

# GUY CARPENTER



MARSH MERCER KROLL  
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December 11, 2008

## Max Bermuda Ltd

2 Front Street  
Hamilton HM 11

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www.maxre.bm

Year Incorporated: 1999      Domicile: Bermuda  
AIIN: AA-3190829

Ownership: Max Capital Group Ltd

### Financial Strength Ratings:

**A.M. Best:**  
A-  
Outlook: Positive  
Date: 11-Dec-08

**Standard & Poor's:**  
N/A  
Outlook: --  
Date: --

Adj. Capital & Surplus (USD mil): **\$1,659.1**  
as of December 31, 2007

### Financial Summary: December 31, 2007

Combined Ratio:	90.4%
Operating Ratio:	67.2%
Pre-tax Operating Income/ NPE:	29.0%
Pre-tax Inc / Adj Avg Cap & Surplus:	22.2%

Liquid Assets / Total Liabilities:	122.9%
Adj Inv Assets / Non Life Liabs:	132.2%

NPW / Adj Capital & Surplus:	0.3x
Tech Res / Adj Capital & Surplus:	1.2x
Net Leverage:	2.7x
Retention:	66.6%

Change in NPW:	-16.6%
Change in Adj Capital & Surplus:	25.0%
Adj C&S from retained earnings:	25.0%

### Highlights:

- Refer to Max Capital Group report for full commentary.
- Max Bermuda provides Max Re Europe with reinsurance protection and a guarantee specific to Guy Carpenter clients. In addition, Max Bermuda will provide a contract specific Reinsurance Guarantee Endorsement, if requested.
- Max Bermuda assumes 80% of all business written by Max Specialty Ins Co through a QS treaty.
- Business mix of reinsurance book has shifted over past three years. While still heavily casualty focused, property and marine & energy currently represent nearly 40% of assumed GPW from 9% in 2004.
- Combined ratio of 90.4 in 2007 best in five years due primarily to favorable loss reserve development which reduced ratio by 12 points.
- Effective May 4, 2007, Max Re Ltd changed its name to Max Bermuda Ltd.

Source of Data: Annual Report  
Report Basis: Consolidated Non-Life  
Auditors: KPMG

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11-Dec-08

## Max Bermuda Ltd

### BALANCE SHEET

(000's Omitted)

Statement as of: Currency: US Dollar	31-Dec-07 USD Conversion	<u>2007</u>	<u>2006</u>	<u>2005</u> (Restated)	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>						
Bonds	3,524,400	3,524,400	3,028,100	2,682,900	2,156,000	1,604,400
Common and Preferred Stocks	0	0	0	0	0	0
Other Quoted Investments	1,061,700	1,061,700	1,065,900	1,226,300	1,119,000	831,400
Cash & Deposits	363,100	363,100	417,900	297,100	232,800	193,700
Real Estate & Property	0	0	0	0	0	0
Loans & Mortgages	0	0	0	0	0	0
Investments in Affiliates	0	0	0	0	0	0
Unquoted & Other Investments	0	0	0	0	0	0
<b>Subtotal Cash &amp; Inv. Assets</b>	<b>4,949,200</b>	<b>4,949,200</b>	<b>4,511,900</b>	<b>4,206,300</b>	<b>3,507,800</b>	<b>2,629,500</b>
Insurance Receivables	424,000	424,000	390,900	398,700	262,700	389,400
Deposits with Cedents	13,800	13,800	15,400	16,900	17,600	100
Life Assets	0	0	0	0	0	0
Other Assets	300,400	300,400	200,500	58,600	48,700	38,700
<b>Total Assets</b>	<b>5,687,400</b>	<b>5,687,400</b>	<b>5,118,700</b>	<b>4,680,500</b>	<b>3,836,800</b>	<b>3,057,700</b>
<b>LIAB., CAPITAL &amp; SURPLUS</b>						
Net Unpaid Losses	1,794,500	1,794,500	1,839,600	1,596,600	1,095,300	754,800
Life Funds	1,164,200	1,164,200	853,100	810,000	637,800	443,300
Other Technical Reserves	0	0	0	0	0	0
Net Unearned Premium	261,000	261,000	283,000	320,500	313,500	317,200
<b>Net Technical Reserves</b>	<b>3,219,700</b>	<b>3,219,700</b>	<b>2,975,700</b>	<b>2,727,100</b>	<b>2,046,600</b>	<b>1,515,300</b>
Inter-Company Liabilities	0	0	28,300	34,600	13,900	2,300
Other Liabilities	808,600	808,600	786,900	784,500	861,000	746,900
<b>Total Liabilities</b>	<b>4,028,300</b>	<b>4,028,300</b>	<b>3,790,900</b>	<b>3,546,200</b>	<b>2,921,500</b>	<b>2,264,500</b>
Capital	915,200	915,200	915,200	915,200	642,700	642,700
Equalization Reserve	0	0	0	0	0	0
Retained Earnings	766,000	766,000	434,200	214,100	250,300	124,700
Non-Distributable Reserves	0	0	0	0	0	0
Other Shareholders Funds	(22,100)	(22,100)	(21,600)	5,000	22,300	25,800
<b>Total Capital &amp; Surplus</b>	<b>1,659,100</b>	<b>1,659,100</b>	<b>1,327,800</b>	<b>1,134,300</b>	<b>915,300</b>	<b>793,200</b>
Additional Asset Values	0	0	0	0	0	0
<b>Total Adj. Capital &amp; Surplus</b>	<b>1,659,100</b>	<b>1,659,100</b>	<b>1,327,800</b>	<b>1,134,300</b>	<b>915,300</b>	<b>793,200</b>
<b>Currency Exchange Rates</b>		1.00	1.00	1.00	1.00	1.00

