BIQ

January 2007

BERMUDA INSURANCE QUARTERLY

in association with
PRICEWATERHOUSECOOPERS

ALL THE RESULTS & ANALYSIS

Q3

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BERMUDA'S BENEFITS CLARIFIED

1, 15

MARKEY MAKES HIS MARK

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JUST DON'T COUNT ON IT...

It seems that fiscal 2006 is heading to be one of the better years on record for the Bermuda re/insurance industry but the spectre of harder (or rather softer) times to come is there for all to see, according to Fitch. And that's not even including the weather in the equation. For sure, nature will claw back all 2006's profits and more — the only question is when. *Pages 8, 11*

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BIQ

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THE QUOTES OF THE QUARTER

"We currently expect the demand for capacity to continue into 2007 and our priorities remain clear: maintaining a focused and disciplined approach to underwriting that enables us to achieve superior long-term results."
— RenaissanceRe CEO Neill Currie following a record Q3

"Another very strong quarter, bringing year-to-date diluted book value accretion to 17%. We have achieved disciplined growth in net premiums written of 10% during the same period with a substantially strengthened underwriting portfolio."
— John Charman, President & CEO, AXIS Capital

"The positive effect of the lack of catastrophe activity only added to what was already a very good quarter of operating performance. Our P&C combined ratio was 85.7% while return on equity was 20.6%. We had record growth in book value of more than $1 billion. Our organisation is in great shape."
— Evan Greenberg, President & CEO of ACE

"Our [record] results benefited from strong pricing and lower than expected [catastrophe] losses. We … believe our portfolio has the potential to continue generating attractive returns."
— Kenneth LeStrange, Chairman & CEO, Endurance

"We are energised by the company's performance and our successful capital raising initiatives … which now allow us to support our business with almost $2.6 billion in capital and an invested asset base in excess of $5.8 billion."
— AWAC President & CEO Scott Carmilani

"While we expect market conditions to remain generally attractive in 2007, we anticipate that rates will decline in certain of our product lines. We therefore expect gross written premiums to be approximately $1.9 billion plus or minus 5%."
— Aspen CEO Chris O'Kane

An oasis for the global nomad

GUEST OPINION: WHERE BERMUDA FITS INTO THE FUTURE OF (RE)INSURANCE, ACCORDING TO S&P

Flexible and creative corporate structures that utilise offshore bases like Bermuda are likely to hold the key to success in the re/insurance industry.

In a report entitled *The Rise of the (Re)Insurance Nomad*, rating agency Standard & Poor's said the relationship between major centres like Bermuda and London is likely to become more symbiotic as companies seek to cater to increasingly transient clients and investors.

It said recent start-ups had shown that there were market gains to be made by managing businesses with a global, rather than local, mindset and added that it believed corporate structures would have "a significant impact on whether competitive positions thrive or fail. Success will come to businesses designed to have the nimbleness imaginative executive teams require as they seek to manage their way through underwriting cycles and the international movement of business, and appeal to increasingly demanding and transient capital providers.

"These groups, the 'global nomads', will have electronic trading capability, flexible and reversible physical infrastructure, senior management teams willing to travel and relocate, and will use well-controlled outsourcing arrangements."

While Bermuda remained attractive for start-ups and their holding companies, S&P noted that few write business exclusively from the island as it cannot always offer a high level of diversity. Instead, capital needs to be deployed overseas to work effectively and the report pointed out that Bermuda's Class of 2001 start-ups such as Arch, AXIS, Aspen and Endurance were examples of companies that operate in Bermuda, North America and Europe across a broad range of business lines.

"Executives recognise that their organisations are best served if they can benefit from all the advantages common to London and Bermuda combined, rather than in just one of the two centres," the report stated, adding that the recent moves of Catlin, Amlin and Hiscox to Bermuda "will by no means be the last traditional London-based organisations to consider such changes".

The report added that the establishment of sidecar vehicles — quota-share arrangements designed to reduce underwriting volatility — will also be likely to remain popular, provided the moves are clearly explained to client and broker, that clients don't lose out from a financial strength perspective and that the offshore domiciles used are credible from a regulatory standpoint.

> 'Organisations are best served if they can benefit from all the advantages common to London and Bermuda combined…'

But it warned there were limits. The UK Financial Services Authority may limit the size of quota shares and "groups should be careful not to over-expose a Bermudian subsidiary's balance sheet to catastrophe risk — a painful lesson learned by some following the 2005 hurricanes. It may not be possible to plug a hole caused by a disproportionate catastrophe loss from existing resources."

In the immediate future, S&P sees increasing competition for London and Bermuda from Dublin and Cayman. It concludes: "Bermuda's logistical problems are well known. Furthermore, in a world of growing supervisory convergence, Bermuda has to respond to the standards being laid down by the International Association of Insurance Supervisors."

Bermuda fights back

EXPLAINING WHAT AMERICA NEEDS TO KNOW ABOUT OUR KEY ROLE

"I think it would be wise to establish a legal-defence fund for my kids while they're still young."

A Bermuda Government delegation will travel to Washington soon to head off a possible tax threat to the island's international business sector. The Government is concerned about the recent mid-term election gains by the Democrats, who have led complaints about US companies avoiding tax responsibilities by having headquarters in low-tax offshore jurisdictions like Bermuda.

According to *The Royal Gazette* here, a grassroots campaign led by Hawaii Democrat John Lundin to bring an end to such arrangements is gathering support. "The threat of legislation being drawn up that would blow apart the advantages enjoyed by major insurance and reinsurance companies on the island is being taken seriously by Government," claimed the *Gazette*.

As such, Finance Minister Paula Cox is arranging meetings with various representatives in Washington while the Association of Bermuda Insurers & Reinsurers plans to step up counter-lobbying in the US.

ABIR President Bradley Kading said Bermuda provides 40% of the catastrophe insurance coverage for Florida and Bermuda-based insurance companies paid out $15 billion in claims generated by the hurricanes of 2005, representing 29% of total claims that year.

"They are huge contributors to the Florida property market's needs. Anything that is anti-Bermuda tax treatment cuts into the benefits that Florida receives," he told the *Gazette*, adding that ABIR's 22 Class Four insurance and reinsurance member companies are "home-grown Bermuda companies that were started in Bermuda".

He pointed out: "They operate under Bermuda underwriting entities, US underwriting entities and European underwriting entities. They are not 'escapees' from the US. They pay taxes in the jurisdictions in which they derive income."

