

BIQ

April 2006

BERMUDA INSURANCE QUARTERLY

© 2006 Bermuda Media
in association with

PRICEWATERHOUSECOOPERS 

YEAR-END RESULTS & ANALYSIS

Q4

11

FLAGSTONE OFF TO A FLYER

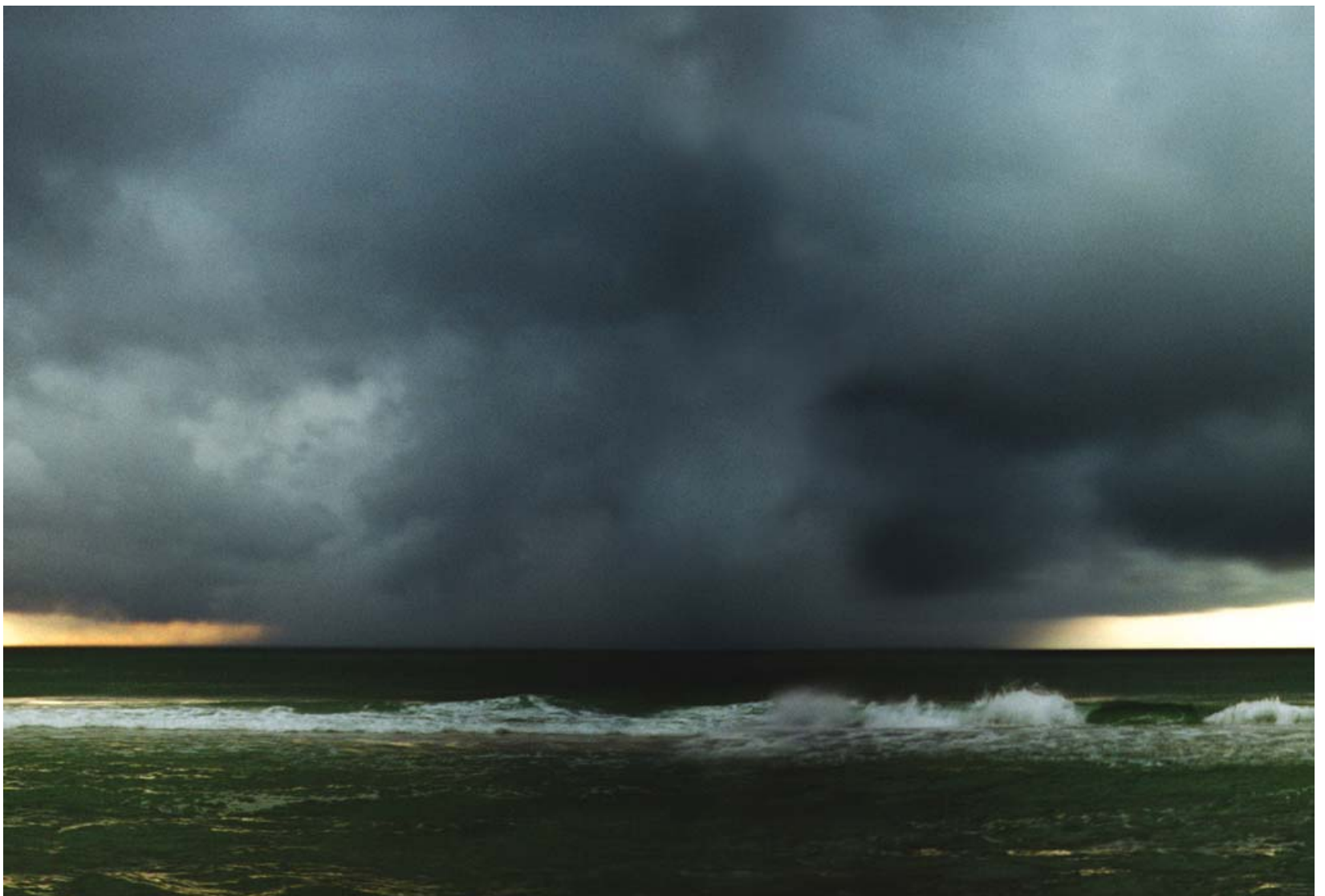


15

LONDON CALLING TRUCE?



