Agenda

Rating Outlook
Expectations and Observations
Reinsurance Risk Radar
Alternative Reinsurance
Rating Outlook Stable

• Last revised from Negative in November 2009

• Majority of ratings expected to be affirmed in next 12-24 months

• Supporting factors: Strong capitalisation and continued profitability

• Challenges: Price softening and continued low investment yield

2014 / 2013 Projections

<table>
<thead>
<tr>
<th>(USDm)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premiums written</td>
<td>102,300</td>
<td>100,300</td>
<td>97,339</td>
</tr>
<tr>
<td>Catastrophe losses</td>
<td>11,600</td>
<td>7,500</td>
<td>7,100</td>
</tr>
<tr>
<td>Net favourable prior year reserve development</td>
<td>4,050</td>
<td>5,950</td>
<td>6,586</td>
</tr>
<tr>
<td>Calendar year combined ratio (%)</td>
<td>96.8</td>
<td>90.5</td>
<td>89.3</td>
</tr>
<tr>
<td>Accident year combined ratio (%)</td>
<td>100.9</td>
<td>96.5</td>
<td>96.1</td>
</tr>
<tr>
<td>Accident year combined ratio ex catastrophes (%)</td>
<td>89.3</td>
<td>88.9</td>
<td>88.8</td>
</tr>
</tbody>
</table>

Source: Fitch monitored universe of reinsurers
Reinsurance Combined Ratio Volatility

(2008-2012)
(Average combined ratio, 2008-12)

Size of bubble denotes NWP
Source: Fitch, companies

Invested Asset Allocation

Major Asset Classes - 2012

- Fixed-income remains major class
- Conservative risk appetite
- Key focus for 2014
  - Duration management
  - Increasing risk appetite

Note: Combined composition for Hannover Re, Lloyd’s of London, Munich Re, SCOR & Swiss Re. Source: Fitch
Uneven Capital Development

Change H113 Equity – Reinsurers

(Note: IFS Ratings, N/R - Not Rated, p - Positive Outlook, Source: Fitch)

Operating ROE Declines in Recent Years

Average Operating ROE

(Source: Fitch)
Significant Variation in ROE

Group Operating ROE 2008-2012 Average

Source: Fitch

Reduced CAT Loss Burden in 2012 vs. 2011

Cat Losses / Premiums Earned

Source: Fitch
Continued Favourable Reserve Development

![Graph showing continued favourable reserve development from 2002 to 2012. The graph compares actual and expected reserve developments.](image)

Source: Fitch analysis of reserving data of 17 North American reinsurers

Prior Year Development Remains in Surplus

![Bar chart showing 2012 calendar and accident year combined ratios for various reinsurers.](image)

Source: Fitch
Recent Reinsurance Renewal Pricing Trends

<table>
<thead>
<tr>
<th>Renewal Season</th>
<th>Pricing Developments</th>
</tr>
</thead>
</table>
| June/July 2013 | US property loss-hit: -5% to +5%  
US property loss-free: -10% to -20%  
Florida property loss-free: -15% to -25%  
Casualty no loss emergence: Flat to declining |
| April 2013     | Japanese property loss-hit: Flat to +10%  
Japan wind and flood loss-free: Flat to down 2.5%  
US property loss-free: -5% to -10% |
| January 2013   | US wind programmes loss-hit: +10%  
US loss-free: Flat to -5%  
Marine: Up to +30%  
International property: Flat to -5% |

Source: Company and broker reports

Valuation Multiples Remain Below Pre-Financial Crisis

Reinsurer Market Price/Tangible Book Value

![Graph showing valuation multiples from 2007 to Q2 2013](https://www.fitchratings.com)

Source: SNL Financial

www.fitchratings.com
Alternative Capital: Threat or Opportunity?

• “We may well be seeing a fundamental shift in the way risk is capitalised”, John Nelson, Chairman Lloyd’s of London

• “How sustainable is it (ILS)? It hasn’t been tested so we don’t know”, Torsten Jeworrek, Chairman of Reinsurance Committee, Munich Re

• “Reinsurers will have to adapt”, Alex Moczarski, CEO Guy Carpenter

• “It will go from being a competitive threat to being part of traditional reinsurers’ business plans”, Bryon Ehrhart, Chief Strategy Officer, Aon Benfield
ILS – Capacity Providers

Investor by Category – 2013

- Institutional and mutual fund provision grows
- Majority of capital continues to come from U.S.
- Opinion divided on what is driving growth

Note: Year ending June 30
Source: Aon Benfield Securities

Alternative Reinsurance 2013 Market Update

- Alternative market capacity continues to grow

Alternative Capacity as a % of Global Property Catastrophe Reinsurance Limit

Source: Guy Carpenter Estimates
Alternative Reinsurance 2013 Market Update (cont.)

- Catastrophe Bond Market Nears Record Size

Catastrophe Bonds (Non-Life)

Summary of Expectations

- Sector Outlook remains Stable
- Price softening set to continue
- Low yield environment set to continue
- Earnings sustainability to be more challenging in 2014
Related Research

Fitch research can be accessed via our website www.fitchratings.com

• Alternative Reinsurance 2013 Market Update (September 2013)
• 2014 Outlook: Global Reinsurance (August 2013)
• Global Reinsurers’ Mid-Year 2013 Financial Results (August 2013)
• Reinsurance (Global) Sector Credit Factors (August 2013)
• Hurricane Season 2013 – A Desk Reference for Insurance Investors (May 2013)
• Bermuda 2013 Market Update (January 2013)

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