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11-Dec-08

## Max Bermuda Ltd

### INCOME STATEMENT SUMMARY

(000's Omitted)

Statement as of:	31-Dec-07					
Currency: US Dollar	USD	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	Conversion			(Restated)		
<b>PREMIUMS</b>						
Gross Premiums Written	739,000	739,000	820,100	971,000	831,300	901,500
Ceded Premiums	246,600	246,600	229,800	197,500	161,900	132,900
Net Premiums Written	492,400	492,400	590,300	773,500	669,400	768,600
<b>INCOME STATEMENT</b>						
Net Premiums Earned	515,700	515,700	620,700	780,000	706,200	640,600
Net Losses Incurred	329,700	329,700	420,200	728,300	526,100	477,400
Commission Expenses	60,700	60,700	77,200	73,700	113,400	147,600
Administrative Expenses Incurred	75,600	75,600	78,600	50,000	42,100	33,300
Other U/W Inc./(Exp.)	0	0	0	0	0	0
<b>Net Underwriting Gain/Loss</b>	<b>49,700</b>	<b>49,700</b>	<b>44,700</b>	<b>(72,000)</b>	<b>24,600</b>	<b>(17,700)</b>
Net Investment Income	119,700	119,700	111,900	60,400	49,000	31,100
Realized Capital Gain/Loss	182,800	182,800	79,000	39,200	92,000	143,300
Life Profits	(21,100)	(21,100)	(14,400)	(20,600)	(34,700)	(34,700)
Other Income / (Expenses)	1,100	1,100	100	0	200	6,400
<b>Pre-tax Income</b>	<b>332,200</b>	<b>332,200</b>	<b>221,300</b>	<b>7,000</b>	<b>131,100</b>	<b>128,400</b>
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>						
Capital & Surplus End of Prior Year	1,327,800	1,327,800	1,134,300	915,300	793,200	701,400
Net Income (Pre-tax)	332,200	332,200	221,300	7,000	131,100	128,400
Change Pd Capital & Surplus	0	0	0	272,500	0	0
Unrealized Gains/(Losses)	(1,400)	(1,400)	(30,400)	(13,400)	(7,100)	(32,700)
Taxes	500	500	1,100	0	0	0
Stockholder Dividends	0	0	0	9,000	5,500	4,100
Other Sur Chngs, Incl Exch Rate Adj	1,000	1,000	3,700	(38,100)	3,600	200
<b>Total Change in Surplus</b>	<b>331,300</b>	<b>331,300</b>	<b>193,500</b>	<b>219,000</b>	<b>122,100</b>	<b>91,800</b>
<b>Capital &amp; Surplus at End of Year</b>	<b>1,659,100</b>	<b>1,659,100</b>	<b>1,327,800</b>	<b>1,134,300</b>	<b>915,300</b>	<b>793,200</b>
<b>Currency Exchange Rates</b>		1.00	1.00	1.00	1.00	1.00

