Chairman and Chief Executive Officer: Joseph V. Taranto
Vice Chairman and Chief Underwriting Officer: Tom Gallagher
President and Chief Operating Officer: Ralph E. Jones III
Executive Vp and Chief Financial Officer: Craig E. Eisenacher

COMPANY PROFILE:

Everest Re Group Ltd. is a holding company that operates through several subsidiaries writing property/casualty reinsurance and insurance in the Bermuda, U.S. and international markets.

The company's origins date to 1973, when Prudential Insurance Co. of America established Prudential Reinsurance Co. as a subsidiary. In 1995, Prudential completed an initial public offering of Prudential Re's stock and changed its name to Everest Reinsurance. In a corporate restructuring in 2000, Everest Re Group Ltd. was formed as the publicly traded parent of the Everest Re group of companies. Everest Reinsurance (Bermuda) Ltd. was formed that year. The Bermuda operation established a U.K. branch in 2004 and purchased sister company Everest Reinsurance Co.'s U.K. operations.

Today, Everest Reinsurance Co. underwrites nearly all classes and categories of business in treaty, facultative and specialty lines, through brokers and directly with ceding companies.

Everest Reinsurance (Bermuda) writes property/casualty and life reinsurance in Bermuda and international markets.

Subsidiaries Everest National Insurance Co. and Everest Security Insurance Co. write property/casualty insurance in the United States.

Everest Indemnity Co. writes excess and surplus lines in the United States.

FLAGSTONE REINSURANCE HOLDINGS LTD.

EXECUTIVE OFFICES:

23 Church St.
Hamilton HM 11
Bermuda
Phone: 441-278-4300
Web site: www.flagstonere.bm

BY THE NUMBERS:

2008 NPW: $694.7 million
2008 combined ratio: 89.4%
2008 net income: ($187.3 million)
Staff: 431

SENIOR EXECUTIVES:

Chairman: Mark Byrne
Chief Executive Officer: David Brown
Group Chief Financial Officer: Patrick Boisvert

COMPANY PROFILE:

Flagstone was formed as a reinsurer in December 2005 in response to the market dislocation after catastrophic losses from that year's storm season. The company, which went public in 2007, now operates with offices in 10 countries.

Flagstone in 2008 merged its operating units in Bermuda and Switzerland into one Swiss company based in Marigny that operates with a Bermuda branch. The Swiss operation is Flagstone Réassurance Suisse S.A.

Through its subsidiaries, Flagstone offers specialty, property/casualty, catastrophe and short-tail casualty reinsurance and insurance. The bulk of Flagstone's premiums, around half, come from North America. The remainder are written in Europe, the Caribbean, Japan, Australasia and other parts of the world.

HISCOX LTD.

EXECUTIVE OFFICES:

Wessex House
4th Floor
45 Reid St.
Hamilton HM 12
Bermuda
Phone: 441-278-8300
Web site: www.hiscox.com

BY THE NUMBERS:

2008 NPW: $1.36 billion
2008 combined ratio: 76.1%
2008 net income: $103.6 million
Staff: 800

SENIOR EXECUTIVES:

Chairman: Robert Hiscox II
Chief Executive: Bronek Masojada
Group Finance Director: Stuart Bridges
Chief Underwriting Officer and Chief Executive Officer of Hiscox Bermuda: Robert Childs

COMPANY PROFILE:

Hiscox opened an office in Bermuda in 2005 as part of an insurance operation that traces its roots to the early 1900s as a marine underwriting agency at Lloyd's of London.

But it wasn't until 1987 that Hiscox Holdings Ltd. was formed with two main subsidiaries: Hiscox Syndicates Ltd. as a managing agency and Roberts & Hiscox Ltd. as a member agent. Two years later, Hiscox Underwriting Ltd. was formed to write business for syndicates managed by Hiscox.

Hiscox Holdings in 1994 spun off its nonmanaging agency interests, leaving Hiscox Syndicates and Hiscox Underwriting as its sole subsidiaries. The group opened offices in Munich, Germany, and Paris the following year.