'High end' faces tighter controls

A new regulatory model for Bermuda's reinsurers is taking shape, according to Jeremy Cox, Supervisor of Insurance at the Bermuda Monetary Authority. Mr Cox said Bermuda was committed to "ramping up our supervision, especially at the high end", to bring it in line with standards being set by the International Association of Insurance Supervisors. He stated: "Two-and-a-half years ago we started on-site supervision and we have a new capital adequacy regime for primarily Class Four and some Class Three companies. PricewaterhouseCoopers is beginning work with the BMA to look at introducing a Bermuda risk-based capital model. We hope this will be in place … for companies to start filing in 2007."

Jeremy Cox

Mr Cox also mentioned that the BMA is going to overhaul its review system of new companies by bringing the entire process in-house. At present, the BMA works in partnership with industry professionals.

XL CFO to retire

Jerry de St Paer, XL Capital CFO since 2001, will retire this year. According to an SEC filing, Mr de St Paer hasn't set a departure date and will assist XL with transition matters.

See also "People", page 20

Catlin buys Wellington

Catlin Group, the Bermuda-based international specialist property and casualty insurer and reinsurer, has agreed to buy London insurer Wellington Underwriting for $1.22 billion. The takeover will create the largest syndicate on the Lloyd's insurance market with gross premiums of about $2.4 billion.

Stephen Catlin, 52, will be CEO of the enlarged company, which anticipates cost savings of $70 million in 2008. The move will also accelerate Catlin's expansion plans in the US, it is claimed.

Catlin, one of the first Lloyd's insurers to set up headquarters in Bermuda, includes a Bermuda property and casualty insurer and a unit at Lloyd's that insures professional indemnity, cargo ships, aviation and satellites.

Meanwhile, Catlin is to receive catastrophe protection as a result of a $200.2 million multi-peril cat bond. The innovative three-year bond — the first cat bond rated AA by Standard & Poor's — complements protection Catlin purchases through the traditional reinsurance marketplace. It will offer coverage in the event of a series of severe natural catastrophes on an aggregate basis. The bond's issuer is Cayman Island-based Bay Haven, a special purposes vehicle established for the deal.

ASPEN OUTLOOK

Aspen Holdings expects to write about $1.9 billion gross written premiums in 2007 but will cut "significantly" the amount of retrocession it buys. CEO Chris O'Kane said: "We currently expect to cede only 6 to 10% of our gross written premiums. We expect the reduction in our retrocessional expense and other changes in our underwriting portfolio to result in an improvement in our net underwriting margins. We currently expect that our combined ratio will be in the range of 83 to 88%, assuming no major losses or prior year reserve movements."

Mr O'Kane anticipated investment income of $230 million to $250 million, and implied return on equity of between 16 and 20% for the year. Aspen has also approved buying back up to $300 million of its shares over the next two years, and it has launched a public offering of $200 million of a new series of its perpetual non-cumulative preference shares.

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FLAGSTONE IPO

Flagstone Reinsurance Holdings is the latest of the "Class of 2005" Bermuda reinsurers to go public after registering a $175 million initial public offering. Flagstone, formed in December 2005, made a filing with the SEC in late October 2006. The company, whose Chairman is West End Capital management chief Mark Byrne and whose CEO is former Centre Solutions head David Brown, writes property, property catastrophe and short-tail specialty and casualty reinsurance. Flagstone said it will use the proceeds to increase its underwriting capacity as well as general corporate purposes.

Flagstone's prospectus also revealed its "unique" operating structure. While its main underwriting office is in Bermuda, data centre and back office work is carried out in Halifax, Nova Scotia and some catastrophe modelling and risk analysis is done in Hyderabad. The company is also building up a separate European underwriting platform in Switzerland while its international reinsurance marketing is carried out in London.

Another Bermuda-based reinsurer, White Mountains, is to float its subsidiary OneBeacon Insurance Group with a $600 million IPO of common shares.

David Brown: revealing Flagstone's far-flung empire

Three Bs or not to be?

You won't find any Bermuda reinsurance executives agreeing, but rating agency Standard & Poor's still reckons a BBB rating is worth having. At its recent Bermuda conference, S&P's Director Laline Carvalho declared: "We have never suggested that a BBB+ company cannot succeed. We think they can over a period of time. The idea that you have to have at least an A– rating is a market view that has developed. S&P has always argued — admittedly unsuccessfully — that a BBB company is viable. Converium has done so."

Pete Thomas of Willis Re countered that Bermuda companies Quanta and PXRE lost as much as 50% of their business when they were downgraded in 2006, adding: "If … you don't have an A– rating, you're toast." Aon (Bermuda) Chairman Paul Markey agreed: "Our business just won't tolerate any lowering of that benchmark."

ACE in Bahrain

Bermuda-based ACE has formed a new Middle East and North Africa regional office in Bahrain. It will manage ACE's existing business in Saudi Arabia, Egypt and Pakistan as well as new markets in the region. Aside from building on ACE's involvement in a number of oil, petrochemical and energy interests, office head Giles Ward said the objective is to provide the region with access to ACE's D&O liability, professional indemnity and other products.

Cayman move

Bermuda-based XL Capital has set up Stoneheath Re, a Cayman-based vehicle to provide reinsurance for certain XL operating entities.

AWAC expansion announced

Bermuda-based reinsurer Allied World Assurance Company Holdings is expanding into the primary professional liability market. Its subsidiaries, Allied World Assurance Company (US) and Newmarket Underwriters Insurance Company, will begin underwriting primary miscellaneous professional liability coverage through independent errors and omissions expert Specialty Global Insurance Services.

AWAC President & CEO Scott Carmilani said: "Our relationship with Specialty Global provides us with significant expertise to develop our distribution and increase our penetration into key professional liability segments."

Specialty Global will focus initially on errors and omissions for a broad spectrum of service-orientated businesses including technology and Internet firms, management consultants, associations, marketing and media service companies, and miscellaneous service providers. Business will be written in all 50 US states through surplus lines brokers on a non-admitted basis with primary or excess limit capacity of $5 million. Accounts with annual revenues up to $250 million will be targeted.

Ariel backed

A M Best has affirmed its financial strength rating of A– and issuer credit rating of a– for Bermuda-based 2005 start-up Ariel Re. Best has also assigned an ICR of bbb- to Ariel Holdings (Bermuda). The outlook for all ratings is stable.

The affirmations reflect Ariel's "solid risk-based capitalisation and its successful first-year execution of operations within the parameters of the business plan". The ratings also take into account Ariel's ability to sustain Best's stricter risk-based capital requirements for newly-formed property catastrophe companies.

Best said its initial concerns regarding Ariel's existing infrastructure and risk management capabilities have been alleviated through system enhancements regarding pricing, exposure accumulations and claims. "The company has also successfully augmented its management and staff with the addition of seasoned personnel," added Best.

