

# BIQ

October 2006

## BERMUDA INSURANCE QUARTERLY

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PRICEWATERHOUSECOOPERS 

ALL THE  
RESULTS &  
ANALYSIS

Q2 <sup>11</sup>

PROBING  
THE D&O  
MARKET



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COMING IN  
FROM THE  
COLD...



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## ALL QUIET ON THE WEATHER FRONT

...in the first half of the year, at least — and Bermuda's reinsurers reaped their just rewards (page 12) while the Bermuda market continued its rise beyond mere significance to the long-term possibility of dominance (page 1). The view, by the way, is of Achilles Bay, only a few short miles from where we all work

## OPERATING RATIOS

### QUARTERLY LOSS RATIOS

	Q2 2006	Q2 2005	Q2 2004
ACE	61.6%	64.4%	63.2%
Arch	58.0%	60.0%	60.4%
Aspen	52.2%	49.6%	42.6%
AWAC	58.9%	67.5%	65.2%
Axis	54.8%	51.7%	53.0%
Endurance	66.3%	52.3%	47.8%
Everest Re	60.9%	63.2%	67.3%
IPC	13.3%	28.1%	6.2%
Max Re	72.2%	71.9%	78.7%
Montpelier	43.2%	35.9%	20.7%
PartnerRe	61.4%	60.7%	64.9%
Platinum	55.6%	55.8%	60.9%
Renaissance Re	48.1%	32.1%	35.1%
White Mtn	80.1%	60.4%	62.5%
XL Capital	62.0%	72.0%	73.7%

### QUARTERLY EXPENSE RATIOS

	Q2 2006	Q2 2005	Q2 2004
ACE	26.6%	25.8%	25.5%
Arch	28.3%	29.3%	27.4%
Aspen	29.4%	27.0%	27.9%
AWAC	19.3%	18.8%	20.3%
Axis	23.5%	22.8%	22.3%
Endurance	30.5%	29.6%	29.1%
Everest Re	26.8%	28.1%	24.2%
IPC	17.7%	16.3%	17.9%
Max Re	17.2%	14.9%	25.1%
Montpelier	29.7%	28.7%	30.3%
PartnerRe	28.9%	28.7%	30.9%
Platinum	27.9%	28.4%	25.0%
Renaissance Re	24.1%	20.4%	23.4%
White Mtn	34.9%	39.7%	36.5%
XL Capital	28.0%	25.9%	20.8%

### QUARTERLY COMBINED RATIOS

	Q2 2006	Q2 2005	Q2 2004
ACE	88.2%	90.2%	88.7%
Arch	86.3%	89.3%	87.8%
Aspen	81.6%	76.6%	70.6%
AWAC	78.2%	86.3%	85.5%
Axis	78.3%	74.5%	75.3%
Endurance	96.8%	81.9%	76.9%
Everest Re	87.7%	91.3%	91.5%
IPC	31.0%	44.4%	24.2%
Max Re	89.4%	86.8%	103.9%
Montpelier	72.9%	64.6%	51.0%
PartnerRe	90.3%	89.4%	95.8%
Platinum	83.5%	84.2%	85.9%
Renaissance Re	72.2%	52.5%	58.5%
White Mtn	115.0%	100.1%	99.0%
XL Capital	90.0%	97.9%	94.5%

## INSURANCE RATINGS

### A M BEST RATING

June 30, 2006 Sept 1, 2006

### S&P RATING

June 30, 2006 Sept 1, 2006

	June 30, 2006	Sept 1, 2006	June 30, 2006	Sept 1, 2006
ACE	A+	A+	A+	A+
Arch	A-	A-	A-	A-
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
Renaissance Re	A	A	A+	A+
White Mtn	NR3	NR3	A-	A-
XL Capital	A+	A+	A+	A+

Notes: NR3 — Not rated by A M Best NR — Not rated by S&P

## Q2 ANALYSIS / PRICewaterhouseCOOPERS

# Calm before the expected storms

### Renewals

- Dramatically increased pricing in property cover for wind-exposed regions but rates in other markets are more competitive as reinsurers try to diversify exposures.
- Renewals have shown a trend towards conversion of quota share cover into excess of loss/straight-forward catastrophe cover.
- Renewals have also shown an increase in the use of industry loss warranty (ILW) contracts, which link the cedant's coverage to the overall industry losses for a particular event.
- A combination of sidecars and cat bonds successfully introduced new capacity to the market to try to meet the demand in peak zones.

### Earnings

- Many of the companies' earnings exceeded their estimates despite premium numbers being flat or even down on prior years.
- A large fall in premium income at XL was due to a \$1.8 billion life transaction in the 2005 period.

● Combined ratios were all below 100% for the quarter except for White Mountains, which saw deterioration in its losses for KRW. White Mountains cedes a large part of this business to Olympus Re.

- Other companies with increases in KRW estimates generally had offsetting favourable prior year development in other lines.
- Once again, in the run-up to the expected high activity of the hurricane season in the third quarter, Q2 had low catastrophe losses.
- Although interest rates are low, net income has been bolstered by overall higher net investment income for the group, resulting from a build-up in invested assets. However, in order to meet return on equity (ROE) targets going forward, underwriting results will be under pressure.

### Ratings

- No rating actions in the quarter.
- Both A M Best and S&P maintain a negative outlook for the reinsurance market in general.

