Bermuda Insurance Market Report 2014

with Analysis by Standard & Poor's

Barbarians at the gates: Are Bermudian (Re)insurers victims of their own success?

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Bermudian (re)insurers reaped strong earnings in 2013 despite increasing competition, persistently low investment yields, and a tepid economic recovery in the U.S. and Europe. The 20 participants in Deloitte's Bermuda Insurance Market Report, with analysis by Standard & Poor's, generated strong underwriting and operating performance in 2013, thanks in part to mild catastrophe losses and favorable prior year reserve development. In aggregate, the 20 (re)insurers had a combined ratio of 85.6%, an improvement from 91.5% in 2012, and a return on average equity (ROAE) of 12.9%, up from 11.4% in 2012. These strong results have supported the Bermudian (re)insurers' overall risk-adjusted capitalization, which we view as a rating strength.

Bermuda continues to be an underwriting hub for property and property catastrophe reinsurance. The Bermudians underwrite about one-third of the global property catastrophe business. Over the past two decades, Bermuda (AA-/Negative/A-1+) has gradually become the domicile of choice for (re)insurers setting up new businesses. Among other things, Bermuda offers relatively quick regulatory approval to launch operations (a few weeks), favorable tax laws (zero corporate income tax), and proximity to the U.S., the largest reinsurance market in the world (650 miles off the coast of North Carolina). Bermuda's share of the global reinsurance market doubled to about 8% in 2013 from 4% a decade ago. This demonstrates the attractiveness and the competitive advantage of Bermuda as a reinsurance center.

The eight Bermudian companies with the largest market share by net premiums earned (NPE) are unchanged from last year and their positions within the list haven't shifted: ACE Limited remains in the pole position, while XL Group plc, PartnerRe Ltd., Everest Re Group Ltd., and Catlin Group Ltd. (in that order) round out the top five.

The 2013 Bermuda Top 10

BY SHAREHOLDERS' EQUITY		$ MILLIONS	BY NET PREMIUMS EARNED		$ MILLIONS
1	ACE Limited	28,825	1	ACE Limited	16,613
2	XL Group plc	11,350	2	XL Group plc	6,014
3	Everest Re Group, Ltd.	6,969	3	PartnerRe Ltd.	5,198
4	PartnerRe Ltd.	6,767	4	Everest Re Group, Ltd.	4,754
5	AXIS Capital Holdings Limited	5,869	5	Catlin Group Limited	3,948
6	Arch Capital Group Ltd.	5,648	6	AXIS Capital Holdings Limited	3,707
7	Validus Holdings, Ltd.	4,289	7	Arch Capital Group Ltd.	3,146
8	OIL Insurance Limited	4,185	8	Aspen Insurance Holdings Limited	2,172
9	RenaissanceRe Holdings Ltd.	3,905	9	Validus Holdings, Ltd.	2,102
10	Catlin Group Limited	3,783	10	Endurance Specialty Holdings Ltd.	2,017
BY TOTAL ASSETS			**BY NET INCOME**		
1	ACE Limited	94,510	1	ACE Limited	3,758
2	XL Group plc	45,653	2	Everest Re Group, Ltd.	1,259
3	PartnerRe Ltd.	23,039	3	XL Group plc	1,137
4	Everest Re Group, Ltd.	19,808	4	AXIS Capital Holdings Limited	728
5	AXIS Capital Holdings Limited	19,635	5	Arch Capital Group Ltd.	710
6	Arch Capital Group Ltd.	19,567	6	RenaissanceRe Holdings Ltd.	666
7	Catlin Group Limited	14,594	7	PartnerRe Ltd.	664
8	Allied World Assurance Company Holdings, AG	11,946	8	OIL Insurance Limited	632
9	Aspen Insurance Holdings Limited	10,231	9	Validus Holdings, Ltd.	533
10	Validus Holdings, Ltd.	9,847	10	Allied World Assurance Company Holdings, AG	418

One of the hottest topics on market participants' minds was the recent rise in third-party capital (also referred to as convergence capacity, alternative capital, and collateralized reinsurance) and its effect on property catastrophe rates. Although this mechanism has been part of the reinsurance landscape for decades, the influx of third-party capital has increased significantly over the past couple of years. As much as $100 billion of alternative capital could flow into the reinsurance market during the next five years, according to reinsurance intermediary Aon Benfield.

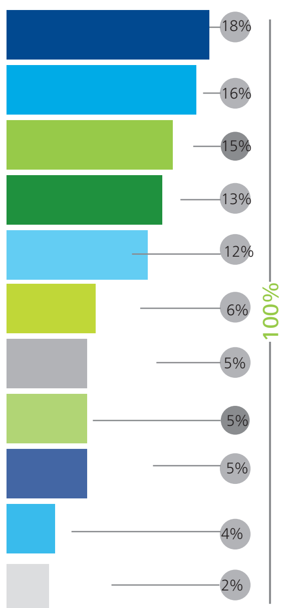
Competition from the glut of third-party capital is only adding fuel to the fire. Traditional (re)insurers are already competing in an attempt to deploy their excess capital. In addition, large cedants (insurance companies) are rationalizing their reinsurance spending as their reinsurance purchasing decisions are increasingly made at the group level rather than at individual operating units. This portfolio optimization approach is streamlining reinsurance programs and reducing the number of reinsurers used for protection. As a result, we believe that competition among the Bermudian (re)insurers would be fierce even without the surge in third-party capital. The effects of alternative capital are most acute in the U.S. property catastrophe markets and, to a lesser extent, in the international property catastrophe markets. Market intermediaries credit third-party capital with taking over roughly 15% of the global property catastrophe reinsurance limit, or roughly $45 billion–$50 billion in total. However, competition is also intense in most other lines of business, as rates decrease on excess-of-loss covers or ceding commissions rise on pro rata treaties.

- **Bermudian (re)insurers generated strong earnings in 2013, in part because of low catastrophe losses and favorable prior year reserve development, and they maintained strong capitalization.**
- **The influx of third-party capital into the Bermudian reinsurance market is disrupting existing business models, as competition among traditional (re)insurers also heats up.**
- **This increasingly competitive landscape will likely hurt Bermudian (re)insurers' profitability in 2014 and 2015 and could threaten some players' market positions.**
- **We could lower our ratings on those (re)insurers that aggressively seek to maintain market share by competing on price or relaxing their underwriting discipline, while their profits slip.**

Growing competition and its potential to dent (re)insurers' profitability caused us to revise our view on the global reinsurance sector trends to "negative" from "stable" earlier this year. The tipping point came in early January, when we observed increasingly competitive underwriting behavior among (re)insurers that we believe will weaken their profitability in 2014 and 2015. We think that companies without a defendable competitive position, or those that are more aggressive in maintaining market share by competing on price or relaxing their underwriting discipline, are most at risk. We could revise our assessment of those (re)insurers' business risk profiles to reflect the relatively higher risk. In addition, we believe Bermudian (re)insurers with diminished capital buffers, or those whose earnings capacity is persistently constrained, could face rating pressure.

Not surprisingly, companies in our report ranked renewal rates, investment returns, cost control, regulation, and increasing market share vs. profitability as their top five key business issues, in that order.

TOP BUSINESS ISSUES IN BERMUDA



Renewal Rates	15
Investment Returns	14
Cost Control	13
Regulation	11
Growing Market Share vs. Profit-ability	10
Bermuda Market Presence	5
IT	4
Alternative Capital Impact on Industry (Positive)	4
Alternative Capital Impact on Industry (Negative)	4
Other	3
Resources	2
	85

Pricing Is Going South

Pricing for the reinsurance market as whole has been on a downward trend for at least a year. The January renewals rate declines, of 15% or more in the U.S. property catastrophe market and 5%-15% in other territories, are the most salient evidence of pricing pressure, although the rate reductions extend throughout the reinsurance market. Excess-of-loss covers are more transactional in nature and are receiving rate decreases in most lines of business. Proportional coverage contracts, on the other hand, are benefiting from rate increases in the primary markets and the inuring benefits of cheaper excess-of-loss covers. However, increases in commissions that cedants receive from (re)insurers are offsetting most of these rate increases. Moreover, the pace of rate increases in primary markets has recently slowed, or even stopped in certain lines, such as commercial property.

For those few reinsurance lines that are not experiencing lower rates, loss history plays a major component. For example, poor underwriting results in the U.K. motor insurance market have helped somewhat sustain reinsurance rates. We do not foresee an end to the downward trend on prices over the next two years. Last year turned out to be profitable for the industry, in part due to the relatively low catastrophe losses. The strong profits only add to the amount of excess capital in the industry, and returning capital to shareholders as quickly as earnings are adding to capital has been challenging. The lack of major catastrophe losses will also draw further inflows of third-party capital to the sector.

Reports on April renewals, which are mostly on Asian cedants, speak to double-digit rate decreases. The sharp increases on various Japanese programs following the 2011 Tohoku earthquake provide some rationale for the more recent declines. However, the magnitude of rate decreases surprised some market observers, who expected the more relationship-oriented Asian markets to be more stable. For the bulk of U.S. wind coverage that is placed midyear, the jury is still out. We expect meaningful rate declines, though it is still too early to say by how much. Given the current dynamic, we think only drastic changes in capital markets, adverse reserve development, or a very large catastrophe loss would be sufficient to reverse the current negative pricing trend.