XL growth in Europe, China

Bermuda-based XL Capital has received approval for a new fully licensed European reinsurance company, XL Re Europe, based in Dublin. It has $1.5 billion capital and surplus, and Standard & Poor's has awarded it an A+ rating in line with XL's other reinsurance entities.

David Watson, previously XL Re's General Manager in London, has relocated to Dublin to become President & CEO of the new company.

Meanwhile, XL is continuing to lay the groundwork for future business in China with its executive training and development programme for China insurance regulators and executives. XL chief Brian O'Hara commented: "The programme has been a tangible first step in demonstrating our commitment."

OCIL rating drops

Standard & Poor's has lowered its financial strength rating of Bermuda-based energy industry mutual Oil Casualty Insurance Ltd to BBB+ from A–. The downgrade is partly due to concern over the narrow focus and over-reliance on reinsurance of OCIL's business model.

OCIL — one of three mutual insurance firms which, along with Oil Insurance Ltd and sEnergy Insurance Ltd, are collectively known as the OIL Group of Companies — was founded in 1986 to provide excess liability insurance to energy companies and reinsurance to energy captive insurance companies.

S&P said it considers OCIL's policy limits "relatively high in view of its relatively small net premium base and annual earnings power", and added: "The high excess nature of the policies it offers inherently exposes OCIL to significant volatility in its balance sheet and income statement."

OCIL requires that its 76 shareholder members purchase an umbrella general liability policy that provides a minimum of $25 million in limits, while the maximum limit under the policy is $150 million.

OCIL reported a loss of $36.4 million for the first nine months of 2006, compared with a profit of $17.3 million at Q3 2005. Jerry Rivers, OCIL's COO, said: "The items that they mentioned as a concern would not seem to overweigh the positive attributes of strong capital, strong reinsurance and a loyal membership base."

"Here are the numbers you wanted cooked, sir."

Flu pandemic model launched

How catastrophic would a global flu pandemic be? A new global model by Risk Management Services will give insurers a better idea.

"We are in the early days of pandemic flu risk in terms of recognition," RMS's Bill Keogh said. "It is similar to the early days of modelling terrorism — we expect a period of gradual but steady client take-up."

While the RMS model will help insurance companies assess their exposure to risks such as workers' compensation, Mr Keogh is also seeing increasing interest from *Fortune* 500 companies. "They are becoming more informed about risk management and are holding back significantly more risk from insurers than before," he said.

Bermuda profits 'benefit everyone'

With Bermuda's largest reinsurers bouncing back to record Q3 profits, it's not surprising that homeowners in storm-ravaged regions like Florida who face huge premium increases aren't sharing our enthusiasm.

But as Bradley Kading, President of the Association of Bermuda Insurers & Reinsurers, recently told a Florida newspaper, those profits are bound to be balanced out by storm losses in future years.

"Prices are based on the hurricane risk we help people protect against. After two terrible years, we are due for a profitable one," he said.

After the epic losses of 2004 and 2005, Bermuda reinsurers responded by as much as doubling reinsurance rates for insurance companies operating in Florida and other hurricane-prone states. And 2006's relatively quiet storm season has helped, too.

Said Mr Kading: "Everyone benefits from a year with low storm activity. A profitable year builds capital so that more business can be written in the future — that is very important to Florida with its continuing real estate market growth."

"For the profits of which we are about to partake, we give thanks. Amen."

Aon Re Global leads the pack

Aon Re Global is now the world's largest reinsurance brokerage, according to data compiled by *Business Insurance*. With 2,860 employees in offices around the world, including Bermuda, it posted $920 million in 2005 reinsurance brokerage revenues. Aon Re Global is the industry leader in facilitating traditional capital solutions, as well as in placing reinsurance sidecars and catastrophe bonds, according to a company statement. Aon Re Global was voted best reinsurance intermediary by readers of *Business Insurance* in 2006, and outperformed its peers in the London's Best Brokers survey by *Reactions*.

WHAT'S ON

March 11–13
Captive Insurance Company Association (CICA) International Conference
Tucson, Arizona
www.captiveassociation.com

April 29–May 3
RIMS Annual Conference
New Orleans, Louisiana
www.rims.org

May 20–24
American Association of Managing General Agents Annual Meeting
Atlantis, Paradise Island, Bahamas
www.aamga.org

JLT goes for growth

The Bermuda subsidiary of insurance broker Jardine Lloyd Thompson will become part of wholesale broker Lloyd & Partners in a corporate overhaul designed to fuel international growth. JLT will merge its two specialist broker units, JLT Risk Solutions and Agnew Higgins Pickering, to form a new specialist broker. Its reinsurance operations at Agnew Higgins will transfer to its JLT Re unit. Jardine Lloyd named JLT Risk Solutions Chairman Mark Drummond Brady as International Chairman.

"We will be able to retain and build on our very strong position in the London and international markets," said CEO Dominic Burke in the statement.

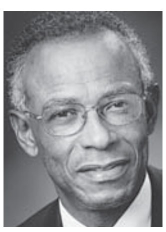
Jardine Lloyd recently agreed to sell its US employee benefits and property and casualty unit to Alliant Resources Group for $100 million. It has cut costs to compete with the UK's Benfield and larger US brokers Aon and Marsh & McLennan.

The new specialist broker will be named Jardine Lloyd Thompson. Agnew Higgins Pickering CEO Andrew Agnew was named Chairman of the unit and JLT Risk Managing Director Martin Hiller was named CEO.

The company's wholesale broker, Lloyd & Partners, will focus on the London, European and Bermudian insurance markets and assume responsibility for the company's broking unit in Bermuda.

Tremont bought

Bermuda Life Insurance Company, part of the Argus Group, has agreed in principle to acquire Bermuda-based Tremont International Insurance. Bermuda Life, which offers variable annuities and life insurance products with a focus on hedge fund investment strategies, said the Tremont deal will enhance its position as a leading offshore insurance provider in the international wealth management market.


Gerald Simons

Gerald Simons, President & CEO of Argus, stated: "We are very pleased to continue to grow our international life insurance business, a business that is not restricted by the limited size of Bermuda. With this acquisition, we believe that we are uniquely positioned to provide the highest level of service that this niche market expects."

XL restatement

XL Capital has restated cash flow figures for financial statements between 2003 and 2006 because it had incorrectly included the impact of foreign exchange rates. In a regulatory filing, XL said the restatement was required to "eliminate the impact of those rate changes on balances held in certain foreign currency denominated subsidiaries". It was made clear that the restatement has no impact on XL's balance sheet.