17



AFTER LAST YEAR'S MUDDLES, what hope is there for this year's new and (hopefully) improved hurricane models? Hemant Shah of Risk Management Solutions says lessons have been learned but he adds that some clients remain better than others at comprehending modelling results. **Page 19**

OPERATING RATIOS

ANNUAL LOSS RATIOS

	2005	2004	2003
ACE	74.5%	70.7%	64.6%
Arch	67.2%	64.4%	63.9%
Aspen	90.1%	58.7%	52.7%
AWAC	105.7%	76.5%	65.3%
Axis	80.3%	61.4%	51.1%
Endurance	95.8%	57.4%	56.5%
Everest Re	94.0%	74.4%	69.6%
IPC	237.0%	60.8%	18.2%
Max Re	98.0%	74.5%	74.5%
Montpelier	178.0%	51.4%	23.3%
PartnerRe	86.9%	65.4%	65.6%
Platinum	87.8%	70.4%	54.7%
PXRE	260.5%	73.5%	49.4%
Renaissance Re	116.6%	81.9%	33.0%
White Mtn	75.2%	67.8%	68.1%
XL Capital	107.1%	68.6%	75.3%

ANNUAL EXPENSE RATIOS

	2005	2004	2003
ACE	25.1%	25.9%	26.4%
Arch	28.6%	27.7%	26.1%
Aspen	27.1%	24.7%	25.3%
AWAC	18.7%	19.4%	19.6%
Axis	21.5%	23.0%	22.5%
Endurance	27.7%	28.4%	28.2%
Everest Re	26.2%	24.5%	25.4%
IPC	14.3%	17.1%	16.7%
Max Re	12.7%	18.7%	25.3%
Montpelier	22.7%	26.4%	27.0%
PartnerRe	29.0%	28.9%	27.7%
Platinum	26.7%	26.3%	30.0%
PXRE	21.9%	24.5%	25.3%
Renaissance Re	23.1%	22.5%	23.4%
White Mtn	36.4%	42.3%	38.7%
XL Capital	25.8%	27.4%	27.3%

ANNUAL COMBINED RATIOS

	2005	2004	2003
ACE	99.6%	96.6%	91.0%
Arch	95.8%	92.1%	90.0%
Aspen	117.2%	83.4%	78.0%
AWAC	124.4%	95.9%	84.9%
Axis	101.8%	84.4%	73.6%
Endurance	123.5%	85.8%	84.7%
Everest Re	120.2%	98.8%	95.0%
IPC	251.3%	77.9%	34.9%
Max Re	110.8%	93.2%	99.8%
Montpelier	200.7%	77.8%	50.3%
PartnerRe	115.9%	94.3%	93.3%
Platinum	114.5%	96.7%	84.7%
PXRE	282.4%	98.0%	74.7%
Renaissance Re	139.7%	104.4%	56.4%
White Mtn	111.7%	110.2%	106.8%
XL Capital	132.9%	96.0%	102.6%

INSURANCE RATINGS

A M BEST RATING

Mar 15, 2006 Nov 30, 2005

S&P RATING

Mar 15, 2006 Nov 30, 2005

	Mar 15, 2006	Nov 30, 2005	Mar 15, 2006	Nov 30, 2005
ACE	A+	A+	A+	A+
Arch	A-	A-	A-	NR
Aspen	A-	A-	A	A
AWAC	A	A	NR	NR
Axis	A	A	A	A
Endurance	A-	A-	A-	A-
Everest Re	A+	A+	AA-	AA-
IPC	A	A	A	A
Max Re	A-	A-	NR	NR
Montpelier	A-	A-	A-	A-
PartnerRe	A+	A+	AA-	AA-
Platinum	A	A	NR	NR
PXRE	B++	A-	BBB-	A-
Renaissance Re	A	A	A+	A+
White Mtn	A	A	A-	A-
XL Capital	A+	A+	A+	A+