Geographic Diversification Hasn't Changed Much

In 2013, Bermudian gross premiums written rose 8%, to $76.04 billion, from the previous year. Property and property catastrophe reinsurance together represented about one third of the premiums, which is essentially unchanged compared with the previous year. The contributions of other lines to Bermudian (re)insurers' total business include casualty (13%), professional liability (8%), accident and health (6%), marine and aviation (5%), excess liability (4%), life (3%), general liability (3%), workers compensation (1%), terrorism (less than 1%), and other lines of business (23%). Excess liability, general liability, and professional liability have been gradually contributing more to Bermudian (re)insurers' top line growth and strengthening their value proposition.

The Bermudian (re)insurers continue to generate the bulk of their premiums from the North American market. We don't expect this to change in the next few years, as Bermudians are finding it difficult to place meaningful capacity in emerging markets, particularly in Asia. In 2013, about half of their gross premiums written were from North America, while 19% came from Continental Europe, 7% from Bermuda, 6% from the U.K., 8% from Asia-Pacific, and about 11% from the rest of world. The 2013 geographic distribution did not change significantly from 2012.

Bermudian (re)insurers are looking to expand into non-catastrophe-exposed short-tail classes of business, such as accident and health, crop, credit, and motor coverage. As a result, we could see some margin compression in those lines of business due to increasing competition.

The Net Effect Of Third-Party Capital Is Negative

Bermudian (re)insurers have a few choices to address competition from third-party capital providers: beat them, join them, pull back, or use them. In the first instance, (re)insurers are emphasizing some of the advantages that they hold over third-party capacity. As unrated vehicles, reinsurance products must offer fully collateralized limits, making reinstatement limits difficult to offer. Additionally, third-party capital shops typically can't develop relationships over multiple lines of business, are more likely to have their prices fluctuate with capital market movements, and they're less equipped to offer the analytical services that more sophisticated (re)insurers provide. Alternatively, some (re)insurers have joined forces with third-party capital providers by creating sidecars and catastrophe funds (sometimes referred to as insurance-linked securities (ILS) funds). In this way, Bermudian (re)insurers can offer both traditional and third-party capacity according to their respective risk and return requirements, thereby broadening their product offerings while earning fee income. Other (re)insurers have been cutting back their participation in catastrophe markets and are looking to deploy that capital elsewhere, and almost all (re)insurers are now buying retrocession from third-party capital providers at favorable prices. As retrocession buyers, (re)insurers can significantly reduce tail risk and lower their cost of capital.

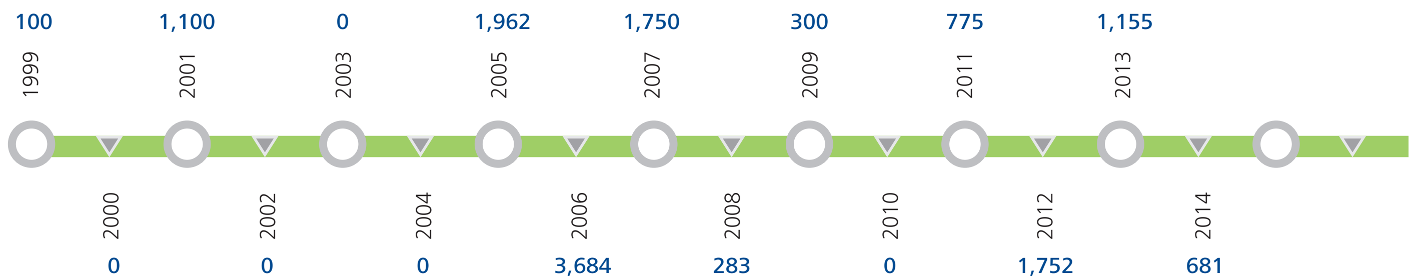
> Some (re)insurers have joined forces with third-party capital providers [to] offer both traditional and third-party capacity according to their respective risk and return requirements

Despite their efforts to either combat or harness the flow of capital, we believe the net effect for Bermudian (re)insurers is negative. They will have difficulty adjusting when what has generally been their most profitable line of business (in years with light-to-average catastrophes losses) rapidly loses pricing power and becomes increasingly commoditized. In the extreme, Bermudian (re)insurers risk becoming mere conduits to the capital markets and not the primary risk bearers. While we think this is unlikely, the push in that direction can't be denied. Similarly, increased use of retrocession may lure (re)insurers into arbitraging the rate gaps between incoming catastrophe premiums and outgoing retrocession. This could create situations where (re)insurers rely too much on potentially flighty retrocession capital.

Despite increasing competition from third-party capital and its impact on the traditional (re)insurers, the Bermuda market as a reinsurance center may further gain prominence in catastrophe reinsurance. Given that many third-party capital vehicles are domiciled in Bermuda for both tax efficiency and proximity to Bermuda's notable reinsurance hub, the amount of reinsurance placed in the Bermuda market could grow, especially if third-party capital deepens its reinsurance presence for exposures outside of North America.

Notably, this is not the first time in history that third-party capital has rapidly expanded. For example, sidecar formation and catastrophe bond issuance ramped up quite rapidly following the hurricanes in 2004 and 2005. In the aftermath, large losses put many companies into a defensive position and others out of business. Catastrophe reinsurance markets were starved for capacity, and capital markets responded by investing in catastrophe bonds, sidecars, and a small group of start-up (re)insurers, known as the "Class of 2005".

SIDECAR FORMATION ***($ Millions)***



Sources: Aon Benfield Securities Inc.: "Insurance-Linked Securities: Evolving Strength 2012," and company filings and press releases

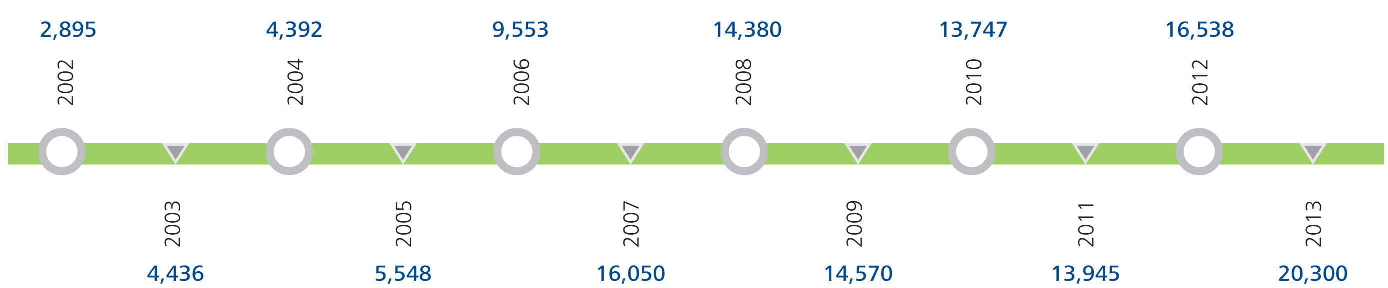
What is worrisome for Bermudian (re)insurers today is that the current influx of third-party capital is supply-driven, unlike the demand-fueled growth a few years earlier. Investors are increasingly accepting reinsurance as a viable asset class that provides reasonably high yields with diversification to the credit and market risks typically found in other investments. Some of these investors, such as pension funds and endowments, are stable, long-term investors with vast amounts of capital. Small pension fund allocations can be sizable for the much smaller property catastrophe market.

Investors' underlying thesis is that earthquakes and hurricanes are indifferent to economics and will occur randomly, with low correlation to economic or market trends. The assumed low correlation allows investors to impute a lower cost of capital to catastrophe risk, making it difficult for Bermudian (re)insurers to compete, given that their cost of capital must be higher to account for the significant concentrations of catastrophe risk that they assume. Use of this strategy proliferated over the last couple of years because of low interest rates and the precipitous drop in the returns (or spreads) catastrophe bond investors require relative to the assumed risk, even as the structures of the bonds have transferred more risk to the investor.

Skeptics argue that third-party capital will disappear after a big loss or if interest rates or general capital market conditions change, while others point out that a sizable catastrophe would have an adverse economic impact and

> The size of the third party reinsurance market could fluctuate but will remain significant over the next few years

CATASTROPHE BONDS OUTSTANDING ***($ Millions)***



Source: Aon Benfield Securities Inc.: Insurance-Linked Securities Fourth-Quarter Update. Includes life/health bonds, which represent a small portion of outstanding bonds potential ramifications for the capital markets. Much of the risk that third-party reinsurance capital has historically assumed has hidden potential volatility, which the market has not yet experienced. A large U.S. hurricane, particularly in Florida, may awaken some investors to the tail risk embedded in these products and force them to rethink their beliefs about the risk they're taking. However, we believe that long-term investors, such as pension funds, generally appreciate these risks and are not making outsized allocations to catastrophe risk. Consequently, they are less likely to retreat. Nevertheless, a large portion of the market consists of opportunistic investors, such as hedge funds, that may focus more on short-term gains. These investors could quickly move to other parts of the market after a loss or if another asset class is simply more attractive. In short, we believe that the size of the third-party reinsurance market could fluctuate but will remain significant over the next few years. Furthermore, the availability of third-party capital limits (re)insurers' capacity to raise premium rates following large catastrophes and reduces the likelihood that a new "class" of start-ups (such as the Class of 2005) would emerge following large catastrophe losses.