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11-Dec-08

## Max Bermuda Ltd

### RATIO ANALYSIS

**All Ratios Are Adjusted for Assets Restated to Market Where Available**

	<u>5 Year Avg.</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Country Composite</u>	
							<u>2007</u>	<u>2006</u>
<b><u>Profitability (%) [Based on NPE]</u></b>								
Loss Ratio	76.1	63.9	67.7	93.4	74.5	74.5	48.2	49.7
Expense Ratio	<u>23.1</u>	<u>26.4</u>	<u>25.1</u>	<u>15.9</u>	<u>22.0</u>	<u>28.2</u>	<u>27.7</u>	<u>27.3</u>
Combined Ratio	99.1	90.4	92.8	109.2	96.5	102.8	75.9	77.0
Net Investment Ratio	<u>11.4</u>	<u>23.2</u>	<u>18.0</u>	<u>7.7</u>	<u>6.9</u>	<u>4.9</u>	<u>17.1</u>	<u>15.1</u>
Overall Operating Ratio	87.7	67.2	74.8	101.5	89.6	97.9	58.8	62.0
Net Investment Yield	2.4	3.1	3.1	2.2	1.6	1.3	4.5	4.3
Pre-tax Operating Inc / NPE	8.7	29.0	22.9	(4.1)	5.5	(2.3)	41.6	38.7
Pre-tax Inc /Avg Adj Cap & Surplus	15.3	22.2	18.0	0.7	15.3	17.2	21.5	22.6
Loss Reserve Development / NPE	2.6	(12.4)	(1.6)	17.9	(0.7)	3.9	(6.0)	(2.6)
<b><u>Net Leverage (X)</u></b>								
NPW / Adj. Cap. & Surplus		0.3	0.4	0.7	0.7	1.0	0.5	0.6
Technical Res. / Adj. Cap. & Surplus		1.2	1.6	1.7	1.5	1.4	0.9	1.0
Other Net Liab. / Adj. Cap. & Surplus		0.5	0.6	0.7	1.0	0.9	0.3	0.3
Life Funds / Adj. Cap. & Surplus		<u>0.7</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.1</u>	<u>0.1</u>
Net Leverage		2.7	3.3	3.8	3.9	3.8	1.8	2.0
<b><u>Reinsurance Usage (%)</u></b>								
NPW/GPW		66.6	72.0	79.7	80.5	85.3	88.8	90.2
<b><u>Reins. Leverage (X)</u></b>								
Ceded Premium / Adj. Cap. & Surplus		0.1	0.2	0.2	0.2	0.2	0.1	0.1
Ceded Tech. Res. / Adj. Cap. & Surplus		<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.1</u>	<u>0.1</u>
Reinsurance Leverage		0.6	0.7	0.6	0.7	0.7	0.1	0.1
<b><u>Life Business Exposure (%)</u></b>								
Life Funds / Total Technical Reserves		36.2	28.7	29.7	31.2	29.3		
Life Funds / Adj. Cap. & Surplus		70.2	64.2	71.4	69.7	55.9		
Life Assets / Life Funds		0.0	0.0	0.0	0.0	0.0		
<b><u>Liquidity (%) (Invested Assets Net of Nonsegregated Life Assets)</u></b>								
Invested Assets / Non Life Liabilities		132.2	124.5	124.1	125.7	120.0	150.7	140.9
Adj. Invested Assets / Non Life Liabilities		132.2	124.5	124.1	125.7	120.0	150.7	140.9
Adj. Invested Assets / Non Life Tech. Res.		184.1	172.4	177.2	203.7	203.9	194.1	185.3
<b><u>Overall Liquidity (%)</u></b>								
Liquid Assets / Total Liabilities		122.9	119.0	118.6	120.1	116.1	135.2	128.3
Adj. Invested Assets / Total Liabilities		122.9	119.0	118.6	120.1	116.1	147.3	138.2
Adj. Total Assets / Total Liabilities		141.2	135.0	132.0	131.3	135.0	178.1	168.9
<b><u>Loss Reserves (%)</u></b>								
Net Unpaid Losses / NPW		364.4	311.6	206.4	163.6	98.2	161.3	155.3
Technical Reserves / NPW		653.9	504.1	352.6	305.7	197.2	210.6	203.6
<b><u>Percentage Change</u></b>								
Gross Premium Written		(9.9)	(15.5)	16.8	(7.8)	42.5	6.3	15.0
Net Premium Written		(16.6)	(23.7)	15.6	(12.9)	32.4	4.6	14.2
Loss Reserves		(2.5)	15.2	45.8	45.1	34.1	8.6	12.7
Total Liabilities		6.3	6.9	21.4	29.0	39.7	6.1	15.5
Adj. Capital & Surplus		25.0	17.1	23.9	15.4	13.1	20.2	24.2
Adj. Capital & Surplus from retained earnings		25.0	19.4	(0.2)	15.8	17.7	13.0	19.1