Lloyd's sees Bermuda bonus

Lloyd's of London is poised to reap the benefits as top UK insurers and reinsurers such as Hiscox, Amlin and Catlin redomicile in offshore locations like Bermuda. According to Rolf Tolle, Franchise Performance Director, Bermuda-bound companies are writing more business in Lloyd's than before they left.

However, he told the recent Institute of Economic Affairs insurance conference in London he was concerned that the island's regulatory environment was leading some companies to take risks.

"When people in the market say to me that it takes three days to get a company registered in Bermuda, I get scared," he said in an *ASX* news report. "I can understand companies who have higher volatility or higher return risks to need to be in Bermuda, but the capital requirements are so much higher in Bermuda. To set up there you have to have $500 million to $1 billion."

But Dermot O'Donohoe, Chief Underwriting Officer for XL Capital's Global Specialty Insurance branch, said that being in Bermuda gave companies an edge when it comes to capital requirements. "Having corporate capital supporting underwriting gives you advantages in the system," he told *ASX*. But he said the fact that Lloyd's takes care of regulatory issues was an aid to companies, too.

See also "All Reasons Great and Small", page 15

"And now at this point in the meeting I would like to shift the blame away from me and onto someone else."

WHO'S NEW IN THE BOARDROOM

Aspen Insurance Holdings has announced the appointment of three new directors — **Stuart Sinclair**, President & Chief Operating Officer of Aspen; **John Cavoores**, former President & Chief Executive Officer of OneBeacon Insurance; and **Glyn Jones**, former CEO of Thames River Capital and Gartmore Investment Management. **Allied World Assurance Company Holdings** has appointed **Philip DeFeo** as a director. Mr DeFeo is Managing Partner of Lithos Capital Partners, a private equity firm that he co-founded. Meanwhile, **AXIS Capital Holdings** has appointed **Christopher Greetham**, the recently retired Chief Investment Officer of XL Capital, to its board. **Endurance Specialty Holdings** has appointed **Gregor Bailar** to its board. Mr Bailar is the Chief Information Officer for Capital One Financial Corporation.

It's a nil wind...

...THAT BLOWS BERMUDA A WHOLE LOT OF GOOD, REPORTS CHRIS GIBBONS

After the volatility of the past two years, Bermuda's cat reinsurers could be forgiven for making a little hay while the sun shined. And as the most benign Atlantic hurricane season in a decade petered out in mid-November, executives and shareholders were certainly reaping the rewards of a very good year.

With no big disasters and flush with cash after last year's whopping premium hikes, most companies had plenty to celebrate as they reported record third-quarter profits. According to Fitch Ratings, Bermuda-based reinsurers saw their 2006 net income soar to $5 billion and their combined ratios plummet.

Fitch said the income was enough to offset 2005's total net loss by a factor of 1.7 and it added that the group's nine-month 2006 results exceeded the $4.3 billion of net income it earned in 2003, the previous recent high water mark.

"Through the first nine months of 2006, the average of the multi-line reinsurers' combined ratios declined by roughly 30 points from the prior-year period and from full-year 2005," Fitch reported. "Fitch estimates that 80% to 90% of this improvement reflects the impact of 2006's lack of catastrophe losses in comparison to 2005's record losses." The average combined ratio of property reinsurers declined by 150 points from the same nine-month period last year and by 163 points from 2005 as a whole.

However, while many companies may be looking for similar rate increases to those of the July renewals, some analysts believe increases will be modest at best as the quiet storm season leads to increased capacity.

Greater capital demands by the rating agencies and higher losses projected by the new risk models have made many reinsurers think twice about increasing their catastrophe appetite. Paul Karon, CEO of reinsurance broker Benfield's US operation, believes others are now looking to bulk up their cat business and that pricing will be around 80% of July levels.

"Capacity will be adequate as of January 1," he told *National Underwriter* during the Property Casualty Insurers' Association of America meeting in Seattle in early November. "It is amazing what no losses will do. I just got back from Bermuda, and 16 of the 17 companies I spoke to said they are going to increase capacity in some fashion."

One particular area likely to add capacity is alternative cover such as industry loss warranties, cat bonds and sidecars. Some companies are also offering reinsurance on a fully collateralised basis. The attractive returns made on such non-traditional structures in 2006 will likely spark more involvement from the capital markets, especially hedge funds. Moody's Investor Service estimates that cat bond investment doubled in 2006 to more than $4 billion.

Fitch thinks the market will be tested in 2007 and 2008 as rates are expected to soften and put pressure on earnings and the reinsurers' ability to manage the cycle. "The ability to maintain competitive positioning, risk-based capitalisation and underwriting discipline during this coming soft market will be key differentiating factors for reinsurers going forward," it said.

OPERATING RATIOS

QUARTERLY LOSS RATIOS

	Q3 2006	Q3 2005	Q3 2004
ACE	60.2%	92.5%	79.4%
Arch	58.8%	89.9%	76.4%
Aspen	54.0%	180.0%	103.3%
AWAC	56.9%	163.3%	115.0%
Axis	52.8%	167.8%	85.4%
Endurance	46.1%	177.8%	75.3%
Everest Re	57.0%	137.6%	84.4%
IPC	7.4%	412.9%	116.0%
Max Re	54.7%	131.1%	90.4%
Montpelier	28.5%	412.0%	125.5%
PartnerRe	52.1%	127.5%	70.0%
Platinum	56.4%	131.5%	100.4%
Renaissance Re	11.6%	190.2%	216.7%
White Mtn	60.7%	94.6%	79.4%
XL Capital	60.4%	154.6%	85.9%

QUARTERLY EXPENSE RATIOS

	Q3 2006	Q3 2005	Q3 2004
ACE	25.8%	24.0%	24.7%
Arch	25.5%	27.8%	27.0%
Aspen	27.0%	27.1%	22.7%
AWAC	20.0%	18.0%	17.5%
Axis	24.9%	17.6%	24.3%
Endurance	32.0%	26.6%	27.7%
Everest Re	26.1%	24.6%	24.0%
IPC	18.8%	11.3%	15.2%
Max Re	19.0%	12.5%	11.0%
Montpelier	29.8%	10.7%	19.7%
PartnerRe	29.3%	28.8%	32.9%
Platinum	28.0%	24.4%	24.4%
Renaissance Re	24.9%	25.5%	24.2%
White Mtn	34.0%	36.1%	43.3%
XL Capital	26.4%	27.6%	30.3%

