

HOLBORN PERSPECTIVES

LOOKING CLOSER AT...

The 2011 Reinsurance Market: Managing Exposures and Expenses

January 1, 2011

HOLBORN®

The 2011 Reinsurance Market

Overview

In 2010, **reinsurance industry premium volume fell**. Reinsurers posted profits and capital grew, with stable or moderate increases to loss ratios, and increasing expense ratios on lower volumes. Results show:

- Improved earnings since mid-year for most reinsurers,
- Rising equity markets, partly offset by lower prices on longer-term debt,
- Moderate strengthening of the U.S. dollar, and
- Continuing declines in leverage at most reinsurers.

Prices have consistently softened throughout 2010. Capacity is at record levels. While reinsurers are maintaining technical discipline, most ceding companies were able to renew with improved terms. The currently depressed levels of employment and economic activity are producing flat or declining exposure bases. **Market premium volumes continue to shrink, due to both reduced exposures and increased levels of price competition among insurers.** We forecast these market trends will continue into 2011 and perhaps 2012. But some **signs of stress are already apparent.**

- Despite avoiding a U.S. hurricane landfall in this active season, **reinsurers had significantly worse than average large loss experience** in 2010 with both foreign earthquake and U.S. inland losses well above average, and many wrote direct insurance lines on the Deepwater Horizon loss. Depressed values and “soft market” policy terms also increase reinsurers’ catastrophe exposures, and both will continue into at least 2012.
- **Reinsurers’ reserves weakened by a least \$10 billion during the year.** In addition to reserve savings on prior years, the Chile and New Zealand earthquake losses have not yet been booked to their ultimate values by all reinsurers, and many have not recognized their liability exposure to the Deepwater Horizon spill.
- In the medium-term, we expect an increase in U.S. inflation rates that will raise the cost of future losses, for both property and casualty, and increase casualty loss reserves, especially on WC and umbrella business.
- In the short-term, the EU’s response to banking and structural deficit problems may raise the risks of EU deflation, U.S. inflation and falling bond values, any of which could raise the price of U.S. reinsurance protection.

Our analysis follows at the links shown below:

Section A. Current U.S. Market Conditions

1. *Property Catastrophe*
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3. *Policy - Exposed Contracts*
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Section B. 2010 Market Losses

1. *Recent Loss Experience*
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A. Current U.S. Market Conditions

Since the housing market and related credit disarray began in 2008, the U.S. and other developed economies fell rapidly, and have just begun a small degree of rebound. But the insurance and reinsurance markets have fallen further and faster than the general economy.

Much of the economic rebound has involved government, healthcare, education and financial services. Key manufacturing and transportation areas, including new home construction, building materials, durable household goods, automobiles and parts, trucking, shipping, and energy production in the Gulf Coast region are still in a steep slowdown. While both white-collar and blue-collar trades contribute to GNP, blue-collar trades fabricate, move, deliver or install actual products. They cause more accidents than office exposures, so these businesses spend more of their revenue on insurance. In simple terms, if employment is flat because 1,000 bankers and programmers are re-hired at the same time as contractors and auto dealers lay off 1,000 employees, the insurance market will shrink, especially in Commercial Lines.

Agriculture has been a bright spot in the blue-collar sector, largely due to rising commodity prices as well as ethanol programs, and have shown stable premiums. In Personal Lines, some companies that use predictive modeling have identified attractive “growth pockets,” and personal property rates are rising in some areas in response to losses.

Throughout the insurance and reinsurance system, depressed real estate prices put further pressure on insurance to value and insurers’ revenue. This poses an extra challenge to the health of the market. When a building valued at \$1 million is resold for \$500,000 and then insured for that amount, the value of partial losses is not reduced. Losses can out-pace premiums.

Reinsurers believe that some ceding companies are “doing the right thing,” resulting in improved contract balances and lower exposures to reinsurers, but also lower SPIs. Reinsurers, like primary companies, are struggling to keep their good accounts and maintain their volume, and thus have to reward good experience. But they also seek to preserve some balance between the premiums they accept and the limits they provide. For accounts with lower SPI bases, this translates into a desire for rate increases, even for preferred clients. The most common renewal situation in the market this year is flat to moderately lower ROL’s, in tandem with moderately higher rates. Working contracts are not as dependent on reinsurers’ capital, and track more closely with exposure and experience levels.

In this challenging market, terms and conditions are also important. As a general observation, original insurance policies have been liberalizing faster than treaty reinsurance terms. Insurers are pressured to provide broader coverage within standard commercial forms, including more coverage of Flood, Earthquake, Cyber and Pollution exposures. We have also seen increasing use of multi-location or multi-coverage Basket protection. This results in higher potential exposure on total losses, and more exposure to higher reinsurance layers, as well.