Hiscox Dedicated Insurance Fund, created in 1993 to support syndicates managed by Hiscox Syndicates, in 1996 purchased the remaining 75% of Hiscox Holdings it did not already own and changed the holding company's name to Hiscox P.L.C.

The group's expansion continued with opening of the Bermuda office in 2005 to write a mix of worldwide reinsurance and group retail business. In 2006, the Bermuda holding company Hiscox Ltd. was formed. The group now has 27 offices in 13 countries.

There are three main underwriting parts that make up the group:

- Hiscox International includes offshore operations in Bermuda and Guernsey. It also includes Hiscox USA.
- Hiscox Global Markets underwrites generally large or complex accounts at Lloyd's.
- Hiscox U.K. and Hiscox Europe offer a range of specialist insurance coverages for professionals, high-net-worth individuals and others.

LANCASHIRE HOLDINGS LTD.

EXECUTIVE OFFICES:

Mintflower Place
8 Par-la-Ville Road
Hamilton HM 08
Bermuda
Phone: 441-278-8950
Web site: www.lancashiregroup.com

BY THE NUMBERS:

2008 NPW: $574.7 million
2008 combined ratio: 86.3%
2008 net income: $97.5 million
Staff: 80

SENIOR EXECUTIVES

Chief Executive Officer and Chairman of the Group Underwriting Committee: Richard Brindle
Deputy Chief Executive Officer: Simon Burton
Chief Financial Officer: Neil McConachie

COMPANY PROFILE:

Lancashire Holdings Ltd. was formed in 2005 as an insurance underwriter to write short-tail and specialty property insurance. Its four main business areas are aviation, energy, marine and property.

The company's subsidiaries operate in Bermuda, the United Kingdom and Dubai, United Arab Emirates.

Lancashire maintains underwriting offices in Bermuda and London.

MAX CAPITAL GROUP LTD.

EXECUTIVE OFFICES:

Max House
2 Front St.
Hamilton HM 11
Bermuda
Phone: 441-295-8800
Web site: www.maxcapgroup.com

BY THE NUMBERS:

2008 NPW: $840.2 million
2008 combined ratio: 91.9%
2008 net income: ($175.3 million)
Staff: 300

SENIOR EXECUTIVES:

Chairman and Chief Executive Officer: W. Marston Becker
Executive Vp and Chief Operating Officer: Peter A. Minton
Executive Vp and Chief Financial Officer: Joe Roberts
Executive Vp and Chief Risk Officer: Kevin Werle

COMPANY PROFILE:

Max Capital and IPC Holdings Ltd., a Bermuda-based competitor, will merge after IPC agreed to acquire its rival for about $912 million in stock. After the transaction closes, which is expected in the third quarter, IPC shareholders would own 58% of the combined company.

Mr. Becker will be president and CEO of the combined company.

Max Capital formed in 1999 to write alternative risk reinsurance products.

TOP 5 *Bermuda insurers ranked by net premiums, in billions of dollars*

	NET PREMIUMS (IN BILLIONS) 2008	2007	% CHANGE	NET INCOME (IN BILLIONS) 2008	2007	% CHANGE	COMBINED RATIO 2008	2007
ACE	$13.10	$12.00	$8.00	$1.20	$2.60	-54.00	89.6%	87.9%
XL Capital	6.39	7.13	-10.40	(2.55)	0.275	NM	95.7	88.7
Partner Re	3.99	3.76	6.20	0.046	0.717	-93.50	94.1	80.4
White Mountains	3.72	3.76	-1.06	(0.555)	0.407	NM	106.0	94.0
Everest Re	3.51	3.92	-10.60	(0.018)	0.839	NM	95.6	91.6

Note: All Figures in U.S. dollars; White Mountains' combined ratio is for White Mountains Re; results are for companies that have reported. NM not meaningful.

Bermuda's 20 Largest Insurers

based on net premiums written

Today, the company's units write specialty insurance and reinsurance risks through facilities in Bermuda; Dublin, Ireland; six U.S. cities; and at Lloyd's of London.