Capitalization Is Still A Credit Strength

The Bermuda-based (re)insurers have strong capitalization overall. This, along with generally declining renewal rates, has prompted many to return capital to their shareholders through special dividends, increased regular dividends, and share buybacks. However, some companies are significantly better capitalized than others. We view excess capital as a rating strength because it provides a cushion to the inherent severity risk (e.g., property catastrophe, terrorism, excess casualty) that most Bermudian (re)insurers underwrite and for possible modeling errors when evaluating their catastrophe exposures.

The participants in our Bermuda market report reported underwriting capital (defined as shareholders' equity plus total debt) of $117.74 billion and net premiums written of $61.55 billion for 2013 compared with $96.94 billion and $47.97 billion, respectively, in 2009. Underwriting capital for the market participants was up 4.5% from the 2012 level of $112.63 billion, as a result of strong reported net income of $12.93 billion in 2013 relative to $10.69 billion in 2012, representing a 20.9% jump year over year.

Share repurchasing in 2013 totaled $4.69 billion or more than 30% higher than the amount repurchased in 2012 ($3.60 billion) by the market participants. Repurchasing shares has been an attractive way for publicly listed companies to boost their valuations, as most of the market participants that are publicly listed have broadly traded either around or slightly higher than their book value during the past 18 months as the capital markets recovered.

Balance Sheets Continue To Look Strong

The Bermudian (re)insurers benefit from strong balance sheets with limited exposure to intangible assets and asbestos and environmental (A&E) liabilities. As of year-end 2013, the surveyed companies' total assets included quoted investments (63%), other investments (5%), cash and cash equivalents (5%), reinsurance balances receivable (7%), other assets (17%), and goodwill and other intangibles (3%).

Debt leverage slightly increased to 13.4% as of year-end 2013 from 12.4% as of year-end 2012, but remained in line with the past five year (2009–2013) average of 13.0%. Furthermore, earnings before interest and taxes (EBIT) adjusted to interest coverage significantly improved to 16.7x in 2013 from 12.6x in 2012 because of better operating results overall.

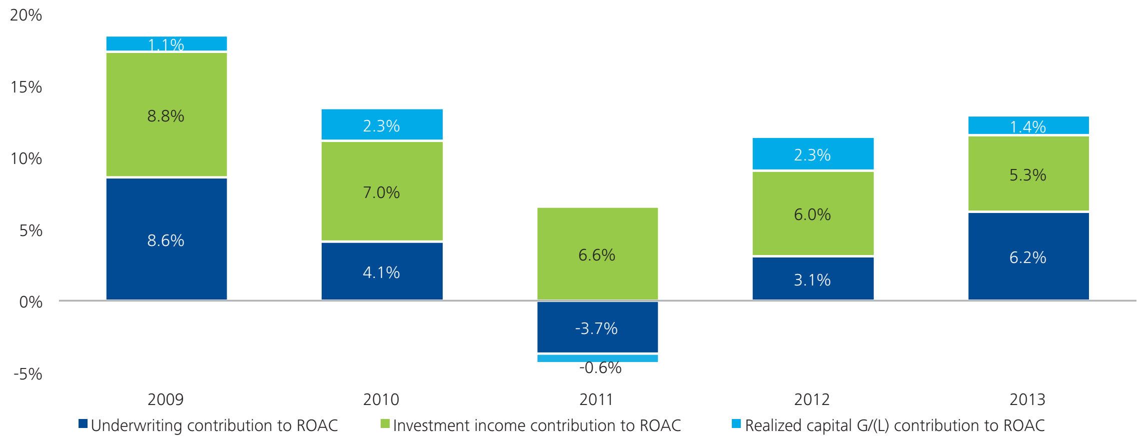
Earnings Are Solid For Now

During the past five years, investment income has contributed between 8.8 (in 2009) and 5.3 (in 2013) percentage points to Bermudian (re)insurers' EBIT return on underwriting capital, a common industry metric. These large percentages have been possible because the size of the market participants' invested assets was twice that of their underwriting capital. However, the investment income contribution to EBIT has been gradually declining because of low interest rates.

The five-year (2009–2013) average EBIT return on underwriting capital for the market participants was 11.7% and reached its highest level for that period of 18.5% in 2009. Similarly, over the past five years, the market participants generated an average ROAE of 11.4% and were able to exceed the widely quoted reinsurance industry target of 15% over the underwriting cycle only in 2009 (ROAE of 18.6%); in the other four years, record catastrophe losses and decreasing investment income hurt returns on equity.

As a result of the significant drop in investment yields, the property and casualty (re)insurance market is going to need to raise pricing to achieve the level of returns shareholders require

CONTRIBUTION ANALYSIS: EBIT RETURN ON AVERAGE UNDERWRITING CAPITAL (ROAC)

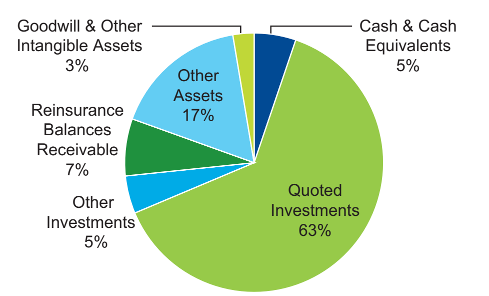


Investment Yields Are Waning

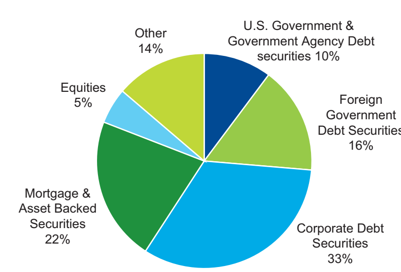
Investment yields have continued to decline for Bermudian (re)insurers amid low interest rates during the past few years. The market participants achieved a 2.6% net yield on invested assets including cash and cash equivalents in 2013, the lowest level in recent history, and down materially from 4.0% in 2009. The net investment income declined 4.6% to $6.15 billion in 2013 from $6.45 billion in 2012 and dropped 16.9% from $7.40 billion in 2009.

As of year-end 2013, total invested assets including cash and cash equivalents reached $235.55 billion, an increase of 1.3% relative to year-end 2012, because of Bermudian (re)insurers' strong operating results, offset by share buybacks. At the end of 2013, their asset allocation included corporate debt securities (33%), foreign government debt securities (16%), U.S. government and government agency debt securities (10%), mortgage and asset-backed securities (22%), equities (5%), and other investments (14%).

TOTAL ASSETS COMPOSITION FOR COMPANIES IN THE REPORT



TOTAL QUOTED INVESTMENT COMPOSITION FOR COMPANIES IN THE REPORT



> Reserve redundancy and increased likelihood of adverse reserve development could make disciplined, profitable underwriting a ratings differentiator in the next few years

Most of the market participants have willingly traded-off investment risk for underwriting risk and have maintained relatively conservative investment portfolios over the past few years. Typically, the duration of fixed-income investments for most of the Bermudian (re)insurers is between two and four years, with an average credit rating between 'A' and 'AA' (at year-end 2013, 82% of the Bermudians' fixed income investments were rated 'A-' or higher). As a result of the significant drop in investment yields, the property and casualty (re)insurance market is going to need to raise pricing to achieve the level of returns shareholders require.

As of year-end 2013, the Bermudian (re)insurers collectively had virtually no exposure to the sovereign debt from European periphery countries (i.e, Greece, Ireland, Italy, Portugal, and Spain). The market participants' non-U.S. government debt holdings represented approximately 16% of their total invested assets (excluding cash and cash equivalents) at year-end 2013, up slightly from 14% in 2009. Over the past couple of years, as the capital markets recovered, realized capital gains have contributed to these companies' bottom line, at $2.06 billion in 2013 compared with $1.49 billion in 2012.

Favorable Reserve Releases Could Dry Up

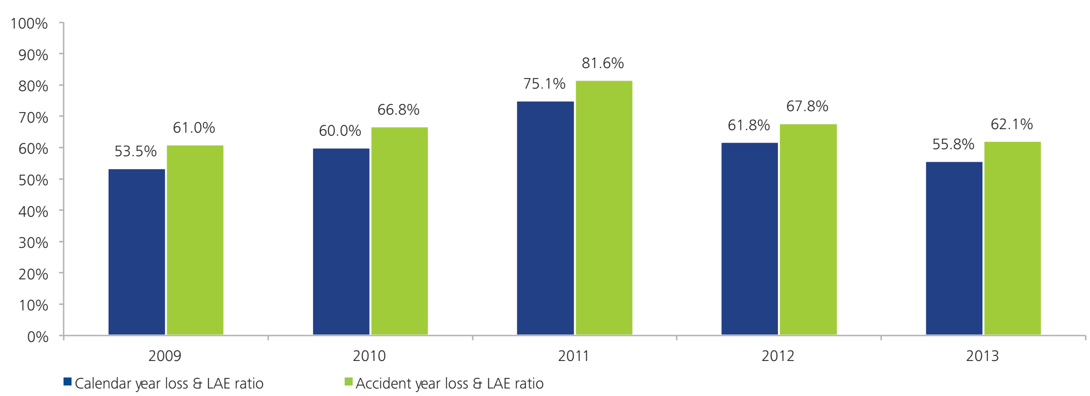
Over the past five years (2009–2013), Bermudian (re)insurers' calendar-year results have benefited from favorable prior-year loss reserve development. During the same timeframe, the Bermudian (re)insurers released a total of $17.56 billion in reserves, which represented 6.6 percentage points on the combined ratio. The favorable prior-year developments have come largely from the latest set of hard market years (i.e., 2002 to 2005) for casualty reinsurance. The market participants' calendar-year loss ratio benefited from 7.5 percentage points of favorable prior-year development in 2009 and 6.3 percentage points in 2013.