Early in 2009, reinsurers’ capacity (the supply of reinsurance) was down in peak zones, and many Property renewals approached the market with losses. Contracts with rate increases significantly out-numbered those with decreases. By mid-year 2009 and 2010 these trends were more than offset by several factors:

- Stable earnings for many reinsurers, despite the large February, 2010 Chile loss.
- Diversified reinsurers offered more Catastrophe capacity than they had in the past, especially for national accounts and for their working layer clients.
- The Swiss franc and British pound strengthened overall against the dollar, raising risk appetites. Although Lloyd’s sets its business-plan exchange rates annually, so this does not have as immediate an impact as at other markets, and the pound later gave back part of the gains.

January 1, 2011 renewals showed increased capacity for most classes, with reinsurers balancing their account retention goals with underwriting discipline. Renewals were again ordered relatively late in the year, but were generally completed promptly.

Falling business production and rising expense ratios are concerns for both insurers and reinsurers. To manage excess capital, we expect more reinsurers to buy back shares, merge or do both during 2011. They continue to seek diversifying business away from the industry’s peak exposures in the U.S., Europe and Japan, but find pricing in other countries to be less attractive, despite the recent losses.

I. Property Catastrophe

Catastrophe contract premiums generally decreased by single digits at January 1, 2010, and a bit more for programs requiring broad market support that paid larger increases the year before. Most loss-free programs were down by 5% to 10% in rate on line at January 1, 2011.

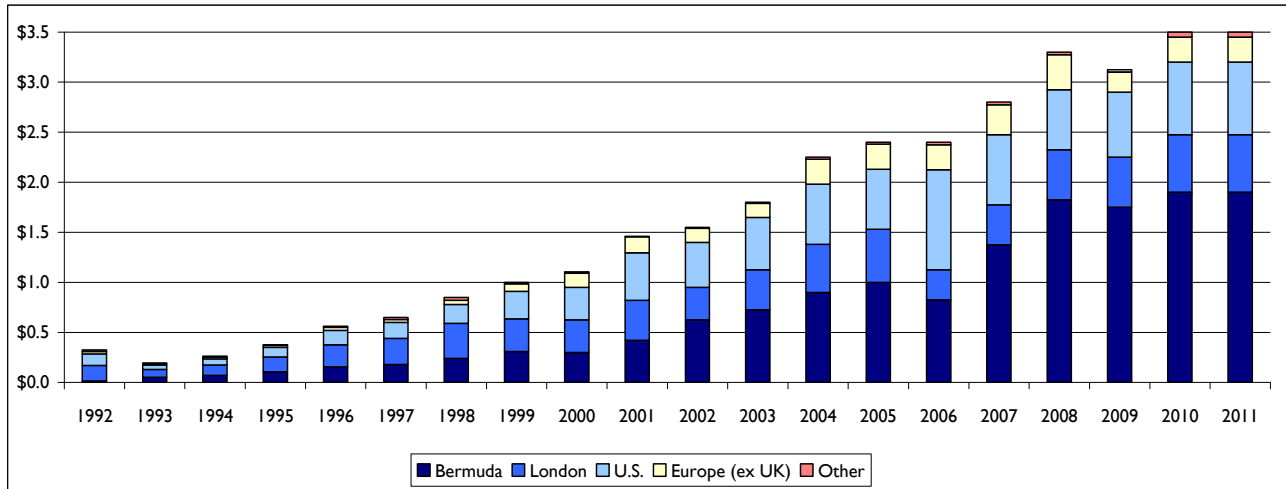
Property catastrophe rate-on-line changes

	Coastal Exposed		Non-Coastal	
	with Recent Loss	without Loss	with Recent Loss	without Loss
January, 2006	+25% to 100%	+10% to +25%	+20% to +50%	+5% to +15%
April – July, 2006	+60% to 300%	+30% to 100%	Few placements	Few placements
January, 2007	+15% to +40%	0% to +20%	+10% to 25%	-10% to 10%
April – July, 2007	-10% to 0%	-20% to -10%	Few placements	Few placements
January, 2008	-20% to -10%	-20% to -10%	-15% to -5%	-15% to +5%
April – July, 2008	-15% to -5%	-20% to -10%	Few placements	Few placements
January, 2009	+15% to +50%	+5% to +20%	+10% to +40%	0% to +10%
April – July, 2009	+15% to +40%	+10% to +20%	Few placements	Few placements
January, 2010	-5% to 0%	-15% to -5%	+5% to +15%	-10% to -5%
April – July, 2010	-15% to -5%	-10% to -5%	Few placements	Few placements
January, 2011	Few placements	-10% to -5%	-5% to +10%	-10% to -5%

Note: Measured in dollar amounts for programs with comparable exposure levels.

Capacity placed on some of the largest individual programs in 2010 and 2011 increased slightly from 2008 and 2009 levels. Some mid-size programs increased significantly. Several U.S. insurers now buy over \$3 billion in placed limit, and found ample capacity.

Property catastrophe capacity



Note: Size of largest U.S. placement in \$Billions, based on maximum amount exposed in any zone by a single ceding company program, including aggregate excess contracts. Excludes Cat bond capacity and side cars; includes National Indemnity. Market regions are shown by underwriting office, not domicile.

Coastal and national accounts

Some national programs placed substantially more limit at mid-year 2010. Reinsurers had more capital and had adjusted their business plans, increasing capacity.