Notes: NR - Not rated by S&P

ANALYSIS / PRICEWATERHOUSECOOPERS

Looking back, looking forward

2006 renewals

● Strong rate increases were seen at January 1, 2006 in business lines and geographic areas affected by the recent storms, and continue to be seen in peak zones. Rate increases in other areas were less than expected. The market is, however, expected to continue to harden throughout 2006. The impact of start-ups was generally seen as positive as aggregation constraints from existing players had caused an excess of demand over supply in peak zones.

Earnings

● Bermuda reinsurers have been hard hit by hurricanes and almost all reported losses for the year.
 ● The aggregate combined ratio for the group was 140.2% in 2005; it was 92.8% in 2004 (which itself included the impact of four hurricanes). The combined ratios reported by the Reinsurance Association of America were 129.3% and 104.8% in 2005 and 2004 respectively.
 ● Monoline property catastrophe companies (PXRE, Montpelier and

IPC) were especially affected.

● XL Capital's earnings were additionally impacted by a significant arbitration result.

Ratings

● Both A M Best and S&P maintained a negative outlook on the reinsurance market. They also adjusted their capital adequacy models due to the increasing frequency and severity of natural catastrophes. Several Bermuda companies had ratings downgrades or negative watches. Quanta and PXRE's ratings went below "A-".

Capital-raising activities

● Following Hurricane Katrina, the established Bermuda reinsurers raised approximately \$9.7 billion in new capital. Start-ups and sidecars raised about \$8.7 billion.

New entrants

● Start-ups generally were capitalised very late in the year and had less impact on the renewal season than expected.

ANNUAL GROSS PREMIUMS WRITTEN \$M

	2005	2004	2003
ACE	16,811	16,094	14,630
Arch	4,015	3,668	3,226
Aspen	2,093	1,586	1,307
AWAC	1,560	1,708	1,574
Axis	3,394	3,012	2,274
Endurance	1,669	1,711	1,602
Everest Re	4,109	4,709	4,574
IPC	472	378	323
Max Re	1,246	1,044	1,010
Montpelier	979	837	810
PartnerRe	3,665	3,888	3,625
Platinum	1,765	1,660	1,198
PXRE	542	346	339
Renaissance Re	1,809	1,544	1,382
White Mtn	4,602	4,792	3,823
XL Capital	11,849	11,092	9,706

ANNUAL NET PREMIUMS EARNED \$M

	2005	2004	2003
ACE	11,748	11,110	9,727
Arch	2,978	2,916	2,213
Aspen	1,508	1,233	812
AWAC	1,272	1,325	1,167
Axis	2,554	2,028	1,436
Endurance	1,724	1,633	1,174
Everest Re	3,963	4,425	3,738
IPC	453	355	299
Max Re	1,039	918	727
Montpelier	848	788	705
PartnerRe	3,599	3,734	3,503
Platinum	1,715	1,448	1,068
PXRE	388	308	321
Renaissance Re	1,403	1,338	1,116
White Mtn	3,799	3,821	3,138
XL Capital	9,366	8,582	6,994

QUARTERLY EARNINGS (LOSS) DATA

	Net income (loss) attributable to common shareholders (\$m)			Fully diluted earnings (loss) per share (\$)		
	Q4 2005	Q4 2004	Q4 2003	Q4 2005	Q4 2004	Q4 2003
ACE	236	278	445	0.69	0.93	1.61
Arch	101	107	84	1.34	1.45	1.22
Aspen	30	72	55	0.33	1.01	0.88
AWAC	(24)	103	87	(0.08)	0.68	0.58
Axis	233	181	160	1.47	1.09	0.97
Endurance	(52)	113	89	(0.80)	1.71	1.31
Everest Re	(162)	93	30	(2.63)	1.64	2.15
IPC	(75)	9	65	(1.28)	0.18	1.35
Max Re	(11)	87	36	(0.20)	1.82	0.76
Montpelier	(61)	102	100	(0.68)	1.53	1.46
PartnerRe	(42)	137	100	(0.76)	2.54	1.84
Platinum	(103)	50	50	(1.94)	1.03	1.03
PXRE	(448)	29	24	(8.45)	1.09	1.14
Renaissance Re	(210)	191	160	(2.97)	2.66	2.25
White Mtn	33	165	196	2.82	13.48	5.75
XL Capital	(822)	288	(315)	(5.51)	2.07	(2.29)