We believe that the remaining redundancies associated with these hard market years are limited and, as a result, we expect the ongoing benefits to decrease relative to the past few years. Although we believe that loss reserves are generally adequate among the Bermudian (re)insurers we rate, some could experience adverse development on the more recent accident years. We also believe that the reserve redundancy and increased likelihood of adverse development could make disciplined, profitable underwriting a rating differentiator in the next few years.

Bermuda's Top 10 List By Net Premiums Earned Is Mostly Unchanged

The eight Bermudian companies with the largest market share by net premiums earned (NPE) are unchanged from last year and their positions within the list haven't shifted: ACE Ltd. remains in the lead position, while XL Group plc, PartnerRe Ltd., Everest Re Group Ltd., and Catlin Group Ltd. (in that order) round out the top five.

CALENDAR YEAR VS. ACCIDENT YEAR LOSS & LAE1 RATIO



[1] LAE: Loss adjustment expense

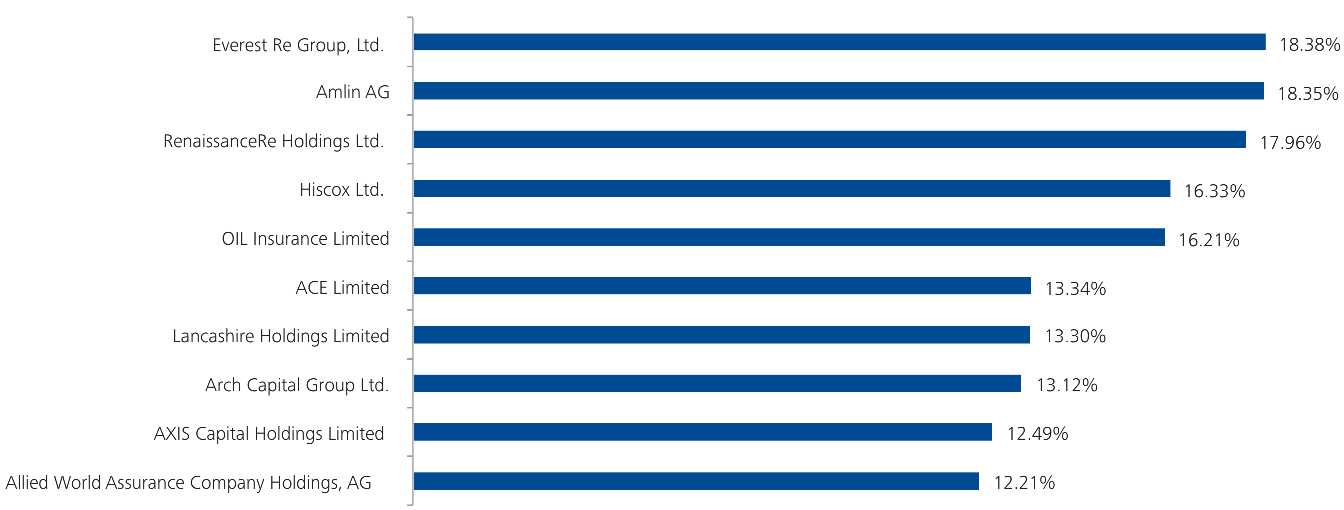
The top 10 as a group increased their NPE by 7.9% year-over-year in 2013 to $49.67 billion, from $46.05 billion in 2012. PartnerRe Ltd., Everest Re Group Ltd., and Validus Holdings Ltd. were the leaders in premium growth.

PartnerRe Ltd.'s NPE rose 15.9% in 2013 to $5.20 billion, compared with $4.49 billion in 2012. The company's NPE increased across all P/C subsegments, except catastrophe and life and health, although increases were greatest in the accident and health (through the acquisition of Presidio Reinsurance Group Inc. on Dec. 31, 2012), agriculture, and motor lines of business.

Everest Re Group Ltd.'s NPE increased 14.1% in 2013 to $4.75 billion, from $4.16 billion in 2012, mainly due to new reinsurance business in the U.S., particularly for contracts with catastrophe exposure and higher premiums on casualty quota share business, and increased participation on existing business. The company also augmented its reinsurance premiums in Latin America and South America and generated new business and increased premiums on existing business written in Bermuda and Ireland. NPE's growth in the insurance segment arose predominantly from California workers' compensation, agriculture, and non-standard auto business.

Validus Holdings Ltd.'s NPE rose 12.2% in 2013 to $2.10 billion, from $1.87 billion in 2012, lifting the company up two spots in the ranking to the ninth place from the eleventh in 2012. Validus' AlphaCat and Validus Re segments accounted for most of the premiums growth, while its Lloyd's Syndicate (Talbot Syndicate 1183) premiums were flat. Validus Re property catastrophe premiums increased because of the acquisition of Flagstone Reinsurance Holdings S.A., and specialty premiums increased due to a rapid expansion in proportional agriculture treaties following the hiring of experienced underwriters at the beginning of the year to target growth in that class. The increase in AlphaCat segment premiums was due primarily to the renewal of business through AlphaCat Re, which is fully consolidated and wrote business on behalf of AlphaCat 2013 and the AlphaCat ILS funds.

THE 2013 BERMUDA TOP 10 BY RETURN ON AVERAGE EQUITY



Endurance Specialty Holdings Ltd.'s NPE remained virtually flat at $2.02 billion year-over-year in 2013. The company dropped to No. 10 in 2013 from No. 9 in 2012. Under the leadership of its new CEO, John Charman, who joined in May 2013, the company is experiencing a rapid transformation by expanding its global underwriting talent, rebalancing its insurance and reinsurance portfolios to lower volatility and improve profitability, and refocusing its corporate and enterprise risk functions. We expect Endurance's NPE to expand, as the new underwriting team gains traction in the next few years.

In 2013, the 20 market participants reported a ROAE of 12.9%, up from 11.4% in 2012. Everest Re Group Ltd. has the highest ROAE at 18.4%, mostly as a result of its increase in NPE, improved underwriting results, and net realized capital gains on equity securities.

Rating Actions In 2013

On Oct. 30, 2013, Standard & Poor's raised its long-term counterparty credit and financial strength ratings on XL Group plc's intermediary holding company, XLIT Ltd., and its core operating subsidiaries (collectively XL) to 'A+' from 'A'. At the same time, we raised our long-term counterparty credit on XLIT Ltd. to 'A-' from 'BBB+'. The outlook is stable. The upgrade reflects our view that XL has demonstrated improved operating performance and will be able to sustain such improvement through strategic growth initiatives, a strong market presence, and a strong enterprise risk management (ERM) framework that will contribute to earnings stability. In recent years, the company has divested its financial-guarantee business, deleveraged its balance sheet, and managed down the risk in its investment portfolio. As a result, XL's financial flexibility is strong and has improved markedly during the past few years. We believe XL will continue to improve its fixed-charge coverage and maintain it at least at 5x with its financial leverage at less than 25%. In addition, management has renewed XL's focus on P/C insurance and reinsurance operations and placed the life reinsurance operations in run-off. We expect the company to continue to increase premiums strategically while maintaining strong underwriting performance.

On July 31, 2013, Standard & Poor's changed its outlook to negative from stable on Argo Group International Holdings Ltd.'s U.S.-based intermediary holding company and its core operating subsidiaries. The negative outlook reflects our view that management faces potential execution risks related to successfully achieving its plans to improve the group's operating performance and maintain risk management capabilities in line with its risk appetite and the growing complexity of its operations.

In addition, on May 22, 2013, we revised our outlook on ACE Ltd. and its operating subsidiaries to positive from stable. The outlook revision reflects our favorable view of the group's superior operating performance relative to that of its global multiline insurance peers, its excellent underwriting practices and strong focus on underwriting discipline and bottom-line profits, and sustainable competitive advantages in several of its key lines of business, which support its extremely strong competitive position.

With the continuation of rate decreases in property catastrophe and other lines of business, relative risk-adjusted returns for various risk exposures will shift. This could force (re)insurers to implement some strategic changes based on the guidance of their ERM functions.

ERM Practices May Be Tested Very Soon

Since Standard & Poor's introduced its ERM criteria in 2005, it has found that, in general, the Bermudian (re)insurers have sophisticated ERM frameworks. This has been key to their stability in recent years and a rating strength. Overall, we consider their ERM capabilities to be strong, and they are among the leading practitioners in the industry. In fact, their ERM practices have been tested through a number of natural and man-made catastrophes and financial crises over the past decade.

Despite the significant and unusual natural catastrophe events over the past few years (e.g., Tohoku and Christchurch earthquakes), and the accompanying financial market volatility in Europe and the U.S., Standard & Poor's ERM scores for the Bermudian (re)insurers overall have remained relatively stable over the past few years.

Currently, 85% of the Bermudian (re)insurers have ERM scores that are better than "adequate" ("adequate with strong risk controls," "strong," or "very strong," as our criteria define the terms). Furthermore, 70% have ERM scores of "strong" or "very strong." Because of the inherent risks (e.g., catastrophe risk) and the potential volatility of earnings, we consider the Bermudian (re)insurers' risk-management practices of high importance to the rating.