Surplus lines companies generally shrank their exposure in coastal areas, as this business migrated to the admitted market at lower pricing. This eased their need for capacity.

Florida

Florida-exposed companies, at least out-of-state companies, have recently bought larger programs from the market to supplement the FHCF's reduced bonding capacity. The domestic companies are highly concentrated and have difficulty buying enough protection out of their direct writings. Florida remains the largest commitment of reinsurers' capacity in the world, at about \$80 billion in 2010.

Citizen's Insurance writes 40% of the Florida personal wind market (as either Homeowners or Wind-only policies) and over 60% in the more-exposed southern counties. Neither Citizen's nor the FHCF has protection placed in the private reinsurance market.

Gulf

Hurricane Ike caused losses further inland than the cat models expected. Losses in the Ohio Valley and Northeast from Ike were aggravated by an inland weather system that merged with the storm's remnants roughly 500 miles from the Gulf. But there was a still a surprising degree of damage in north and central Texas. This experience is now being reflected in the models as higher losses on inland locations in version 12 of AIR (released this year) and version 11.0 of RMS (due in February). In addition, the RMS update reflects building code and construction differences between the Gulf and

Atlantic coastlines. Reinsurers are citing these changes as support for higher prices on Gulf exposed renewals.

Other U.S. zones

Capacity is relatively tighter in the Northeast for wind exposure and in Southern California for shake exposure. The Northeast will face higher hurricane model estimate in RMS 11.0. In California, however, reinsurers are reflecting lower earthquake model results in RMS 9.0 and made more aggregate limit available. Many reinsurers deployed increased capital levels and some ceding companies were able to increase their placements.

Outside of those few peak concentration zones, Catastrophe prices have softened significantly through 2010 as reinsurers have competed for this diversifying business. Some insurers increased lines offered on some Aggregate and “sideways” Cat programs, although not all reinsurers will support Aggregates.

Energy and aviation

These two classes have seen losses recently. Ike (in 2008) was a significant loss to the Gulf oil production regions. The 2009 Western Atlas rig fire in the Indian Ocean and the Deepwater Horizon explosion and spill last year were the largest single-platform losses since 1998. The recent Qantas A380 engine failure and several crashes have kept the Aviation market’s loss ratio well over 100% in both 2009 and 2010. Prices for both lines have increased notably.

Involuntary markets

State residual markets absorbed significant amounts of coastal risk from 2004 through 2007, in certain cases increasing market shares from the low single digits into the teens. Unpredictable buying habits related to these facilities have given some reinsurers pause. There was incremental demand for reinsurance and interest in alternative forms of capital from some residual market plans (Massachusetts, Rhode Island, New York, North Carolina and South Carolina all placed more), as most of these facilities continue to grow, although at lower rates as the voluntary markets softened.

TWIA in Texas sustained nearly a total loss from Hurricane Ike and exhausted its funding, but no longer buys reinsurance. Since then, Texas opted to fund losses up to \$2.5 billion with post-event bonds. It is unclear how losses above this level will be funded. The California Earthquake Authority also has a large market share, weighted toward the most exposed counties, and they maintain a large reinsurance placement. A.M. Best now tracks insurers’ involuntary exposures to peak zone events.

Collateralized reinsurance

Fund managers and “alternative asset” investors have invested directly in insurance risk by providing fully-funded limits, largely in peak zones and for retrocessions. Most of these funds lost capital (and investors) during the financial crisis. In 2010, many hedge fund investors have focused on what they view as opportunistic positions in European government bonds and bank debt, with higher interest spreads. These investors have not been as supportive of insurance risk as in the past. But several

multi-strategy funds remain interested in insurance risk and can move quickly if opportunities meet their return requirements, as reflected in the increased placement of some Cat bonds in 2010.

Retrocessions and ILWs

The retrocessional market has begun to stabilize after the departure of Berkshire Hathaway and the downsizing of hedge fund participants. But at current prices, there is still limited supply.

Many reinsurers have sought to place new or increased retrocessions, as quota shares of their excess of loss portfolios. Some are finding support for these retrocessions from primary insurers, who are either willing to provide reciprocity to a major trading partner, or are seeking diversification.

ILW placements outside of the U.S. often attach at \$5 billion, or even lower, and many were triggered by the Chile earthquake. Some second-event contracts were triggered in New Zealand.

2. Clash, WC and Life Catastrophe

Overall market capacity for some peak zones decreased during early 2009, but rebounded throughout 2010 and is now at record levels. Costs for lower layers continued to fall as reinsurance prices were impacted by lower subject premium or levels of underlying exposures. Higher layer ROLs are consistent with market minimums, which have been falling moderately. Capacity for California increased significantly, as reinsurers give credit for lower model estimates and reduced property coverage demands. There is an increased appetite to place per person covers and higher MAOLs in catastrophe covers. Many cedants now view \$5Mn as inadequate protection.