Max's reinsurance portfolio comprises nine core classes: property, marine and energy, aviation and space, terrorism, agriculture, professional liability, medical malpractice, workers compensation and general casualty.

Max offers excess-of-loss and quota-share reinsurance. Property business includes catastrophe, marine, energy and aviation. Casualty coverages includes excess liability, medical malpractice, professional liability and workers compensation risks. Max also writes excess liability, professional lines, aviation and property insurance products. Its excess and surplus lines business was established two years ago.

In 2007, Max Specialty Insurance Co. was established in Richmond, Va., to write excess and surplus lines coverages and operates on a nonadmitted basis in 47 states.

Max Managers USA Ltd. formed in late 2007 as a managing general underwriter focusing on casualty coverages for health care clients.

Max Capital in November 2008 acquired Lloyd's agent Imagine Group (UK) Ltd. and renamed it Max at Lloyd's Ltd. Through three syndicates, the agency underwrites property catastrophe insurance, financial institution lines, personal accident coverages, employers and public liability lines and professional indemnity business.

PARTNER RE LTD.

EXECUTIVE AND MAIN OPERATING OFFICES:

Wellesley House
90 Pitts Bay Road
Pembroke HM 08
Bermuda
Phone: 441-292-0888
Web site: www.partnerre.com

BY THE NUMBERS:

2008 NPW: $3.99 billion
2008 combined ratio: 94.1%
2008 net income: $46.6 million
Staff: 935

SENIOR EXECUTIVES:

President and Chief Executive Officer: Patrick Thiele
Executive Vp and Chief Financial Officer: Albert Benchimol

COMPANY PROFILE:

PartnerRe Ltd. was formed as a specialized catastrophe reinsurer in 1993 by Herbert Haag, the company's first president and chief executive officer. The company started operations with capital of about $1 billion.

In 1997, PartnerRe expanded with the acquisition of Paris-based reinsurer Société Anonyme Française de Réassurance. The next year, PartnerRe increase its size by acquiring Winterthur Re, the reinsurance operations of Winterthur Insurance Group. PartnerRe U.S. was established in 1998 as was a department dedicated to alternative risk transfer. Patrick Thiele was appointed president and chief executive officer in 2000 after Mr. Haag retired. In 2001, PartnerRe U.S. began writing specialty casualty business.

A geographic breakdown of PartnerRe's business, based on gross premiums, shows 46% is written in Europe; 41% in North America; 8% in Latin America, the Caribbean and Africa; and 5% in Asia, Australia and New Zealand. Based on net premiums written, 16% of PartnerRe's business is property coverage, 15% is casualty, 14% life business, 10% catastrophe coverages and the remainder is in various lines. Partner Reinsurance Europe Ltd. employs the largest percentage of PartnerRe's staff. There are more than 300 staffers at the Zurich, Switzerland, operation and about 250 at its Paris location.

In Greenwich, Conn., PartnerRe U.S. has a staff of about 260. About 65 staff members work at PartnerRe's Bermuda operation.

PLATINUM UNDERWRITERS HOLDINGS LTD.

EXECUTIVE OFFICES:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda
Phone: 441-295-3700
Web site: www.platinumre.com

BY THE NUMBERS:

2008 NPW: $1.04 billion
2008 combined ratio: 92.0%
2008 net income: $226.2 million
Staff: 154

SENIOR EXECUTIVES:

President and Chief Executive Officer: Michael D. Price
Executive Vp and Chief Financial Officer: James A. Krantz
Executive Vp and Chief Risk Officer, Platinum Administrative Services: Kenneth A. Kurtzman

COMPANY PROFILE:

Platinum Underwriters was formed in 2002 as a reinsurer spinoff of Minneapolis-based St. Paul Cos. Inc. St. Paul transferred its ongoing reinsurance business into the Bermuda company.

At its formation, Platinum raised $639 million of capital in a public offering. It also raised $120 million in an offering of equity security units and $207 million through the private placement of common shares with St. Paul and RenaissanceRe Holdings Ltd.