QUARTERLY COMBINED RATIOS

	Q3 2006	Q3 2005	Q3 2004
ACE	86.0%	116.5%	104.1%
Arch	84.3%	117.7%	103.4%
Aspen	81.0%	207.1%	126.0%
AWAC	76.9%	181.3%	132.5%
Axis	77.7%	185.4%	109.7%
Endurance	78.1%	204.4%	103.0%
Everest Re	83.1%	162.2%	108.5%
IPC	26.2%	424.2%	131.3%
Max Re	73.7%	143.6%	101.4%
Montpelier	58.3%	422.7%	145.2%
PartnerRe	81.4%	156.3%	103.0%
Platinum	84.4%	155.9%	124.8%
Renaissance Re	36.5%	215.7%	240.9%
White Mtn	94.7%	130.7%	122.7%
XL Capital	86.8%	182.2%	116.3%

FINANCIAL STRENGTH RATINGS

	A M BEST RATING		S&P RATING	
	Nov 15, 2006	Sept 1, 2006	Nov 15, 2006	Sept 1, 2006
ACE	A+	A+	A+	A+
Arch	A–	A–	A–	A–
Aspen	A–	A–	A	A
AWAC	A	A	A–	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	A–	A–	A–	A–
XL Capital	A+	A+	A+	A+

Notes: NR — Not rated by S&P

Q3 ANALYSIS / PRICEWATERHOUSECOOPERS

Companies contemplate options over capital

Premiums

- Continued increased rates on US property cover for wind-exposed regions.
- Renewal rates for international property and other lines of business looking more competitive as reinsurers try to diversify exposures.
- Premium trends also impacted by the lack of reinstatement premiums.
- Renewals continue to show a trend for conversion of quota share cover into excess of loss/straightforward catastrophe cover.

Earnings

- All of the companies' earnings exceeded their estimates due to the low level of catastrophe losses despite premium numbers being flat or even down on prior years.
- Combined ratios were almost all below 100% for the quarter, with the largest changes from 2005 to 2006 being seen in the catastrophe specialists.
- Expense ratios generally increased in the quarter as expenses did not decrease in line with premiums.
- KRW estimates continue to creep upwards but generally saw offsetting favourable prior year development in other lines.
- Net income has been bolstered by overall higher net investment income for the group resulting from a build-up in invested assets and higher interest rates.

Ratings

- Apart from the assignment of an A– rating to AWAC by S&P following its IPO, there was no rating action during Q3.

Capital management

- Many of the companies indicated that they would be considering various capital management options at upcoming board meetings, given the strengthening of their capital bases over the year to date.

GROSS PREMIUMS WRITTEN $M

	Q3 2006	Q3 2005	Q3 2004
ACE	4,297	4,261	3,988
Arch	1,105	1,048	928
Aspen	458	494	349
AWAC	362	330	403
Axis	735	795	688
Endurance	476	371	368
Everest Re	1,048	1,081	1,217
IPC	56	166	61
Max Re	178	288	281
Montpelier	121	290	184
PartnerRe	813	780	805
Platinum	320	425	442
Renaissance Re	258	383	273
White Mtn	1,077	1,256	1,403
XL Capital	2,248	2,381	2,172

NET PREMIUMS EARNED $M

	Q3 2006	Q3 2005	Q3 2004
ACE	3,088	3,091	2,859
Arch	758	748	735
Aspen	429	379	293
AWAC	318	313	326
Axis	693	617	522
Endurance	408	441	409
Everest Re	958	959	1,140
IPC	108	207	100
Max Re	147	296	331
Montpelier	151	281	210
PartnerRe	974	915	944
Platinum	340	429	383
Renaissance Re	367	348	350
White Mtn	919	982	992
XL Capital	1,855	1,800	2,026

QUARTERLY EARNINGS DATA

	Net income (loss) attributable to common shareholders ($m)			Fully diluted earnings (loss) per share ($)		
	Q3 2006	Q3 2005	Q3 2004	Q3 2006	Q3 2005	Q3 2004
ACE	578	(112)	(4)	1.73	(0.43)	(0.03)
Arch	186	(86)	18	2.44	(2.48)	0.25
Aspen	95	(362)	(43)	0.94	(5.22)	(0.62)
AWAC	114	(283)	(65)	1.89	(5.65)	(1.26)
Axis	226	(468)	6	1.37	(3.32)	0.04
Endurance	124	(377)	27	1.74	(6.26)	0.40
Everest Re	246	(418)	11	3.76	(7.41)	0.20
IPC	111	(657)	(18)	1.60	(13.57)	(0.37)
Max Re	26	(44)	(9)	0.42	(0.96)	(0.20)
Montpelier	83	(875)	(78)	0.86	(12.16)	(1.26)
PartnerRe	227	(297)	78	3.93	(5.48)	1.46
Platinum	82	(176)	(70)	1.28	(4.02)	(1.62)
Renaissance Re	251	(287)	(348)	3.48	(4.07)	(4.97)
White Mtn	162	(66)	(10)	15.01	(6.16)	(0.94)
XL Capital	416	(1,049)	22	2.32	(7.53)	0.16

CUMULATIVE YTD EARNINGS DATA

	Net income (loss) attributable to common shareholders ($m)			Fully diluted earnings (loss) per share ($)		
	2006	2005	2004	2006	2005	2004
ACE	1,640	792	875	4.92	2.63	2.95
Arch	453	156	210	5.96	2.09	2.91
Aspen	259	(208)	123	2.55	(3.00)	1.71
AWAC	314	(68)	94	5.76	(2.94)	1.83
Axis	645	(143)	314	3.94	(1.01)	1.89
Endurance	288	(171)	242	4.03	(2.81)	3.58
Everest Re	634	(56)	402	9.71	(1.00)	7.07
IPC	273	(549)	130	3.99	(11.34)	2.69
Max Re	122	22	47	1.91	0.44	0.96
Montpelier	181	(692)	138	1.95	(10.49)	2.03
PartnerRe	481	(43)	334	8.33	(0.79)	6.17
Platinum	236	(35)	35	3.68	(0.80)	0.78
Renaissance Re	561	(71)	(58)	7.79	(1.01)	(0.84)
White Mtn	374	257	254	34.61	23.73	24.44
XL Capital	1,251	(470)	838	6.98	(3.39)	6.05

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

	Q3 2006		Q3 2005		Q3 2004	
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
ACE	41.45	54.73	35.68	47.07	33.37	40.06
Arch	45.22	63.49	66.23	49.59	61.27	38.94
Aspen	24.30	25.83	17.65	29.55	20.49	23.01
AWAC	34.75	40.40	30.18	n/a	40.92	n/a
Axis	27.61	34.69	20.29	28.51	20.22	26.00
Endurance	31.98	35.26	26.00	34.11	28.71	32.15
Everest Re	74.26	97.53	63.62	97.90	62.99	74.33
IPC	29.56	30.42	22.30	32.65	34.01	38.01
Max Re	21.74	22.96	20.69	24.79	18.54	20.00
Montpelier	12.16	19.39	12.69	24.85	26.89	36.68
PartnerRe	62.38	67.57	57.07	64.05	53.18	54.69
Platinum	29.74	30.83	24.75	29.89	25.30	29.28
Renaissance Re	38.79	55.60	35.26	43.73	35.05	51.58
White Mtn	382.07	496.96	360.40	604.00	337.61	526.00
XL Capital	52.76	68.70	484.62	68.03	53.18	73.99