Clash, WC and Life Catastrophe	
January, 2006	-5% to +5%
April – July, 2006	-10% to 0%
January, 2007	-10% to 0%
April – July, 2007	-15% to -10%
January, 2008	-15% to -10%
April – July, 2008	-20% to -10%
January, 2009	-3% to +5%
April – July, 2009	-5% to +3%
January, 2010	-15% to -5%
April – July, 2010	-15% to -5%
January, 2011	-15% to 5%

Note: Measured in dollars amounts or ROLs.

Comparable programs at renewal.

3. Policy - Exposed Contracts

Most working and other policy-exposed contracts renewed with stable or higher rates. With lower subject bases, most renewals were at lower premium amounts. These classes of business do not

depend on capital as much as catastrophe covers. Rates on renewals were largely driven by accounts' own recent experience, often with lower ceded deposit premiums, due to reduced subject premiums.

	Working	High Excess With Recent Losses	High Excess With No Loss
January, 2006	0% to +10%	+15% to +25%	0% to +15%
April – July, 2006	0% to +30%	+25% to +50%	+5% to +15%
January, 2007	0% to +40%	+10% to +25%	-10% to 0%
April – July, 2007	10% to -5%	0% to +10%	10% to 0%
January, 2008	-10% to -2.5%	0% to +10%	10% to 0%
April – July, 2008	-5% to +5%	-0% to +10%	-10% to 0%
January, 2009	-5% to +10%	+25% to +50%	0% to +10%
April – July, 2009	-5% to +10%	+25% to +50%	0% to +10%
January, 2010	-5% to 0%	0% to +15%	-10% to +5%
April – July, 2010	-5% to 0%	0 to +15%	-10% to -5%
January, 2011	-5% to +10%	+5% to +20%	-10% to -5%

Note: Measured as rates on subject income, not dollar amounts

Property per risk

Since 2008, reinsurers have seen a marked run of losses to large risks (often fires) worldwide and to many U.S. middle market accounts. This drove rate increases in some cases. The higher U.S. frequency may be related to housekeeping and maintenance issues in this depressed economy. We have not yet seen an uptick in arson. The increased frequency reverses a favorable trend that had helped the industry's profitability, despite falling direct prices. Insurance to value is also a current challenge, due to falling real estate prices and insured values not tracking true replacement costs.

Casualty, including umbrella

A number of new players (such as AWAC, Aspen, Catlin and Tokio Millennium) have entered the on-shore casualty market since 2007, increasing market capacity.

Reinsurers expressed concerns about much lower short-term interest rates, continued soft pricing in the primary market and decreasing reserve adequacy. Longer-term, they expect that deficits and the weaker dollar may cause higher levels of general inflation, and healthcare reform may raise medical costs covered by WC and Liability coverages. Some reinsurers also asserted that increased capital requirements and general economic risks justify rate increases. Buyers generally did not accept this logic for working layers, causing extended negotiations on some renewals.

4. Terrorism Coverage

Reinsurers write their terrorism exposures without retrocessions or TRIA protection (and often competing for capacity with affiliates' direct operations). So, their capacity is limited. Some market trends are:

- Ceding companies often have similar occurrence retentions on terrorism and natural catastrophes, so retention levels for terrorism have also tended to increase. TRIA retentions have fallen due to lower subject premium incomes, easing some carrier's limit needs.
- Significant capacity is available (over \$1 billion per ceding company, less in "Tier I" cities). This is ample for most regional carriers, but not for nationwide accounts with multi-billion dollar TRIA retentions. Some commercial nationals buy no terror protection beyond TRIA. Regional carriers tend to have broader coverage in underlying programs and also purchase higher Cat and Clash limits for terror.
- NBCR coverage is more constrained at \$500 million (less for key cities) and it remains expensive. It is more common in regional account and Life/PA placements.
- Companies exposed in the Northeast, and especially in Metropolitan New York, find capacity tight for both Windstorm and Terrorism and often choose to limit their terrorism protection, in order to maximize windstorm coverage.

B. 2010 Market Losses

I. Recent Loss Experience

Catastrophe losses in 2010 will settle near long-term average levels for direct insurers, but with a higher than average cost to reinsurers. This is the result of several conflicting factors. First, the Atlantic hurricane season was very active, near record levels. However, with twelve hurricane-force storms, it is remarkable that the U.S. did not experience hurricane-force winds from any of them. Hurricane season losses were far below long-term averages, worldwide.

Outside of the U.S., there were three strong earthquakes in populated areas, two of them in developed countries. We believe that the ultimate losses remain significantly underreported. In Chile, the Cat models estimated losses near \$8 billion, however, these estimates exclude life, workers' compensation, marine and aviation and loss adjustment expenses. Moreover, the models are not designed to cover related tsunami and looting losses. We expect an ultimate loss of \$10 billion to \$14 billion including these other elements, and continuing development in reinsurers' reported estimates. We agree with market estimates that this loss will be 80% to 90% borne by reinsurers.

The New Zealand earthquake loss has also continued to show development. There is a national earthquake program for residential losses that is similar to the U.S. Federal Flood program. It has a per location limit, with many homeowners purchasing excess coverage above the national program. Continuing reports in the market cite larger claims than expected, particularly on residential properties, and that many losses are now reaching these excess, privately-insured layers. We estimate a total loss, including LAE and the Federal program, of \$4.5 billion to \$6 billion (U.S. dollars). Of that, \$1 billion will be retained by the national program. There will also be significant retained losses by the indigenous programs. Roughly half of this loss will be reinsured.