Today, Platinum operates through two reinsurance subsidiaries: Platinum Bermuda and Platinum U.S. In 2007, the company ceased its reinsurance business in Platinum U.K. The U.S. operation had been inactive before Jan. 1, 2002, and the Bermuda and U.K. underwriters were formed that year. Consequently, none of Platinum's reinsurance units has any underwriting operations or loss reserves subject to development before 2002.

Platinum's worldwide reinsurance business is organized into three operating segments: property and marine, casualty and finite risk. In each of those segments, Platinum offers reinsurance to commercial and personal lines insurers.

RENAISSANCE RE HOLDINGS LTD.

EXECUTIVE OFFICES:

Renaissance House
8-20 East Broadway
Pembroke HM 19
Bermuda
Phone: 441-295-4513
Web site: www.renre.com

BY THE NUMBERS:

2008 NPW: $1.35 billion
2008 combined ratio: 79.0%
2008 net income: $29.0 million
Staff: 374

SENIOR EXECUTIVES:

President and Chief Executive Officer: Neill A. Currie
Executive Vp and Chief Financial Officer: Fred R. Donner
Senior Vp, Chief Risk Officer and Chief Investment Officer: Todd R. Fonner

COMPANY PROFILE:

RenaissanceRe Holdings Ltd. and its Renaissance Reinsurance Ltd. unit were formed in 1993 to write property catastrophe reinsurance. Throughout the years, Renaissance Reinsurance has expanded to write a range of specialty coverages. Renaissance Holdings went public in 1995.

Among RenaissanceRe's reinsurance ventures are DaVinci Reinsurance Ltd. and Top Layer Reinsurance Ltd., both based in Bermuda. DaVinci Re writes property catastrophe reinsurance for natural and man-made risks. It also provides specialty reinsurance for certain other risks.

Top Layer is a 10-year-old underwriter of reinsurance and retrocessional reinsurance for very high layers of catastrophe programs. These layers generally are higher than those written by Renaissance Reinsurance.

Top Layer is 50% owned by Renaissance Reinsurance and 50% by Bloomington, Ill.-based State Farm Mutual Automobile Insurance Co.

Renaissance Reinsurance of Europe, formed in 1998, in based in Dublin, Ireland. The reinsurer also serves as a modeling software development and marketing base for the group.

The group also owns RenaissanceRe Ventures Ltd., which structures joint ventures and other strategic relationships that include customized reinsurance transactions and strategic equity and/or debt investments.

Renaissance Underwriting Managers Ltd. is a Bermuda-based unit that acts as an underwriting manager for the group's joint ventures. It also develops structured reinsurance solutions.

RenaissanceRe also provides property/casualty insurance and quota-share reinsurance through its Glencoe Group. Four insurers that are part of the Glencoe Group write surplus lines insurance and admitted business in the United States.

VALIDUS HOLDINGS LTD.

EXECUTIVE OFFICES:

19 Par-La-Ville Road
Hamilton HM 11
Bermuda
Phone: 441-278-9000
Web site: www.validusre.com

BY THE NUMBERS:

2008 NPW: $1.24 billion
2008 combined ratio: 92.2%
2008 net income: $53.1 million
Staff: 228

SENIOR EXECUTIVES:

Chairman and Chief Executive Officer: Ed Noonan
Deputy Chairman and President: George Reeth
Chief Financial Officer: Jeff Consolino
Chief Risk Officer: Stuart Mercer
Chief Underwriting Officer: Conan Ward

COMPANY PROFILE:

Validus was formed in 2005 with $1 billion in capital after a spate of natural catastrophes that left insurers and reinsurers with significant claims. Its subsidiary, Validus Reinsurance Ltd., writes short-tail lines of reinsurance including property catastrophe, property prorata, marine and energy, and other specialty lines.

In 2007, Validus Holdings acquired Talbot Holdings Ltd., which operates Syndicate 1183 at Lloyd's of London and is an insurer of a range of mostly short-tail lines of business.

WHITE MOUNTAINS INSURANCE GROUP LTD.