Book value has been calculated by dividing shareholders' equity at September 30 by shares outstanding at September 30

SHAREHOLDERS' EQUITY ($M)

	Q3 2006	Q3 2005	Q3 2004
ACE	13,511	10,299	9,480
Arch	3,346	2,352	2,128
Aspen	2,315	1,224	1,418
AWAC	2,095	1,514	2,053
Axis	4,141	2,872	3,085
Endurance	2,117	1,558	1,771
Everest Re	4,824	3,601	3,534
IPC	1,883	1,081	1,646
Max Re	1,295	954	848
Montpelier	1,359	1,132	1,663
PartnerRe	3,545	3,085	2,821
Platinum	1,774	1,228	1,089
Renaissance Re	2,797	2,491	2,457
White Mtn	4,119	3,883	3,636
XL Capital	9,524	7,039	7,372

Be prepared...

S&P EXPLAINS CAPITAL MODEL UPDATE

Bermuda's big property/casualty insurers and reinsurers face substantially increased capital requirements under plans by rating agency Standard & Poor's to revamp its insurance capital model. S&P announced the plans at the recent Bermuda Insurance Conference, which it hosted in conjunction with PricewaterhouseCoopers. The updated model, which analyses portfolios of capital held by insurance companies, will be used to assess global life, health, property/casualty and reinsurance companies.

While the model's impact will depend on individual companies' risk profiles, S&P said that capital requirements for primary property/casualty insurers will be "increased substantially because a requirement for natural catastrophic risk is being included as a hard test".

S&P Managing Director Grace Osborne explained that the update was intended to reflect the increasing complexity in insurance and investment products and growing volatility in the insurance sector. The capital model was just one element of a broad nine-part framework S&P uses to determine insurance company ratings that also includes industry risk, competitive position, management and strategy, enterprise risk management, operating performance, investments, liquidity and financial flexibility. "These parts are analytically interconnected, and their importance and influence on a [company's] rating can differ depending on circumstances," she added.

Under the proposed changes to the capital model, a formula would be applied to each insurance company to obtain a "target capital" figure which would estimate the total amount the company needed to cover all potential risks.

In explanatory notes, S&P pointed out: "We are likely to see increased charges in an insurer's more volatile risk exposures — such as long-tail liability reserves, equity volatility, large mismatches in asset/liability duration, longevity exposures, and catastrophic risks. Areas where it is likely we will see reduced charges are for less volatile risk exposures such as short-tail non-life exposures, property volatility, and selected life and health reserves in certain markets."

S&P added: "The revised model improves the analytical value of our ratings process by more accurately linking expected capital adequacy to risk. It provides greater transparency to the marketplace as to the level of stress that is applied and more clearly defines the risks encompassed.

"We believe the model parallels advances in risk management and measurement currently being made in the insurance industry, which will make it easier to apply the model in concert with internal (economic) capital modelling being developed. Consistent with the direction of the industry, the revised model applies a well-defined and consistent framework to measure exposure across all categories of risk."

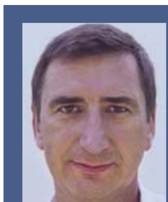
Reaction in Bermuda was mixed. As Caroline Foulger, a Partner at PricewaterhouseCoopers, said: "One the one hand, [companies] will be horrified because more capital will be required to meet ROE expectations of investors. But becoming more transparent and consistent has got to be a good thing and in a wider sense it is the right thing for the capital markets and insurance."

All reasons great and small

HISCOX CHIEF EXPLAINS WHY HIS FIRM IS HAPPY TO BE IN HAMILTON

ROSEMARY JONES

The tax advantages are obvious but Robert Childs, CEO of Hiscox Bermuda, says it's the little things that have made the company's move here worthwhile. "The attraction of being able to ring New York knowing that they are only an hour behind you is wonderful," he told delegates at the recent Bermuda Insurance 2006 conference hosted by PricewaterhouseCoopers and Standard & Poor's. "It's straightforward, practical reasons like that which attracted us to Bermuda as much as anything else."



By Chris Gibbons

London-based Hiscox set up a Bermuda reinsurer in the wake of the 2005 hurricanes and is now redomiciling on the island. Mr Childs, speaking on a panel discussing global insurance underwriting centres, said 99% of Hiscox's shareholders had voted in favour of the move.

"Their comments have generally been why wouldn't you move to Bermuda, not why are you?' Forty percent of our business comes from the United States and we simply needed to be closer to the risk. We could not afford, in the business we're in, to be at a competitive disadvantage."

He added: "This is now a big market. We could not avoid being in a market. If you have a stall there's no point hiding it in a garage.

"Brokers and cedants are delighted because you're offering more capacity but they also like the fact that in addition to capacity there are decision-makers here. There are more decision-makers here in reinsurance than anywhere else in the world."

He said Hiscox had considered similar moves to Bermuda in 1993 and 2001 but was not in a position to take advantage of the opportunity. "But after 2001 we decided that, if the opportunity was to arise again, then we would seek to set up in Bermuda. After Katrina-Rita-Wilma we set up here."

Robert Childs: "could not afford to be at a competitive disadvantage"

Mr Childs said in addition to the obvious tax advantages — which his Chairman, Robert Hiscox, has frequently attacked the UK Government over as an impediment to growth in the London market — the island's regulatory environment was another major factor.

"In Bermuda, the regulators understand the commercial imperatives. If you fulfill their criteria then they will make it happen as fast as they can. In other jurisdictions I'm not sure that they understand the commercial imperative at all."

He agreed with other panellists that while Bermuda and London compete in some areas, the global nature of the industry today means they are inter-dependent.

"In terms of attracting new start-ups, Bermuda is winning hands down but in terms of business, it has a lot to do with the cycle. In significant parts of the business — particularly the Bermudian business being written — demand is exceeding supply. That means the markets are working together to fill that demand. When the cycle goes down, the market that wins the business will have lost.

"Hiscox, for example, has more cash here in Bermuda but we do more business in London. It is still extremely useful to be operating in a subscription market with all the intelligence available as well as in a market entirely dependent on email. We think we've captured the best of both worlds."