We also note recent loss development on Hurricanes Wilma (2005) and Ike (2008). Florida law provides a five-year window to file claims, and many losses were newly reported in 2010. We now estimate Wilma to be \$16 billion in total U.S. loss and LAE, and well over \$18 billion considering earlier landfalls in the Caribbean and Mexico. Ike is over \$20 billion.

The higher than expected Cat losses on non-U.S. occurrences, and some large non-hurricane losses in the U.S. likely relate to the overall economic circumstances. Depressed building value prices makes insurance to value a challenge. However, depressed sale prices do not translate into equivalently lower replacement costs on partial losses. We believe that this is going to be a worldwide challenge until real-estate prices improve, and even then for some time afterwards.

Holborn tracked the following thirty events in 2010. The Chile earthquake is an unusually large loss to reinsurers. It is the largest-ever non-U.S. insured loss event, and one of the ten largest reinsured losses.

U.S. reinsured events and major foreign losses

Event	Dates	Description	Reported Deaths	Direct Loss	Reinsured Loss
Haiti Earthquake	Jan. 12	Magnitude 7.0 near Port au Prince	235,000	\$1 Bn	Minimal
Northeast Blizzards	Feb. 5-6, 9-10, 25-26	Three separate storms in Mid-Atlantic region	>40	\$5 Bn	>\$500 Mn
Chile Earthquake	Feb. 27	Magnitude 8.8 near Concepcion and tsunami	Approx. 500	\$10 Bn - \$14 Bn	\$9 Bn to \$11 Bn
Windstorm Xynthia	Feb. 27	Winter storm, largely in France	62	\$3.5 Bn	>\$1 Bn
Australia Hail	March 6-7, 21-22	Storms near Perth and Melbourne (2 Events)	None	\$2.5 Bn	>\$1 Bn
Northeast Storms	March 13-15	Flood and freeze in NY area and New England	12	\$1.25 Bn	\$250 Bn
Thai Riots	Apr. 9-22	Occupation of Parliament, arson, looting	25	\$1 Bn	>\$100 Mn
Iceland Volcano	Apr. 15-26	Ash cloud caused loss on Travel covers	None	\$1 Bn	Minimal
Deepwater Horizon	Apr. 20 - July 15	Explosion, sinking and well leak	11	\$3.5 Bn	Direct
Polish Floods	May 18-22	Largely on the Vistula river, but also affecting other basins in several central European nations	37	>\$1 Bn	Approx. \$250 Mn
Nashville Floods	May 1-2	1,000 year flood in Tennessee River basin	31	>\$1.5 Bn	>\$250 Mn
Upper Midwest Tornadoes and Hail	June 17-20, 21-24 July 17-18, 20-23	Four occurrences. Notable losses in Wadena, Minn. and Calgary, Alberta	15	\$2.5 Bn	\$500 Mn
Hurricane Alex	June 25 - July 2	Category 2 landfall in Belize, TS in NE Mexico	33	<\$500 Mn	Minimal
Hurricane Earl	Aug 25 - Sept 5	Bypassed North Carolina and Mass., TS landfall in Nova Scotia	6	<\$250 Mn	Minimal
NZ Earthquake	Sept. 4	Magnitude 7.1, Canterbury, NZ	Few	\$4.5 Bn to \$6 Bn	\$2.5 Bn to \$3.5 Bn
Northeast Storms	Set 15	Tornado in Queens, NY	2	\$1 Bn	<\$100 Mn
Hurricane Karl	Sept. 14 - 18	Category 3 landfall in Yucatan, TS in Veracruz, Mexico	22	<\$500 Mn	Minimal
Typhoon Fanapi	Sept. 19 - 21	Category 3 landfall in Taiwan, Cat 1 in Fujian, China, bypassed Hong Kong	75	<\$1 Bn	<\$250 Mn
Arizona Hailstorm	Oct 4-5	Significant damage in Phoenix	0	\$600 Mn	<\$250 Mn
Typhoon Megi	Oct. 18-22	Category 3 landfall in Luzon, the Philippines, TS in Fujian, China	50	>\$1 Bn	<\$500 Mn
Indonesia Tsunami	Oct. 25	Magnitude 7.7 earthquake off of Sumatra	>500	Minimal	None
Tornado Outbreak	Oct 25-28	Record low pressure spawned 56 tornadoes in six states	2	\$1 Bn	<\$250 Mn
Hurricane Richard	Oct. 21 - 26	Category 2 landfall in Belize	2	<\$250 Mn	Minimal
Hurricane Tomas	Oct. 29 - Nov. 7	Category 2 across several islands	41	<\$250 Mn	Minimal
Midwest Blizzard	Dec. 12-14	Record snowfalls in Minn. and around Great Lakes	14	>\$1 Bn	Some
30 - Event Total			>237,000	\$43 Bn - \$48 Bn	>\$16 Bn

Notes: Estimates include WC, Life and energy classes, and loss adjustment expenses. Deepwater includes Liability except D&O.