However, Bermudian (re)insurers' ERM capabilities will face some tests in 2014, particularly with regard to underwriting controls and strategic risk management. With the continuation of rate decreases in property catastrophe and other lines of business, relative risk-adjusted returns for various risk exposures will shift. This could force (re) insurers to implement some strategic changes based on the guidance of their ERM functions. Furthermore, as the market softens, the pressure on underwriting, catastrophe, and reserving risk controls will grow. This year we could see which carriers' ERM frameworks actually translate into tangible actions.

Moreover, potential changes to the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2007 could add a new strain on ERM resources. Most Bermudian (re)insurers take some amount of terrorism exposure through reinsurance contracts, whether directly through standalone terrorism reinsurance or as a part of broader property coverage. Also, most entities have direct insurance platforms operating in the U.S. As such, they can pick up terrorism exposures through workers' compensation and commercial property insurance.

S&P RATINGS AND ERM SCORES FOR COMPANIES IN THE REPORT

	Rating (1)	Outlook (2)	ERM Score
RenaissanceRe Holdings Ltd.	AA-	Stable	Very Strong
Aspen Insurance Holdings Limited	A	Stable	Very Strong
Catlin Group Limited	A	Stable	Very Strong
ACE Limited	AA-	Positive	Strong
Tokio Millennium Re Ltd.	AA-	Negative	Strong
Arch Capital Group Ltd.	A+	Stable	Strong
AXIS Capital Holdings Limited	A+	Stable	Strong
XL Group plc	A+	Stable	Strong
Allied World Assurance Company Holdings, AG	A	Stable	Strong
Amlin AG	A	Stable	Strong
Endurance Specialty Holdings Ltd.	A	Stable	Strong
Hiscox Ltd.	A	Stable	Strong
Lancashire Holdings Limited	A-	Stable	Strong
Montpelier Re Holdings Ltd.	A-	Stable	Strong
Everest Re Group, Ltd.	A+	Stable	Adequate With Strong Risk Controls
PartnerRe Ltd.	A+	Stable	Adequate With Strong Risk Controls
Validus Holdings, Ltd.	A	Stable	Adequate With Strong Risk Controls
OIL Insurance Limited	A-	Stable	Adequate
Argo Group International Holdings, Ltd.	A-	Negative	Adequate
OIL Casualty Insurance, Ltd.	BBB+	Stable	Adequate

(1) All the ratings in this table are financial strength ratings of the lead rated operating companies within each group as of April 1, 2014
(2) Outlooks can be positive, negative, or stable, and signal a potential change in an interactive rating over the next 1-2 years

A significant change in TRIPRA could expose (re)insurers to significantly more terrorism risk through their direct business. More importantly, the demand for traditional terrorism (excluding nuclear, chemical, biological, and radiological) reinsurance could surge. Those that are able to control, optimize, and manage this risk may be able to capitalize on the market opportunity. Those with weaker risk management may end up overexposed.

On the regulatory front, Solvency II requirements will be in force in 2016. While the Bermuda Monetary Authority (BMA) continues its efforts to meet an EU equivalency standard, the Bermudian (re)insurers will continue to enhance their ERM programs to meet Solvency II standards. Bermudians in general have been ahead of the curve in preparing for the implementation of Solvency II.

Consolidation May Move Up In The Agenda

In our view, consolidation will rise in importance on the strategic agendas of the Bermudian (re)insurers over the next 12 months. For smaller players that are trying to compete globally, consolidation may be one of the few viable survival options, while midlevel players will be looking to acquire greater size and scope. Meanwhile, book values have climbed in recent years, as most market participants have broadly traded around or slightly higher than their book value over the past 18 months, so they've become more accommodating of M&A activity. Buyers and sellers of reinsurance businesses appear to be placing more emphasis on size as a competitive advantage. As (re)insurers look to expand their size and scope to meet their clients' needs, M&A will likely be the most attractive option in an unfriendly market.

Buyers and sellers of reinsurance businesses appear to be placing more emphasis on size as a competitive advantage. As (re)insurers look to expand their size and scope to meet their clients' needs, M&A will likely be the most attractive option in an unfriendly market.

Underwriting Discipline, Rate Adequacy, And Profitability Are Key Metrics To Watch

Given the current lower pricing, relatively low investment yields, and our projection for diminishing prior-year reserve redundancies, we expect the Bermudian (re)insurers to generate an EBIT return on underwriting capital in the high single digits, assuming normalized catastrophe losses. Although this is below the five-year (2009–2013) average EBIT return on underwriting capital, we think the contribution will be more evenly split between underwriting and investment.

We think that companies without a defendable competitive position, or those that are more aggressive in maintaining market share by competing on price or relaxing their underwriting discipline, are most at risk. Smaller, catastrophe-risk heavy Bermudian (re)insurers providing commodity type products are most under pressure. Competitive pressures will hit their margins hardest and threaten their business models most directly. In addition, the risk positions could weaken for (re)insurers whose exposure levels rise without a commensurate increase in premiums, through taking more business at lower rates or expanding coverage while maintaining flat premium rates.

We'll focus heavily on Bermudian (re)insurers' underwriting discipline, rate adequacy, and profitability prospects for the next 12 to 24 months. Many of these companies will prove successful in navigating this soft market by adhering to established underwriting and risk controls. It will be those companies at the margins and those that relax their rigor that likely succumb to consolidation or suffer negative rating actions.

About the Bermuda Insurance Market Report
To create the Bermuda Insurance Market Report, Deloitte obtained and compiled the financial data from Bermuda-based (re)insurance companies for fiscal years 2009-2013. Standard & Poor's analyzed the compiled financial data and prepared the industry commentary. The report includes a few metrics that are commonly used in the industry. However, the method for calculating certain metrics in the report (e.g., EBIT return on underwriting capital) may be different than in Standard & Poor's rating criteria.

Market Report Participants Data and Information

	Chief Executive Officer	Chief Underwriting Officer	Chief Financial Officer
ACE Limited	Evan G. Greenberg	^	Philip V. Bancroft
Allied World Assurance Company Holdings, AG	Scott Carmilani		Tom Bradley
Amlin AG	Philippe Regazoni (Amlin AG)	Rob Wyatt (Amlin AG, Bermuda Branch)	Elizabeth Murphy (Amlin AG, Bermuda Branch)
Arch Capital Group Ltd.	Constantine Iordanou	^	Mark D. Lyons
Argo Group International Holdings, Ltd.	Mark Watson	Andrew Carrier	Jay Bullock
Aspen Insurance Holdings Limited	Christopher O'Kane	Kate Vacher (Underwriting Director)	John Worth
AXIS Capital Holdings Limited	Albert Benchimol	^	Joseph Henry
Catlin Group Limited	Stephen Catlin	Paul Brand	Benjamin Meuli
Endurance Specialty Holdings Ltd.	John R. Charman	n/a	Michael J. McGuire
Everest Re Group, LTD	Dominic J. Addesso	John Doucette	Craig Howie
Hiscox Ltd.	Bronek Masojada	Richard Watson	Stuart Bridges
Lancashire Holdings Limited	Richard Brindle	Alex Maloney	Elaine Whelan
Montpelier Re Holdings Ltd.	Christopher Harris	^	Michael Paquette
Oil Casualty Insurance, Ltd.	Robert D. Stauffer	Jerry Rivers	Ricky E. Lines
Oil Insurance Limited	Robert D. Stauffer	George F. Hutchings	Ricky E. Lines
PartnerRe Ltd.	Costas Miranthis	Emmanuel Clarke (Global (Non-U.S)), Tad Walker (N.A.)	Bill Babcock
RenaissanceRe Holdings Ltd.	Kevin O'Donnell	Ross Curtis	Jeffrey Kelly
Tokio Millennium Re AG	Tatsuhiko Hoshina	Stephan Ruoff	Maurice Kane
Validus Holdings, Ltd.	Edward J. Noonan	Jeff Clements	Jeffrey Sangster
XL Group plc	Michael S. McGavick	^	Peter Porrino

Notes:

^ Information not provided by respondent

		Common Stock Price		52 week high/low (Jan. 1 - Dec. 31)		P/E Ratio		Book value per common share		Tangible book value per common share		Market/book value ratio		Basic earning per share		Fully diluted earnings per share	
	Stock Exchange Symbol	Curr	Prior	Curr	Prior	Curr	Prior	Curr	Prior	Curr	Prior	Curr	Prior	Curr	Prior	Curr	Prior
ACE Limited	ACE	103.53	79.80	103.53/79.99	81.70/68.98	9.39	10.03	84.83	80.90	68.93	66.28	1.22	0.99	11.02	7.96	10.92	7.89
Allied World Assurance Company Holdings, Ltd	AWH	112.81	78.80	113.28/79.21	84.17/60.80	9.22	5.76	105.33	95.59	95.84	86.40	1.07	0.82	12.23	13.67	11.95	13.30
Arch Capital Group Ltd.	ACGL	59.69	44.02	59.69/44.19	45.10/35.57	11.77	10.92	39.82	36.19	39.62	35.90	1.50	1.22	5.07	4.03	5.07	4.03
Argo Group International Holdings, Ltd.	AGII	46.49	33.59	46.37/31.35	34.56/27.62	8.72	16.39	58.96	60.75	49.92	49.68	0.79	0.55	5.33	2.05	5.14	2.01
Aspen Insurance Holdings Limited	AHL & AHL BH	41.31	32.08	41.31/32.47	33.70/25.89	9.63	9.14	41.87	42.12	41.50	41.85	0.99	0.76	4.29	3.51	4.14	3.38
AXIS Capital Holdings Limited	AXS	47.57	34.64	49.56/35.49	38.80/30.35	7.90	8.55	47.40	44.75	46.59	43.92	1.00	0.77	6.02	4.05	5.93	4.00
Catlin Group Limited (1)	CGL	5.81	5.04	£5.87/4.58	£5.04/3.89	8.73	9.32	8.92	8.32	7.17	6.56	1.08	0.98	1.11	0.88	1.03	0.83
Endurance Specialty Holdings Ltd.	ENH	58.67	39.69	58.67/40.3	42.36/34.09	9.21	13.23	55.18	52.88	51.47	48.89	1.06	0.75	6.37	3.00	6.37	3.00
Hiscox Ltd. (2)	HSX.L	£6.95	£4.54	£6.95/4.53	£4.89/3.7037	10.48	8.56	6.64	5.65	6.29	5.36	1.73	1.30	1.04	0.84	0.99	0.81
Lancashire Holdings Limited (3)	LRE	£13.43	£12.6	£9.25/7.19	£8.77/6.88	10.25	8.57	8.06	8.59	7.08	7.83	1.67	1.47	1.31	1.47	1.17	1.29
Montpelier Re Holdings Ltd.	MRH	29.10	22.86	29.5/26.46	25.65/23.14	8.06	6.23	29.42	26.14	29.42	26.14	0.99	0.87	3.61	3.67	3.61	3.67
PartnerRe Ltd.	PRE	105.43	80.49	105.43/82.06	82.88/63.02	9.78	4.72	109.26	100.84	98.49	90.86	0.96	0.80	10.78	17.05	10.58	16.87
RenaissanceRe Holdings Ltd.	RNR	97.34	81.26	97.34/80.2	82.76/70.00	6.43	7.13	80.29	68.14	79.44	67.28	1.21	1.19	15.14	11.40	14.87	11.23
Validus Holdings, Ltd.	VR	40.29	34.58	40.31/33.85	37.32/30.10	8.03	8.37	38.57	37.26	37.25	36.04	1.04	0.93	5.02	4.13	4.94	3.99
XL Group plc	XL	31.84	25.06	33.03/25.38	25.76/19.06	8.77	11.82	35.32	34.70	33.86	33.35	0.90	0.72	3.63	2.12	3.68	2.10

Notes:
(1) Catlin Group Limited stock price is denominated in GBP but reports in USD.
(2) Hiscox Ltd.'s common stock price and 52 week high/low are denominated in GBP; all other amounts shown in USD.
(3) Lancashire Holdings Limited common stock price and 52 week high/low are denominated in GBP; all other amounts shown in USD.

COMPANY INFORMATION (US$ 000s)

Company	S&P's Rating (1)	Outlooks (3)	S&P's ERM Score	Basis of accounting	Capital & Surplus: Current	Capital & Surplus: Prior	Premiums earned Current	Net Income Current	Insurance Regulation Class	Date of Incorporation	Type of Insurance as % of premiums: Direct	Type of Insurance as % of premiums: Reinsurance
ACE Limited	AA-	Positive	Strong	US GAAP	28,825,000	27,531,000	16,613,000	3,758,000	Class 4	8/30/85	84%	16%
Allied World Assurance Company Holdings, AG	A	Stable	Strong	US GAAP	3,519,826	3,326,335	2,005,833	417,880	Class 4	11/13/01	66%	34%
Amlin AG	A	Stable	Strong	Other	1,653,158	1,625,433	1,078,738	300,747	Class 4	10/28/05	0%	100%
Arch Capital Group Ltd.	A+	Stable	Strong	US GAAP	5,647,496	5,168,878	3,145,952	709,731	Class 4	3/1/95	66%	34%
Argo Group International Holdings, Ltd.	A-	Negative	Adequate	US GAAP	1,563,000	1,514,100	1,303,800	143,200	Class 4	10/5/99	83%	17%
Aspen Insurance Holdings Limited	A	Stable	Very Strong	US GAAP	3,300,000	3,489,000	2,172,000	329,400	Class 4	5/23/02	57%	43%
AXIS Capital Holdings Limited	A+	Stable	Strong	US GAAP	5,867,962	5,779,761	3,707,065	727,465	Class 4	11/8/01	55%	45%
Catlin Group Limited	A	Stable	Very Strong	US GAAP	3,782,581	3,511,867	3,948,238	392,028	Class 4	6/25/99	63%	37%
Endurance Specialty Holdings Ltd.	A	Stable	Strong	US GAAP	2,886,549	2,710,597	2,016,484	311,915	Class 4	11/30/01	55%	45%
Everest Re Group, Ltd. (2)	A+	Stable	Adequate With Strong Risk Controls	US GAAP	6,968,276	6,733,467	4,753,543	1,259,382	N/a	2/24/00	24%	76%
Hiscox Ltd.	A	Stable	Strong	Other	2,325,611	2,225,546	2,005,815	371,616	Class 4	12/12/06	77%	23%
Lancashire Holdings Limited	A-	Stable	Strong	Other	1,460,400	1,387,400	568,100	189,400	Class 4	10/12/05	68%	32%
Montpelier Re Holdings Ltd.	A-	Stable	Strong	US GAAP	1,887,000	1,629,400	599,600	210,600	Class 4	11/14/01	20%	80%
Oil Casualty Insurance, Ltd.	BBB+	Stable	Adequate	US GAAP	529,094	489,471	107,271	39,648	Class 3B	5/14/86	43%	57%
Oil Insurance Limited	A-	Stable	Adequate	US GAAP	4,184,868	3,611,771	550,361	631,898	Class 2	12/14/71	100%	0%
PartnerRe Ltd.	A+	Stable	Adequate With Strong Risk Controls	US GAAP	6,766,159	6,933,496	5,198,210	664,008	Class 4	8/24/93	0%	100%
RenaissanceRe Holdings Ltd.	AA-	Stable	Very Strong	US GAAP	3,904,384	3,507,056	1,114,626	665,676	N/a	6/7/93	3%	97%
Tokio Millennium Re AG	AA-	Negative	Strong	Other	1,273,059	1,173,340	664,449	140,026	Class 3B	3/15/00	0%	100%
Validus Holdings, Ltd.	A	Stable	Adequate With Strong Risk Controls	US GAAP	4,288,263	4,455,107	2,102,045	532,666	Class 4	10/19/05	23%	77%
XL Group plc	A+	Stable	Strong	US GAAP	11,349,298	11,856,397	6,014,099	1,136,647	Class 4	3/16/98	74%	26%
				Total	101,981,984	98,659,422	59,669,229	12,931,933				

Notes:
(1) All the ratings in this table are financial strength ratings of the lead rated operating companies within each group as of April 1, 2014
(2) All Everest Re Group, Ltd.'s financial information provided in this report is unaudited.
(3) Outlooks can be positive, negative, or stable, and signal a potential change in an interactive rating over the next 1-2 years.
^ Information not provided by respondent.

COMPANY INFORMATION (US$ 000s)

Type of Insurance as % of premiums		Breakdown of premium as class of business risk														Breakdown of Gross premium by Geographic Region					
Proportional	Non-Proportional	Marine & Aviation	Financial Guarantee	Accident & Health	Property	Property Catastrophe	Professional Liability	Excess Liability	General Liability	Casualty	Finite	Workers Compensation	Life	Terrorism	Other	UK	North America	Europe	Asia, Australia & New Zealand	Bermuda	Rest of World
0%	0%	0%	0%	21%	37%	2%	0%	0%	0%	35%	0%	0%	5%	0%	0%	0%	58%	17%	16%	0%	9%
46%	54%	1%	0%	0%	11%	0%	17%	24%	10%	3%	0%	0%	0%	0%	34%	0%	60%	10%	6%	24%	0%
53%	47%	2%	0%	0%	20%	26%	0%	0%	14%	1%	0%	0%	0%	1%	35%	36%	27%	30%	7%	0%	1%
56%	44%	2%	0%	3%	26%	6%	11%	21%	0%	0%	0%	5%	0%	1%	25%	0%	72%	17%	6%	3%	3%
^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^	^
96%	4%	0%	0%	0%	20%	10%	0%	0%	0%	22%	0%	0%	0%	0%	47%	6%	45%	4%	4%	0%	41%
58%	42%	6%	0%	6%	22%	8%	27%	0%	13%	0%	0%	0%	0%	1%	17%	0%	49%	36%	0%	15%	0%
^	^	22%	0%	0%	12%	0%	0%	0%	0%	22%	0%	0%	0%	0%	44%	47%	25%	10%	7%	11%	0%
51%	49%	2%	3%	0%	13%	13%	12%	11%	0%	9%	0%	0%	0%	0%	36%	2%	68%	8%	2%	20%	0%
67%	33%	3%	1%	1%	49%	0%	8%	10%	17%	4%	0%	8%	0%	0%	0%	8%	65%	4%	6%	2%	16%
^	^	5%	0%	1%	28%	3%	29%	0%	0%	0%	0%	0%	0%	3%	31%	21%	38%	13%	2%	0%	26%
1%	99%	18%	0%	0%	46%	27%	0%	0%	0%	0%	0%	0%	0%	10%	0%	0%	37%	6%	8%	0%	49%
^	^	0%	0%	0%	8%	46%	0%	0%	0%	0%	0%	0%	0%	0%	46%	33%	0%	0%	0%	67%	0%
^	^	0%	0%	0%	23%	0%	0%	41%	0%	32%	0%	0%	0%	0%	4%	^	^	^	^	^	^
^	^	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	^	^	^	^	^	^
72%	28%	11%	0%	2%	12%	9%	0%	0%	0%	12%	0%	0%	15%	0%	39%	0%	39%	40%	11%	0%	10%
82%	18%	0%	0%	0%	0%	72%	0%	0%	0%	0%	0%	0%	0%	0%	28%	0%	59%	3%	5%	0%	33%
50%	50%	0%	0%	0%	0%	54%	8%	0%	6%	8%	0%	2%	0%	1%	20%	1%	77%	10%	6%	0%	6%
20%	80%	29%	0%	1%	17%	31%	0%	0%	0%	0%	0%	0%	0%	1%	20%	0%	26%	5%	4%	0%	66%
^	^	1%	0%	0%	19%	7%	22%	0%	0%	0%	0%	0%	4%	0%	47%	0%	43%	45%	0%	13%	0%