ANNUAL EARNINGS DATA

	Net income (loss) attributable to common shareholders (\$m)			Fully diluted earnings (loss) per share (\$)		
	2005	2004	2003	2005	2004	2003
ACE	1,028	1,153	1,482	3.31	3.88	5.25
Arch	256	317	281	3.43	4.37	4.14
Aspen	(178)	195	152	(2.40)	2.74	2.56
AWAC	(160)	197	288	(1.05)	1.30	1.92
Axis	90	495	532	0.57	2.98	3.42
Endurance	(223)	356	263	(3.60)	5.28	4.00
Everest Re	(219)	495	426	(3.79)	8.71	7.74
IPC	(626)	139	261	(12.30)	2.87	5.40
Max Re	7	134	121	0.13	2.75	2.84
Montpelier	(753)	240	407	(10.49)	3.55	6.05
PartnerRe	(86)	471	438	(1.56)	8.71	8.13
Platinum	(138)	85	145	(3.01)	1.81	3.09
PXRE	(705)	9	84	(21.65)	0.82	4.10
Renaissance Re	(281)	133	606	(3.99)	1.85	8.53
White Mtn	290	419	281	26.56	39.92	23.63
XL Capital	(1,292)	1,126	372	(9.14)	8.13	2.69

COMPARISON OF BOOK VALUE & MARKET VALUE PER SHARE (\$)

	DEC 31, 2005		DEC 31, 2004		DEC 31, 2003	
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
ACE	36.53	53.44	34.61	42.75	31.56	41.42
Arch	33.82	54.75	64.23	38.70	60.66	39.86
Aspen	21.42	23.67	21.37	24.52	22.47	24.45
AWAC	9.44	n/a	14.21	n/a	13.15	n/a
Axis	23.59	31.28	21.20	27.36	18.48	29.28
Endurance	28.31	35.85	30.40	34.20	25.74	33.55
Everest Re	64.08	100.35	66.06	89.56	56.82	84.60
IPC	25.39	27.38	34.47	43.51	32.49	38.90
Max Re	20.69	25.95	20.45	21.31	17.82	22.50
Montpelier	11.86	18.90	28.20	38.45	26.15	36.70
PartnerRe	54.52	65.67	61.10	61.94	48.28	58.05
Platinum	26.05	31.07	26.30	31.10	24.79	30.00
PXRE	6.44	12.96	33.98	25.21	42.44	23.57
Renaissance Re	31.51	44.11	37.22	52.08	33.16	49.05
White Mtn	355.61	558.55	360.53	646.00	330.76	459.95
XL Capital	47.19	67.38	55.70	77.65	50.51	77.55

Note: Book value has been calculated by dividing shareholders' equity at Dec 31 by shares outstanding at Dec 31

2005 HURRICANE LOSSES \$M (at March 15, 2006)

	KATRINA	RITA	WILMA	TOTAL
ACE	597	156	250	1,003
Arch	172	48	50	270
Aspen	442	60	28	530
AWAC	215	75	83	373
Axis	575	280	100	955
Endurance	485	90	115	690
Everest Re	584	48	230	862
IPC	616	84	113	813
Max Re	99	13	40	152
Montpelier	809	141	69	1,019
PartnerRe	511	88	174	773
Platinum	235	40	135	410
PXRE	487	67	130	684
Renaissance Re	504	69	314	887
White Mtn	202	37	37	276
XL Capital	628	145	247	1,020