* Aviation and Energy participations by reinsurers on these individual risks are largely through their Direct and Fac books, not treaty coverages. The reinsurance market total includes reinsurers' participation in these losses.

Atlantic hurricane season

2010 was a very active year with 19 named storms and five "major" hurricanes (of Category 3 or higher). Both of these levels are well above historical averages of eleven named storms and two major hurricanes. Hurricanes Danielle, Earl, Igor and Julia in the Atlantic reached Category 4. In the Gulf, Hurricane Karl reached Category 3. Fortunately, these storms' paths did not hit large insured values. Only Hurricanes Alex and Karl caused meaningful damage, with three landfalls in Mexico. We estimate less than \$1.75 billion in market insured losses and LAE and 250 to 275 deaths.

Storm	Dates	Category (highest)	Winds (max. mph)	Pressure (min. mbar)	Landfalls	Deaths (direct)
Hurricane Alex	6/25 - 7/2	2	110	946	Belize, TS / NE Mexico, Cat 2	33
TS Bonnie	7/22 - 7/24	TS	40	1007	Bahamas, TS / Florida Keys, TS	1
TS Colin	8/2 - 8/8	TS	60	1005		1
Hurricane Danielle	8/21 - 8/31	4	135	942		2 (2 U.S.)
Hurricane Earl	8/25 - 9/5	4	145	928	Nova Scotia, TS	6 (4 U.S.)
TS Fiona	8/30 - 9/4	TS	60	998		0
TS Gaston	9/1 - 9/2	TS	40	1005		0
TS Hermine	9/6 - 9/8	TS	70	989	TX/Mexico border, TS	6
Hurricane Igor	9/8 - 9/21	4	155	925		4 (1 U.S.)
Hurricane Julia	9/12 - 9/20	4	140	948		0
Hurricane Karl	9/14 - 9/18	3	120	956	Yucatan, TS / Veracruz MX, Cat 3	22
Hurricane Lisa	9/21 - 9/26	1	85	982		0
TS Matthew	9/23 - 9/26	TS	60	998	Nicaragua, TS	126
TS Nicole	9/28 - 9/29	TS	40	995		13
Hurricane Otto	10/6 - 10/10	1	85	976		0
Hurricane Paula	10/11 - 10/15	2	100	981		1
Hurricane Richard	10/21 - 10/26	2	100	978	Belize, Cat 1	2
Hurricane Shary	10/29 - 10/30	1	75	989		0
Hurricane Tomas	10/29 - 11/7	2	100	982		41
Total - 19 Storms	6/25 - 11/7	Four Cat 4s	155	925	10 (2 U.S.)	250-275 (7 U.S.)

Major hurricanes shown in bold

The U.S. experienced only tropical storm winds this season, on Hurricane Alex (making landfall south of Texas, but with some in-state losses), Tropical Storm Bonnie in Florida, Hurricane Earl (in the Outer Banks and New England islands as the storm passed offshore) and Tropical Storm Hermine (again on the Texas-Mexico border). It is very unusual for a year with 12 hurricanes to avoid U.S. hurricane-force landfalls. More typically, one quarter of hurricanes in the Atlantic and Caribbean reach U.S. shores at that strength.

This year's high activity is related to the continuing La Niña conditions in the Pacific Ocean, which inhibits wind shear in Atlantic weather patterns. Water temperatures were well above seasonal averages early in the season, but were closer to expected levels by the time that most of the strong storms occurred in late August and September. The Bermuda High varied in location, but was generally far enough easterly to allow storms to turn north before reaching the U.S. mainland.

2. 2011 Catastrophe Outlook

The weather patterns that resulted in an active 2010 hurricane season seem likely to continue at least partway into 2011. The early forecast from Colorado State is for another active year, and we see no reason now why it should not be above average. An active 2011 season would be likely to result in one or more hurricane-force landfalls in the U.S., with significant insured losses.

Business written in 2009 through 2011 reflects lower building values, and thus tends to have depressed insured values. In addition, coverage terms have been softening, with increased use of blanket limits, and more liberal coverage for flood and earthquake on middle market commercial business. There is more exposure per dollar of premium or TIV than would have been the case earlier. Even if the market and economy recover quickly, some of the business to be earned in 2012 has already been written, and we expect worse than average loss experience to continue.

C. Worldwide Reinsurance Industry Results

The worldwide reinsurance industry is:

- **Moderately profitable** overall (a 9% compound ROE since year-end 2000)
- **Volatile** (calendar year ROE's ranging between -9% and +20%)
- **Shrinking** (the 2011 market will be smaller than 2003's)
- **Well-capitalized** (leverage ratios down over 40% since 2001, even after the recent financial market declines)

Adjusting reported data for foreign affiliates and exchange rates, Holborn estimates 2010 results of:

- **Net earned premiums** – \$170 billion - \$180 billion (down approximately 7%)
- **Combined ratio** – 88% - 90% (up at least two points)
- **Net income** – \$20 billion to \$26 billion (down, but still far above the long-term average levels)
- **Return on equity** – 10% to 12% (also down, but still strong)
- **Year-end capital** – \$215 billion to \$225 billion (GAAP basis except for RAA members)
- **Assets** – up, but only by 3% to 5%

Large industry events in 2010 added about 8 to 10 points to reinsurers' all lines loss ratios, about 3 to 5 points more than normal.