CORPORATE HEADQUARTERS:

Bank of Butterfield Building
42 Reid St.
Hamilton HM 12
Bermuda
Phone: 441-278-3160
Web site: www.wtmre.com

PRINCIPAL EXECUTIVE OFFICE:

White Mountains Insurance Group Ltd.
80 S. Main St.
Hanover, N.H. 03755
Phone: 603-640-2200

BY THE NUMBERS:

2008 NPW: $3.72 billion
2008 combined ratio: 106.0%
2008 net income: ($555.3 million)
Staff: 5,155

SENIOR EXECUTIVES:

Chairman and Chief Executive Officer: Ray Barrette
Executive Vp and Chief Financial Officer: David Foy

COMPANY PROFILE:

White Mountains Insurance Group was born in 1999 when Fund American Enterprises Holdings changed its name and redomesticated to Bermuda.

The insurance group writes property/casualty insurance through several subsidiaries. Its wholly owned insurance subsidiaries are global reinsurer White Mountains Re Group Ltd. in Hamilton, Bermuda; Esurance Holdings Inc., an Internet-based automobile insurer; White Mountains Reinsurance Co. of America in New York; White Mountains Re Solutions Ltd. in Simsbury, Conn.; and Sirius International Insurance Corp. in Stockholm, Sweden.

White Mountains Re America writes mainly P/C and accident and health insurance in the United States, Canada, Latin America and the Caribbean. It formed in 1980 and was acquired by White Mountains Insurance Group in 1986.

White Mountain Re Solutions specializes in insurance and reinsurance runoff business.

Sirius International, acquired in 2004, writes P/C, aviation and space, accident and health reinsurance in Europe and Asia.

XL CAPITAL LTD.

EXECUTIVE AND MAIN OPERATING OFFICES:

XL House
One Bermudiana Road
Hamilton HM 11
Bermuda
Phone: 441-292-8515
Web site: www.xlre.com

BY THE NUMBERS:

2008 NPW: $6.39 billion
2008 combined ratio: 95.7%
2008 net income: ($2.55 billion)
Staff: 4,000

SENIOR EXECUTIVES:

Chairman: Brian M. O'Hara
Chief Executive Officer: Michael S. McGavick
Executive Vp and Chief Financial Officer: Brian Nocco
Executive Vp and Chief Enterprise Risk Officer: Jacob D. Rosengarten

COMPANY PROFILE:

XL Capital, founded in 1986 as EXEL Ltd. by dozens of companies responding to a shortage of liability capacity in the United States, today has more than 90 operating subsidiaries in 27 countries and provides insurance and reinsurance to industrial, commercial and professional services companies, insurers and others. XL writes business in more than 100 countries through its subsidiaries and fronting partners.

XL focuses on large-risk Fortune 5000 companies in all of its product groups, mainly property/casualty, professional and specialty lines.

XL Insurance is the global brand used by XL Capital's P/C insurance companies and specialty underwriting divisions. XL Insurance companies provide property coverage, primary and excess casualty coverages and risk management services for large organizations.

Specialty business includes aerospace, environmental, equine, marine and offshore energy. XL Insurance companies also partner with insurance program administrators to offer specialized programs to certain market segments.

Professional liability lines written by XL Insurance companies include directors and officers, errors and omissions and employment practices liability, among others.

David Duclos is executive vp and chief executive of insurance operations for XL Insurance.

XL Re is the brand name for XL Capital's global reinsurance companies. Those companies write all lines of P/C and life reinsurance.

James H. Veghte is executive vp and chief executive of reinsurance operations and chief executive officer of XL Reinsurance America Inc.

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TALENT EXPANDS POSSIBILITIES

Max

www.maxcapgroup.com

At Max, we've recruited some extraordinary talent to drive our business. From offices in Bermuda, Ireland, the United States and at Lloyd's, we underwrite a wide range of Property and Casualty Reinsurance and Insurance transactions, as well as Life and Annuity Reinsurance. Expanding the possibilities with financial strength, focused expertise and new approaches to established convention.

A.M. Best A- (Excellent) Fitch A (Strong) Moody's A3

SPECIALTY INSURANCE & REINSURANCE

MAX CAPITAL GROUP LTD.

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