Mr Childs said the move to Bermuda reinforced his company's view that for a long time it has been an international, rather than London-based, business. "We have offices in the UK, Europe, the US and Bermuda so to call us a London company is like calling AIG a Chinese company because it started in Shanghai."

Even so, Mr Childs joked that at times Bermuda seemed too much like home. "If you ever wondered where all those people were that you haven't seen for 10 years — well, they're here! I have never seen so many ex-Lloyd's brokers as I have walking down Front Street! And sometimes in the bars you could be in The Grapes [a London watering hole popular with Lloyd's workers]."

Scottish Re agrees MassMutual sale

BUT EXISTING SHAREHOLDERS MAY NOT BE OVERJOYED

Troubled Bermuda-based reinsurer Scottish Re Group has agreed to sell control of the company to MassMutual Capital Partners and private equity firm Cerberus for $600 million by issuing new preferred stock.

But the deal, announced on November 27 and subject to shareholder approval, may leave existing shareholders worse off as the preferreds can be converted into a large amount of new equity, and will get favoured treatment over common shares.

"It's a one-sided transaction that benefits the private equity market," Eric Hovde of Hovde Capital Advisors told Reuters. Scottish Re shares, which were already down 60% since July, plunged a further 90 cents, or 13.6%, to $5.73 on the news.

Scottish Re CEO Paul Goldean said in a conference call that the company had little choice but to take the deal. Scottish Re, which provides coverage to life insurance companies, has been in trouble since July, when it announced that CEO Scott Wilkomm had resigned and that the company would report a second-quarter loss. Facing a liquidity crisis, the new management put the firm up for sale on August 15. Several potential bidders, including Germany's Hannover Re and French reinsurer Scor, backed out.

Scottish Re needed new financing by December 6, when holders of a $115 million convertible debenture could demand payment. That deadline led Standard & Poor's to drastically cut Scottish Re's debt rating from B+ from BBB- in November.

The company had reacted angrily to the downgrade, which Mr Goldean said pressured clients to find other insurers, created problems with regulators, and made it difficult to attract bidders.

In a statement on November 14, he said: "We are perplexed by this action given the amount of information provided to S&P regarding our current operations, liquidity and strategic process.

"Since August, we have provided S&P with regular updates on our progress. Most recently, within the past week, we provided S&P with a review of the details regarding our discussions with each of the remaining parties involved in the strategic process. We believe the information provided to S&P should have led them to conclude that we are on track to complete the strategic process, as was stated in our press release of November 9, 2006. It is unfortunate that S&P decided to act now rather than allow the remaining parties to complete their confirmatory due diligence."

CEO Paul Goldean felt that the company had little choice but to take the deal

RenRe 'Christmas gift' unwrapped

FORMER EXECUTIVES CHARGED WITH FRAUD BY THE SEC

Three former executives at leading Bermuda reinsurance firm RenaissanceRe Holdings have been accused by the SEC of using accounting tricks to smooth earnings. The SEC claims that RenRe's former CEO, Chairman and co-founder James Stanard, former Financial Controller Martin Merritt and Michael Cash, Vice President of RenRe's wholly-owned subsidiary Renaissance Reinsurance, executed "a sham transaction that had no economic substance and no purpose other than to smooth and defer over $26 million of RenRe's earnings from 2001 to 2002 and 2003".

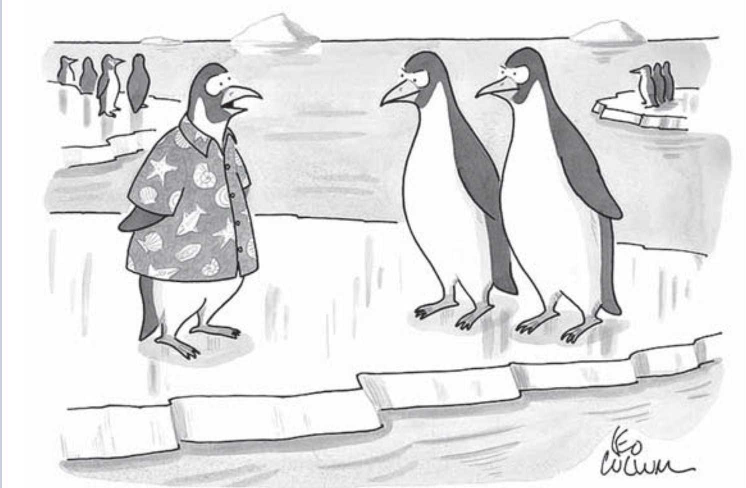
The trio — the first Bermuda executives to be charged in the SEC's ongoing probe into financial insurance — all resigned in 2005 and have denied the charges.

The SEC explained that this was "another case arising from our ongoing investigation of the misuse of finite reinsurance to commit securities fraud. The defendants enabled RenRe to take excess revenue from one good year and, in effect, 'park' it with a counterparty so it would be available to bring back in a future year when the company's financial picture was not as bright."

The SEC alleges that the defendants committed fraud in connection with a sham transaction — known within RenRe as "Project Christmas Present" — which they concocted to smooth RenRe's earnings. The complaint concerns two seemingly unrelated contracts that allegedly were, in fact, intertwined.

In the first contract, charges the SEC, RenRe purported to assign at a discount $50 million of recoverables due to RenRe under certain industry loss warranty contracts to Inter-Ocean Reinsurance in exchange for $30 million in cash, for a net transfer to Inter-Ocean of $20 million. RenRe recorded income of $30 million upon executing the assignment agreement. The remaining $20 million of its $50 million assignment became part of a "bank" or "cookie jar" that RenRe used in later periods to bolster income.

The second contract, it is alleged, was a purported reinsurance agreement with Inter-Ocean that was, in fact, a vehicle to refund to RenRe the $20 million transferred under the assignment agreement plus the purported insurance premium paid under the reinsurance agreement. "This reinsurance agreement was a complete sham," states the SEC. "Not only was RenRe certain to meet the conditions for coverage;



"You're kidding. I thought it was Friday."

it also would receive back all of the money paid to Inter-Ocean under the agreements plus investment income earned on the money in the interim, less transactional fees and costs."

The SEC alleges RenRe accounted for the sham transaction as if it involved a real reinsurance contract that transferred risk from RenRe to Inter-Ocean when in fact each of these individuals knew that this was not true. Mr Merritt and Mr Stanard are also claimed to have misrepresented or omitted certain key facts about the transaction to RenRe's auditors.