Based on current levels in currency markets and investments, Holborn estimates that the 2011 global reinsurance market results will show:

- Lower underwriting profits, if any, driven by late reporting on 2010 Cat losses, expense pressure, continuing rate decreases, broadening of coverage in primary policies and insurance-to-value concerns.
- Lower premium volumes, as rate increases, if any, will not outpace the continuing declines in subject premiums.
- Reduced financial flexibility with falling or negative cashflow, unrealized capital losses on long-term bond portfolios, and share prices that make mergers or new issues unattractive.

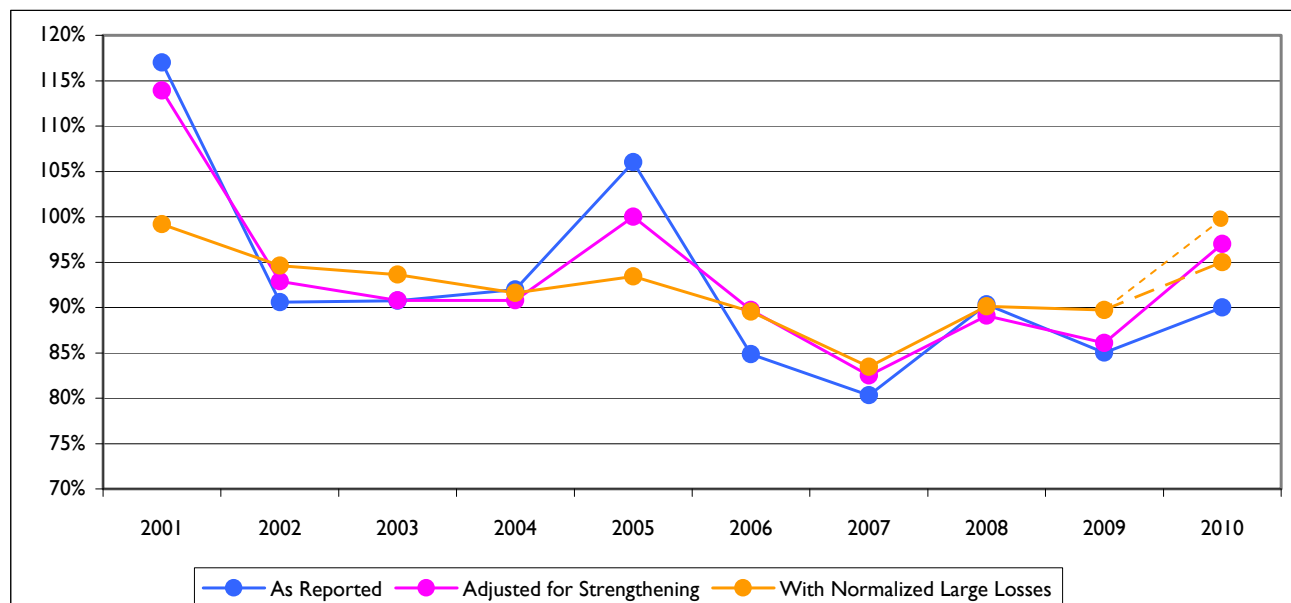
Worldwide industry results

	Gross Premiums Written	Net Premiums Earned	Net Underwriting Gain	Combined Ratio	Net Income/ Loss	Capital Funds	Return on Equity
2001	\$125,655	\$97,047	(\$17,328)	117.9%	(\$7,148)	\$74,422	-9.2%
2002	156,393	125,691	6,117	95.1%	4,169	80,271	5.6%
2003	203,412	173,934	14,349	91.8%	11,314	126,905	14.1%
2004	203,781	181,778	12,582	93.1%	14,151	145,110	11.2%
2005	185,906	164,895	(7,726)	104.7%	2,265	152,013	1.6%
2006	196,633	168,101	27,203	83.8%	30,765	195,383	20.2%
2007	207,110	180,877	29,852	83.5%	32,772	206,726	16.8%
2008	194,399	169,907	18,005	89.4%	5,522	170,894	2.7%
2009	\$213,307	\$187,131	\$26,037	86.1%	\$26,771	\$212,724	15.7%
2010 Est.	\$200,000 - \$205,000	\$170,000 - \$180,000	\$17,250 - \$22,250	88% - 90%	\$20,000 - \$25,000	\$215,000 - \$225,000	10% - 12%
2001-2009	\$1,686,596	\$1,449,363	\$109,090		\$120,580	\$1,364,449	
9-Year Average	\$187,400	\$161,040	\$12,121	93.9%	\$13,398	\$151,605	8.4%

Notes: \$Millions. Gross premiums include retrocessions.