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11-Dec-08

## Bermuda Composite: year-end December 2007

Company Name	USD Mil	Loss	Expense	Combined	Operating	NPW/	Tech Res/	NPW/	% Change			Inv. Assets/
	PHS	Ratio	Ratio	Ratio	Ratio	PHS	PHS	GPW	GPW	NPW	PHS	Non-Life Liab
ACE Tempest Reinsurance Limited	\$5,663.00	51.07	28.93	80.00	64.68	0.55	1.09	84.74	-6.62	-9.08	25.72	142.16
Allied World Assurance Company, Ltd	\$2,502.57	58.32	20.48	78.80	53.73	0.44	1.43	85.19	-11.59	-11.64	2.46	148.76
Amlin Bermuda Ltd	\$1,478.60	34.10	19.15	53.25	36.31	0.32	0.26	100.13	13.50	13.64	24.94	426.45
Arch Reinsurance Limited	\$4,159.77	53.31	28.89	82.20	64.71	0.59	1.33	--	--	-7.27	11.06	126.23
Argo Re Limited	\$1,193.68	82.50	89.40	171.90	71.22	0.03	0.22	62.55	--	--	--	503.07
Ariel Reinsurance Company Ltd	\$1,168.52	11.60	27.25	38.85	17.05	0.30	0.12	97.40	22.91	20.93	0.75	664.71
Aspen Insurance Ltd	\$1,367.72	64.85	16.48	81.33	68.46	0.55	0.63	82.07	26.69	33.42	12.41	211.76
AXIS Specialty Limited	\$4,273.50	44.32	22.70	67.02	51.47	0.56	0.94	98.74	8.39	8.17	14.67	145.47
Catlin Insurance Company Ltd	\$2,760.98	46.38	36.19	82.57	71.91	0.93	2.00	76.58	109.38	82.50	172.53	87.72
DaVinci Reinsurance Ltd	\$1,225.20	16.50	32.29	48.79	24.43	0.26	0.24	92.08	0.06	3.67	18.61	392.85
Endurance Specialty Insurance Ltd	\$2,935.56	46.97	31.73	78.70	61.11	0.54	1.11	88.43	-0.48	-0.67	7.96	146.17
Everest Reinsurance (Bermuda) Ltd	\$2,342.52	59.52	29.23	88.74	73.56	0.67	1.42	89.77	16.32	16.15	23.95	142.16
Hannover Re (Bermuda) Ltd	\$1,418.05	34.93	10.63	45.56	21.12	0.21	0.22	57.10	8.66	29.21	1.10	407.91
Harbor Point Re Ltd	\$1,468.14	47.32	37.53	84.85	68.15	0.39	0.39	84.45	4.65	-3.80	8.12	233.97
Hiscox Insurance Co (Bermuda) Ltd	\$762.28	47.38	20.79	68.17	54.74	0.52	0.38	80.47	59.93	37.17	25.44	286.77
IAT Reinsurance Company Ltd	\$1,156.33	56.21	37.34	93.56	75.62	0.16	0.23	89.24	-10.93	-10.04	7.11	281.22
IPCR Limited	\$2,127.60	31.91	17.19	49.11	17.99	0.18	0.21	95.84	-6.02	-5.77	6.83	526.06
Lancashire Insurance Company Ltd	\$1,445.60	23.42	22.05	45.46	33.88	0.43	0.30	91.25	10.32	15.31	28.00	353.85
Max Bermuda Ltd	\$1,659.10	63.93	26.43	90.36	67.15	0.30	1.24	66.63	-9.89	-16.58	24.95	132.15
Montpelier Reinsurance Ltd	\$1,699.59	35.65	28.62	64.27	41.09	0.29	0.51	82.52	-5.40	2.09	-4.34	211.95
MS Frontier Re	\$394.20	1.30	20.20	21.50	-12.21	0.17	0.05	100.00	45.81	47.11	23.03	2,038.02
Platinum Underwriters Bermuda, Ltd	\$1,544.00	56.01	22.60	78.61	60.72	0.49	1.19	98.82	-9.82	-9.02	24.12	165.12
Renaissance Reinsurance Limited	\$1,600.00	29.33	21.58	50.91	27.87	0.44	0.82	73.70	-6.32	-3.57	0.00	160.73
Tokio Millennium Re Ltd	\$906.40	1.17	39.32	40.48	18.67	0.29	0.13	88.99	7.76	2.80	17.45	276.22
Top Layer Reinsurance Ltd	\$57.80	0.00	15.18	15.18	5.61	0.54	0.06	47.29	29.69	12.95	9.06	688.04
Validus Reinsurance Ltd	\$1,809.92	31.40	22.36	53.76	38.38	0.35	0.22	90.19	29.83	32.73	34.19	338.17
XL Re Limited	\$7,853.25	55.46	30.35	85.81	66.04	0.54	1.34	95.67	-7.65	-5.93	18.66	123.18
<b>Average</b>	\$2,110.14	40.18	27.96	68.14	46.05	0.41	0.67	84.61	12.77	10.56	20.72	346.70
<b>Median</b>	\$1,544.00	46.38	26.43	68.17	53.73	0.43	0.39	88.71	7.76	3.24	16.06	233.97

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## Max Bermuda Ltd

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