Attorneys for Mr Stanard, 57, and Mr Cash, 38, said their clients denied the charges. Meanwhile, Mr Merritt, 43, agreed to cooperate with the SEC and has accepted a partial settlement barring him from working as an accountant or serving as an officer or director of a public company. If the SEC charges are proven, the three face "disgorge[ment of] any ill-gotten gains", civil money penalties and permanent disbarment from serving as an officer or director of any company whose securities are publicly traded on a US exchange.

RenaissanceRe said SEC staff had recommended the commissioners accept the company's July 2006 offer to settle its part of the probe for $15 million.

So far, the charges have not affected the company's performance — it posted a record Q3 operating income of $247 million and at November 15, RenRe stock was a healthy $55.50, close to its 52-week high of $57.71.

'If the charges are proven, they face "disgorge[ment of] any ill-gotten gains", civil money penalties and permanent disbarment from serving as an officer or director'

Record crop of home-grown talent

The Bermuda Insurance Institute has honoured the largest-ever graduating class in its 36-year history. Certificates were earned by 78 graduates in 14 internationally-recognised insurance and reinsurance categories. XL s Kellie Barbosa (above) was awarded the Insurance Institute of America Associate s designation in claims

Star search intensifies

GREG SOARES ON BERMUDA'S UNRELENTING NEED FOR OUTSTANDING STAFF

Find us the best. That's what Bermuda's re/insurance firms are demanding. In response, BermudaJOBS deployed two employment consultants — myself included — to source talent from overseas.

Now we have bases in Canada, the UK and Ireland, BermudaJOBS has been able to tap directly into foreign markets for new candidates.

We have seen excellent results out of core re/insurance centres like London and indeed Bermuda, but also further afield in emerging reinsurance hubs like Dublin.

BermudaJOBS has hosted a number of events in Europe and Canada to attract qualified accountants and specialised reinsurance practitioners to join Bermuda's re/insurance sector. Our clients tend to feel they can trust a Bermudian recruiter, with detailed company knowledge and international reach, to identify and qualify potential candidates.

BermudaJOBS also targets the numerous Bermudians studying and working abroad, and it is extremely satisfying for us when we place a bright and ambitious Bermudian with one of our re/insurance clients.

We work on a retainer basis. We may work with headhunting agencies although we are not headhunters ourselves. However, appropriate individuals can benefit greatly by registering with us.

We are in daily contact with hiring managers and HR departments in Bermuda and know the island's immigration policies extremely well. I also like to think I am particularly able to advise people on living and working in Bermuda because as a Bermudian I know this place but I have also had a career in London and Hong Kong so I understand concerns about making such a big move.

Audits? You're being auditioned

CEOs CAN BE ACCOMPLISHED ACTORS, SAYS RATING AGENCY CHIEF

"Our job is to differentiate between the companies that talk the talk and those that walk the walk. Some CEOs are the best actors and actresses around."

— *Standard & Poor's Managing Director* **Mark Puccia** *at the rating agency's recent Bermuda Insurance Conference*

"It is definitely a big deal. He was the founder and CEO so clearly his departure is a big loss. I wouldn't downplay that at all."

— **Cliff Gallant**, *analyst at investment bank Keefe, Bruyette & Woods on Bob Cooney's resignation from Max Re*

"The Saudis didn't get rich by remaining Bedouins. They got rich by staying put and drilling for oil. There is still a big advantage to having a base that drives the business."

— *XL Capital COO* **Henry Keeling** *questions the perceived "global re/insurance nomad" business model at the S&P Bermuda conference*

"Today, while my near pathological addiction to the Weather Channel would seem to indicate otherwise, the real enemy is not so much any force of nature … Rather, it is the challenge of generating satisfactory earnings in the face of inherently unpredictable and ever-changing conditions."

— *XL CEO* **Brian O'Hara** *at the XL congress in Boston*

"It is amazing what no losses will do. I just got back from Bermuda, and 16 of the 17 companies I spoke to said they are going to increase capacity in some fashion."

— **Paul Karon**, *CEO of Benfield's US operation, quoted by* Reactions

"Before, when I used to ask people to come on a board, they would say 'Great! How many meetings a year and when is lunch?' Now they spend five full days going through everything before agreeing to come on."

"Well, we've licked taxes. That just leaves death."

— **Michael Butt**, *Chairman, AXIS Capital, at the S&P conference, welcoming today's new breed of diligent directors*

"It's A– or die. You have to have a financial rating from S&P or Best or both. If not, you're not going to stay in business."

— *IPC Re President & CEO* **Jim Bryce**, *also at the S&P event*

Markey makes his mark

ALSO AT AON, ROBERT JOHNSTON LANDS KEY BERMUDA POST

Paul Markey: will coordinate Aon Re Global's overall relationships with reinsurers worldwide

Paul Markey, Chairman of Aon's Bermuda-based insurance and reinsurance broking operation, Aon (Bermuda), has been appointed Managing Director, Global Market Relationships for Chicago-based Aon Re Global. Meanwhile, **Robert Johnston** becomes President of Aon Re Bermuda.

According to a company statement, "Mr Markey will serve as focal point for the coordination of Aon Re Global's overall relationships with reinsurers around the world, providing placement support and guidance to Aon Re Global brokers and other specialists."

Mr Markey, a 15-year veteran with Aon who has been based in Bermuda since 1994, will continue in his position at Aon (Bermuda).

Michael O'Halleran, Chairman & CEO of Aon Re Global, said: "Through his strong knowledge of client needs as well as the reinsurance marketplace, Paul's well positioned to understand the capabilities of each reinsurer, locating and developing market capacity, and providing valuable market insight. Working with the Aon Re Global network, he will further our core value of delivering the best solutions available for our clients, wherever the client or market may be situated."

Commenting on Robert Johnston's appointment, Mr Markey noted: "Robert will lead Aon Re's expanding team and capabilities into the Bermuda marketplace's vibrant and exciting future. During his six-year tenure, Robert has developed a close rapport with local Aon clients and markets and with colleagues throughout Aon Re's global network."

ACE: **Jorge Luis Cazar** has been named President & Chief Executive Officer of ACE Latin America, based in Miami. Mr Cazar will begin his new assignment in the first quarter of 2007, reporting to Ed Clancy, President & Chief Operating Officer of ACE Overseas General. **Rainer Kirchgaessner** has been appointed Global Corporate Development Officer for the ACE Group of Companies. Mr Kirchgaessner joins ACE from General Electric, where he was a business development executive in their Commercial Finance division. Based in New York, he will work with members of ACE's senior management team on the identification and analysis of new business opportunities, potential acquisitions and alliance partners.

XL CAPITAL: **Diana Gladwell** has been appointed as Gulf Regional Underwriting Manager for XL's Marine & Offshore Energy Unit. She will be based in Houston to service XL Insurance's marine and offshore energy clients in the area.

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