## GROSS PREMIUMS WRITTEN \$M

	Q2 2006	Q2 2005	Q2 2004
ACE	4,583	4,213	4,042
Arch	1,136	941	816
Aspen	522	549	380
AWAC	518	442	483
Axis	995	767	629
Endurance	451	403	351
Everest Re	910	1,109	1,085
IPC	120	87	73
Max Re	284	245	184
Montpelier	296	276	210
PartnerRe	818	767	842
Platinum	330	429	331
Renaissance Re	743	443	327
White Mtn	1,094	1,097	1,300
XL Capital	2,296	3,966	3,219

## NET PREMIUMS EARNED \$M

	Q2 2006	Q2 2005	Q2 2004
ACE	2,906	2,921	2,782
Arch	797	740	723
Aspen	429	395	327
AWAC	306	332	333
Axis	679	624	486
Endurance	407	438	396
Everest Re	893	1,093	1,004
IPC	101	87	78
Max Re	199	192	172
Montpelier	151	227	194
PartnerRe	859	880	955
Platinum	337	431	311
Renaissance Re	431	339	349
White Mtn	954	943	997
XL Capital	1,985	3,713	2,858

## QUARTERLY EARNINGS DATA

	Net income attributable to common shareholders (\$m)			Fully diluted earnings per share (\$)		
	Q2 2006	Q2 2005	Q2 2004	Q2 2006	Q2 2005	Q2 2004
ACE	573	467	423	1.72	1.58	1.41
Arch	138	126	104	1.81	1.69	1.42
Aspen	102	84	81	1.01	1.16	1.13
AWAC	102	72	69	2.02	1.41	1.35
Axis	223	173	141	1.37	1.13	0.84
Endurance	60	110	115	0.85	1.67	1.69
Everest Re	220	194	264	3.38	3.40	4.64
IPC	104	64	74	1.50	1.32	1.53
Max Re	17	23	13	0.27	0.47	0.26
Montpelier	58	109	107	0.63	1.62	1.57
PartnerRe	69	151	115	1.20	2.72	2.12
Platinum	79	68	50	1.24	1.39	1.01
Renaissance Re	130	172	121	1.81	2.39	1.62
White Mtn	116	147	169	10.72	13.64	16.45
XL Capital	377	136	364	2.10	0.97	2.62

## CUMULATIVE YTD EARNINGS DATA

	Net income attributable to common shareholders (\$m)			Fully diluted earnings per share (\$)		
	2006	2005	2004	2006	2005	2004
ACE	1,062	904	871	3.18	2.98	2.98
Arch	267	242	192	3.52	3.26	2.69
Aspen	164	154	166	1.61	2.13	2.31
AWAC	200	136	159	3.96	2.68	3.09
Axis	419	955	308	2.56	1.84	1.84
Endurance	163	206	216	2.29	3.11	3.16
Everest Re	389	361	390	5.96	6.33	6.86
IPC	163	108	148	2.36	2.23	3.06
Max Re	90	61	56	1.42	1.22	1.13
Montpelier	97	183	216	1.07	2.73	3.16
PartnerRe	254	254	256	4.40	4.56	4.71
Platinum	154	141	105	2.40	2.88	2.12
Renaissance Re	309	216	290	4.31	3.00	4.05
White Mtn	212	323	264	19.61	29.94	25.93
XL Capital	836	579	836	4.64	4.14	5.88

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

	Q2 2006		Q2 2005		Q2 2004	
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
ACE	38.31	50.59	36.45	44.85	32.50	42.28
Arch	40.79	59.35	70.99	45.05	60.73	39.88
Aspen	22.62	23.29	23.19	27.56	21.01	23.23
AWAC	31.20	n/a	35.03	n/a	41.40	n/a
Axis	25.49	28.61	22.51	28.30	19.95	28.00
Endurance	29.30	32.00	33.16	37.82	27.93	34.80
Everest Re	67.47	86.57	72.37	93.00	59.98	80.36
IPC	27.34	24.66	35.97	39.62	34.53	36.93
Max Re	20.39	21.84	22.23	22.90	18.06	19.48
Montpelier	11.64	17.29	23.10	34.58	28.34	34.95
PartnerRe	56.51	64.05	63.72	64.42	50.55	56.73
Platinum	27.52	27.98	29.32	31.82	26.29	30.34
Renaissance Re	35.36	48.46	39.99	49.24	40.20	53.95
White Mtn	358.47	487.00	379.78	630.90	326.22	510.00
XL Capital	47.38	61.30	59.63	74.42	51.14	75.46

Book value is calculated as shareholders' equity divided by shares outstanding at June 30.

## SHAREHOLDERS' EQUITY (\$M)

	Q2 2006	Q2 2005	Q2 2004
ACE	12,466	10,499	9,216
Arch	3,016	2,503	2,038
Aspen	2,154	1,608	1,454
AWAC	1,565	1,757	2,077
Axis	3,819	3,167	3,043
Endurance	1,937	1,987	1,731
Everest Re	4,379	4,082	3,365
IPC	1,741	1,743	1,671
Max Re	1,212	1,025	826
Montpelier	1,256	1,463	1,764
PartnerRe	3,210	3,482	2,714
Platinum	1,639	1,273	1,138
Renaissance Re	2,539	2,823	2,801
White Mtn	3,864	4,092	3,513
XL Capital	8,547	8,372	7,077