BALANCE SHEET DATA (US$ 000s)

	Assets							Liabilities and Capital & Surplus	
Company	Cash & Cash Equivalents	Quoted Investments	Other Investments	Reinsurance Balances Receivable	Other Assets	Goodwill and Other Intangible Assets	Total Assets	Loss Reserves	Unearned Premium Reserve
ACE Limited	579,000	57,952,000	2,976,000	5,026,000	22,573,000	5,404,000	94,510,000	42,058,000	7,539,000
Allied World Assurance Company Holdings, AG	681,329	6,100,798	1,611,238	1,575,496	1,659,762	317,207	11,945,830	5,766,529	1,396,256
Amlin AG	106,562	2,465,425	192,056	530,515	98,654	-	3,393,212	1,114,008	481,362
Arch Capital Group Ltd.	434,057	12,340,144	1,271,590	1,804,330	3,688,654	27,319	19,566,094	8,824,696	1,896,365
Argo Group International Holdings, Ltd.	157,400	3,700,300	378,900	1,263,500	851,100	239,800	6,591,000	3,230,300	779,100
Aspen Insurance Holdings Limited	1,294,000	6,912,000	48,000	999,000	960,000	18,000	10,231,000	4,679,000	1,281,000
AXIS Capital Holdings Limited	923,326	12,734,526	1,045,810	3,618,945	1,222,649	89,528	19,634,784	9,582,140	2,683,849
Catlin Group Limited	2,291,427	6,925,779	-	1,480,002	3,177,082	719,640	14,593,930	6,709,097	2,728,176
Endurance Specialty Holdings Ltd.	845,851	5,111,458	617,478	757,975	1,479,982	165,378	8,978,122	4,002,259	1,018,851
Everest Re Group, Ltd. (1)	1,825,581	14,262,455	508,447	540,883	2,670,670	-	19,808,036	9,673,240	1,579,945
Hiscox Ltd. (2)	931,219	4,265,339	12,794	757,056	1,232,416	119,988	7,318,812	3,057,552	1,247,497
Lancashire Holdings Limited	403,000	2,011,300	4,700	193,800	477,800	177,200	3,267,800	853,400	442,100
Montpelier Re Holdings Ltd.	549,200	2,548,100	78,800	288,400	294,000	-	3,758,500	881,600	276,700
Oil Casualty Insurance, Ltd.	122,052	812,176	15,347	157,062	140,922	-	1,247,559	374,525	85,597
Oil Insurance Limited	722,649	6,196,619	-	-	175,370	-	7,094,638	2,405,684	-
PartnerRe Ltd.	1,496,485	14,827,902	1,106,749	2,465,713	2,497,976	643,470	23,038,295	12,620,451	1,723,767
RenaissanceRe Holdings Ltd.	408,032	5,098,053	1,723,659	474,087	467,189	8,111	8,179,131	1,563,730	477,888
Tokio Millennium Re AG	127,225	1,281,503	354,235	355,434	290,144	5,267	2,413,808	583,691	483,295
Validus Holdings, Ltd.	1,056,346	6,294,036	618,316	450,234	1,300,700	126,800	9,846,432	3,030,399	824,496
XL Group plc	1,800,832	31,855,356	2,535,573	118,885	8,930,630	411,611	45,652,887	20,481,065	3,846,526
	16,755,573	203,695,269	15,099,692	22,857,317	54,188,700	8,473,319	321,069,870	141,491,366	30,791,770

Notes:
(1) All Everest Re Group, Ltd. financial information provided in this report is unaudited.
(2) Hiscox Ltd. balance sheet amounts were translated from GBP to USD using 1.65 closing and 1.563 average rates to translate the income statement.

Liabilities and Capital & Surplus											
Debt	Other Liabilities	Total Liabilities	Common Stock	Preferred Stock	Additional paid In Capital	Retained Earnings	Unrealised Investment Gains (losses)	Other	Total Capital & Surplus	Total Liabilities and Capital & Surplus	Percentage of Fixed Income Investments Rated A- or Higher
6,017,000	10,071,000	65,685,000	8,899,000	-	5,238,000	13,791,000	,174,000	(277,000)	28,825,000	94,510,000	72%
798,499	464,720	8,426,004	418,988	-	-	3,180,830	-	(79,992)	3,519,826	11,945,830	81%
-	144,684	1,740,054	10,204	-	848,704	649,448	-	144,802	1,653,158	3,393,212	91%
900,000	2,297,537	13,918,598	565	130	624,387	6,042,154	74,964	1,094,704)	5,647,496	19,566,094	97%
403,400	615,200	5,028,000	34,100	-	827,300	804,400	147,800	(250,600)	1,563,000	6,591,000	78%
599,000	372,000	6,931,000	-	-	1,297,000	1,783,000	220,000	-	3,300,000	10,231,000	88%
995,855	504,978	13,766,822	2,174	627,843	2,240,125	5,062,706	124,945	2,189,831)	5,867,962	19,634,784	80%
93,000	1,281,076	10,811,349	3,622	589,785	1,976,053	1,450,434	-	(237,313)	3,782,581	14,593,930	97%
527,478	542,985	6,091,573	44,369	17,200	569,116	2,193,133	45,950	16,781	2,886,549	8,978,122	91%
488,319	1,098,256	12,839,760	680	-	2,029,774	6,765,967	157,728	1,985,873)	6,968,276	19,808,036	76%
-	688,152	4,993,201	34,409	-	156,448	2,097,330	-	37,424	2,325,611	7,318,812	93%
332,300	179,600	1,807,400	92,700	-	-	507,800	2,900	857,000	1,460,400	3,267,800	85%
399,200	314,000	1,871,500	100	150,000	900,500	612,800	(2,400)	226,000	1,887,000	3,758,500	68%
148,400	109,943	718,465	275	-	-	528,819	-	-	529,094	1,247,559	66%
-	504,086	2,909,770	560	293,421	-	3,890,887	-	-	4,184,868	7,094,638	68%
750,000	1,177,918	16,272,136	86,657	34,150	3,901,627	5,406,797	-	2,663,072)	6,766,159	23,038,295	76%
249,430	1,983,699	4,274,747	43,646	400,000	-	3,456,607	4,131	-	3,904,384	8,179,131	80%
-	73,763	1,140,749	250,000	-	400,000	632,537	3,516	(12,994)	1,273,059	2,413,808	88%
788,614	914,660	5,558,169	16,808		1,677,894	2,010,009		583,552	4,288,263	9,846,432	78%
2,263,203	7,712,795	34,303,589	2,783	-	7,994,100	1,264,093	781,007	1,307,315	11,349,298	45,652,887	86%
15,753,698	31,051,052	219,087,886	9,941,640	2,112,529	30,681,028	62,130,751	2,734,541	(5,618,505)	101,981,984	321,069,870	

OPERATING DATA

	Loss Ratio (1)		Expense Ratio (1)		Combined Ratio (1)		Capital & Surplus Ratios		% Change from Prior Period			CURRENT PERIOD																	
Company	Current	Prior	Current	Prior	Current	Prior	Net Premiums to Capital & Surplus	Loss Reserve to Capital & Surplus	Capital & Surplus	Net Premium Written	Loss Ratio (4) (weighted av. 5yr.)	Gross Premium Written	Ceded Premiums	Net Premiums Written	Change in UPR	Premiums Earned	Losses & LAE	Commisions & Brokerage	Other Underwriting Expenses	Underwriting gain/ (loss)	Investment Income Earned (excluding realized gains/losses)	Realized Capital Gain/ (Loss)	Change in Unrealized Gains/(Losses)	Interest Expense on debt	Other Income (Expenses)	Tax Benefit (Expense)	Income adjustments	Net Income	Return on Equity (2)	Return on Revenue (3)
ACE Limited	59.60%	65.70%	28.40%	28.20%	88.00%	93.90%	59.06%	145.91%	4.70%	5.91%	61.92%	22,828,000	(5,803,000)	17,025,000	(412,000)	16,613,000	9,863,000	2,659,000	2,211,000	1,880,000	2,144,000	504,000	-	(275,000)	(15,000)	(480,000)		3,758,000	13.34%	19.92%
Allied World Assurance Company Holdings, AG	56.00%	65.14%	30.16%	29.34%	86.16%	94.48%	60.24%	163.83%	5.82%	15.38%	56.98%	2,738,664	(618,183)	2,120,481	(114,648)	2,005,833	1,123,242	252,673	352,285	277,633	157,564	107,297	(47,772)	(56,510)	(10,552)	(9,780)		417,880	12.21%	17.10%
Amlin AG	53.84%	58.57%	22.90%	19.55%	76.74%	78.11%	65.70%	67.39%	1.71%	7.89%	61.39%	1,214,789	(128,633)	1,086,156	(7,418)	1,078,738	580,787	181,737	65,285	250,929	21,486	46,494	(729)	-	(18,565)	1,132		300,747	18.35%	23.47%
Arch Capital Group Ltd.	53.38%	63.41%	32.26%	31.71%	85.64%	95.13%	59.34%	156.26%	9.26%	9.80%	85.64%	4,196,623	(845,256)	3,351,367	(205,415)	3,145,952	1,679,424	556,464	458,327	451,737	267,219	70,232	-	(27,060)	(19,623)	(32,774)		709,731	13.12%	19.81%
Argo Group International Holdings, Ltd. (10)	57.76%	64.49%	39.76%	40.07%	97.52%	104.56%	86.46%	206.67%	3.23%	8.58%	65.30%	1,888,400	(537,100)	1,351,300	(66,700)	1,284,600	742,000	510,800	19,200	12,600	100,000	71,300		(20,200)	(4,900)	(36,500)		122,300	9.31%	6.34%
Aspen Insurance Holdings Limited (12)	56.31%	59.45%	34.02%	32.29%	90.33%	91.75%	69.70%	141.79%	(5.42)%	2.36%	63.19%	2,647,000	(347,000)	2,300,000	(128,000)	2,172,000	1,223,100	422,000	317,000	209,900	186,000	36,500	(12,000)	(33,000)	(44,700)	(13,400)		329,300	9.70%	13.76%
AXIS Capital Holdings Limited (11)	57.57%	61.37%	30.88%	30.93%	88.46%	92.30%	66.94%	163.30%	1.53%	17.70%	61.51%	4,697,041	(768,841)	3,928,200	(221,135)	3,707,065	2,134,195	664,191	480,710	427,969	409,312	77,195	(1,631)	(61,979)	(116,399)	(7,002)		727,465	12.49%	16.47%
Catlin Group Limited (8) (9)	52.30%	56.00%	33.30%	34.00%	85.60%	90.00%	107.13%	177.37%	7.71%	5.72%	58.70%	5,309,373	(1,256,951)	4,052,422	(104,184)	3,948,238	2,063,233	881,879	660,660	342,466	115,857	7,669	-	-	(34,510)	4,046	(43,500)	392,028	10.75%	9.44%
Endurance Specialty Holdings Ltd.	60.49%	75.52%	29.82%	26.87%	90.31%	102.39%	70.98%	138.65%	6.49%	0.96%	66.65%	2,665,244	(616,311)	2,048,933	(32,449)	2,016,484	1,219,684	304,430	296,952	195,418	166,216	14,579	(1,031)	(36,188)	(21,226)	(5,853)		311,915	11.15%	14.07%
Everest Re Group, LTD (5)	58.91%	65.92%	25.55%	27.86%	84.46%	93.78%	71.82%	138.82%	3.49%	22.63%	70.30%	5,218,634	(213,813)	5,004,821	(251,278)	4,753,543	2,800,251	977,558	237,126	738,608	548,509	300,227	-	(46,118)	7,862	(289,706)		1,259,382	18.38%	23.52%
Hiscox Ltd. (6) (7) (13)	39.80%	44.40%	43.20%	41.40%	83.00%	85.80%	92.15%	131.47%	4.50%	6.64%	47.04%	2,656,284	(513,233)	2,143,051	(137,236)	2,005,815	811,633	477,929	365,123	351,130	66,538	3,737	23,206	(11,216)	(51,182)	(10,597)		371,616	16.33%	17.58%
Lancashire Holdings Limited	33.11%	29.88%	22.14%	20.49%	55.25%	50.38%	38.18%	58.44%	5.26%	(3.21)%	27.66%	679,700	(122,100)	557,600	10,500	568,100	188,100	125,800	-	254,200	26,800	12,600	(32,500)	(8,900)	(66,600)	3,800		189,400	13.30%	38.90%
Montpelier Re Holdings Ltd.	21.10%	46.46%	34.97%	34.52%	56.07%	80.97%	31.96%	46.72%	15.81%	(2.05)%	47.68%	706,000	(102,900)	603,100	(3,500)	599,600	126,500	90,500	119,200	263,400	64,000	(1,600)	(47,600)	(18,800)	(48,900)	100		210,600	11.98%	42.25%
Oil Casualty Insurance, Ltd.	62.91%	133.45%	13.53%	10.32%	76.44%	143.77%	21.66%	70.79%	8.10%	4.83%	97.09%	152,720	(38,125)	114,595	(7,324)	107,271	67,483	14,510	-	25,278	17,360	28,305	(5,646)	(12,479)	(13,170)	-		39,648	7.79%	15.24%
Oil Insurance Limited	89.95%	91.09%	0.37%	0.05%	90.33%	91.13%	13.15%	57.49%	15.87%	(18.16)%	80.69%	550,361	-	550,361	-	550,361	495,058	2,287	(230)	53,246	84,821	337,046	178,218	(730)	(20,703)	-		631,898	16.21%	18.98%
PartnerRe Ltd.	60.75%	62.52%	20.73%	20.89%	81.48%	83.41%	79.76%	186.52%	(2.41)%	18.01%	67.72%	5,569,706	(173,180)	5,396,526	(198,316)	5,198,210	3,157,808	1,077,628	-	962,774	484,367	271,218	(431,953)	(48,929)	(525,053)	(48,416)		664,008	9.69%	16.93%
RenaissanceRe Holdings Ltd.	15.37%	30.41%	28.40%	27.39%	43.77%	57.80%	30.84%	40.05%	11.33%	9.19%	28.65%	1,605,412	(401,465)	1,203,947	(89,321)	1,114,626	171,287	125,501	191,105	626,733	208,028	76,890	(41,814)	(17,929)	(184,540)	(1,692)		665,676	17.96%	55.56%
Tokio Millennium Re AG	46.42%	41.59%	25.51%	34.00%	71.93%	75.59%	61.19%	45.85%	8.50%	7.07%	48.71%	897,169	(118,164)	779,005	(114,556)	664,449	308,422	146,244	23,279	186,504	31,859	2,413	-	-	(78,136)	(2,614)		140,026	11.45%	22.68%
Validus Holdings, Ltd.	37.77%	53.35%	33.45%	33.37%	71.22%	86.72%	47.30%	70.67%	(3.75)%	9.12%	50.48%	2,401,106	(372,585)	2,028,521	73,524	2,102,045	793,932	360,310	342,895	604,908	96,072	3,258	(58,481)	(53,078)	(59,630)	(383)		532,666	12.18%	27.51%
XL Group plc	62.05%	65.31%	30.45%	30.95%	92.50%	96.25%	52.02%	180.46%	(4.28)%	(0.89)%	65.85%	7,416,792	(1,512,810)	5,903,982	110,117	6,014,099	3,731,464	882,658	948,915	451,062	957,716	95,575	-	(155,462)	(134,739)	(77,505)		1,136,647	9.80%	16.36%
												76,039,018	(14,489,650)	61,549,368	(1,899,339)	59,650,029	33,280,603	10,714,099	7,088,832	8,566,494	6,153,724	2,064,935	(479,733)	(883,578)	(1,460,266)	(1,007,144)	(43,500)	12,910,932		

Notes:
(1) Loss, expense & combined ratio only for non-life business.
Loss Ratio: losses & loss adjustment expenses/earned premiums
Expense Ratio: commissions, brokerage & other underwriting expenses/earned premiums
Combined Ratio: Loss Ratio + Expense Ratio
(2) Return on Equity = Net Income / Average of CY Capital & Surplus and PY Capital & Surplus.
(3) Return on Revenue is calculated: (Net Income-Tax Benefit-Realized Capital G/L-Change in URGL) / (Premium Earned+Investment Income Earned+Other Income/Expense)
(4) Loss ratio (5 year average) = sum of loss and LAE (five years) / sum of premiums earned (5 years). For those respondents that provided less than five years of data, the average has been calculated over the number of periods provided.
(5) All Everest Re Group, Ltd. financial information provided in this report is unaudited.
(6) Hiscox Ltd. income statement translated from GBP to USD using average rate of 1.5847 for the relevant year.
(7) Hiscox Ltd. expense ratio and combined ratio excluding FX impact is 42.3% and 82.1%, respectively.
(8) Catlin's net income is net of preference share dividend of $43.5m
(9) Catlin's reported return on equity is 13.44% as opening equity is used in their calculation.
(10) Argo's Net Premiums Earned figure includes Other Reinsurance-Related Expenses.
(11) AXIS Capital Holdings Ltd.'s expense and combined ratios per the 10-K are 33.4% and 91.0% for 2013 and 34.8% and 96.2% for 2012, which include corporate expenses of $90.3m and $129.7m for 2013 and 2012 respectively.
(12) Aspen's Return on Equity is 10.6% per their 10-K; calculated using the weighted average method.
(13) Hiscox Ltd. Return on Equity is 19.3M per their coporate highlights and is based on weighted average capital with the opening capital adjusted for dividends and return of capital.

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