We also review underwriting results adjusting for reserve strengthening and large losses, based on a 35-year history of worldwide insured events and a 10-year history of reinsured events that cost more than one-half percent of U.S. gross written premiums. We believe that amount represents the level where one or more events in a year would notably affect reinsurers' results.

Reinsurance industry combined ratios



Notes: Trade basis, calendar year. Details in Appendix I

On a normalized basis, with large losses smoothed at average levels and without reserve strengthening, results are much less volatile. Reinsurers' booked results in 2010 will be roughly five points better than our normalized ratios, due to five to seven points of reserve weakening, partly offset by large loss experience that is three to five points worse than average.

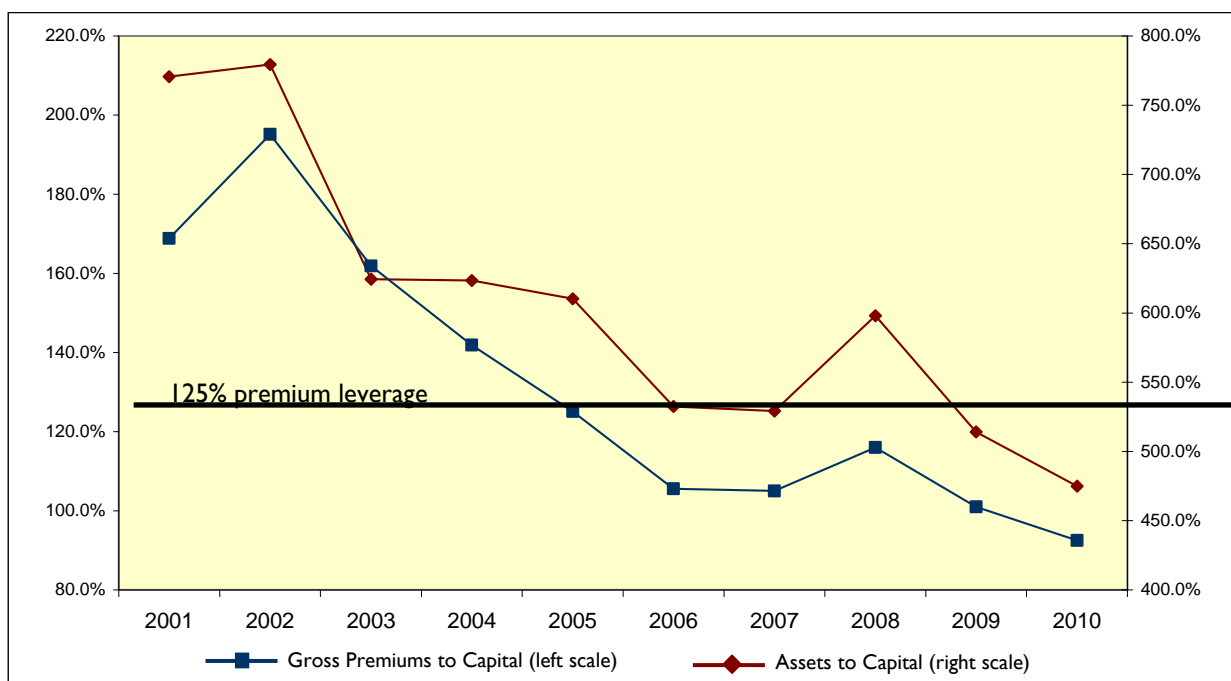
Growth in premiums and capital

	Gross Premiums Written	Premium Growth Rate	Adjusted For Exchange Rates	Capital Funds	Premium Leverage Ratio	Asset Leverage Ratio
2001	\$125,655			\$74,422	168.8%	7.71x
2002	156,393	24.3%	17.5%	80,271	194.8%	7.81x
2003	203,412	29.8%	18.8%	126,905	160.3%	6.30x
2004	203,781	0.1%	-3.9%	145,110	140.4%	6.30x
2005	185,901	-8.8%	-1.8%	150,762	123.3%	6.19x
2006	195,961	5.4%	-2.3%	193,915	101.1%	5.50x
2007	206,423	5.3%	3.2%	204,750	100.8%	5.48x
2008	193,563	-6.2%	-3.0%	169,008	114.5%	6.25x
2009	212,381	9.7%	5.0%	210,613	100.8%	5.14x
2010 Est.	\$200,000 to \$205,000	-3% to -6%	-5% to -7%	\$215,000 to \$225,000	90% to 95%	4.5x to 5x
2001-2009	\$1,683,470			\$1,355,757		
9-Year Average	\$187,052	7.5%	4.2%	\$150,640	133.9%	6.08x

Note: \$Millions.

Market leverage ratios
Gross premiums to capital

Assets to capital



At a market average premium-to-capital ratio above 125% (shown as a black line in the previous graph), we believe that some reinsurers would need to reduce capacity. Several analysts have noted that reduction in reinsurance market capital of over \$50 billion would be required for this to happen, representing multiple Katrina-sized events in a short period.

Industry capital rebounded in 2009 and 2010

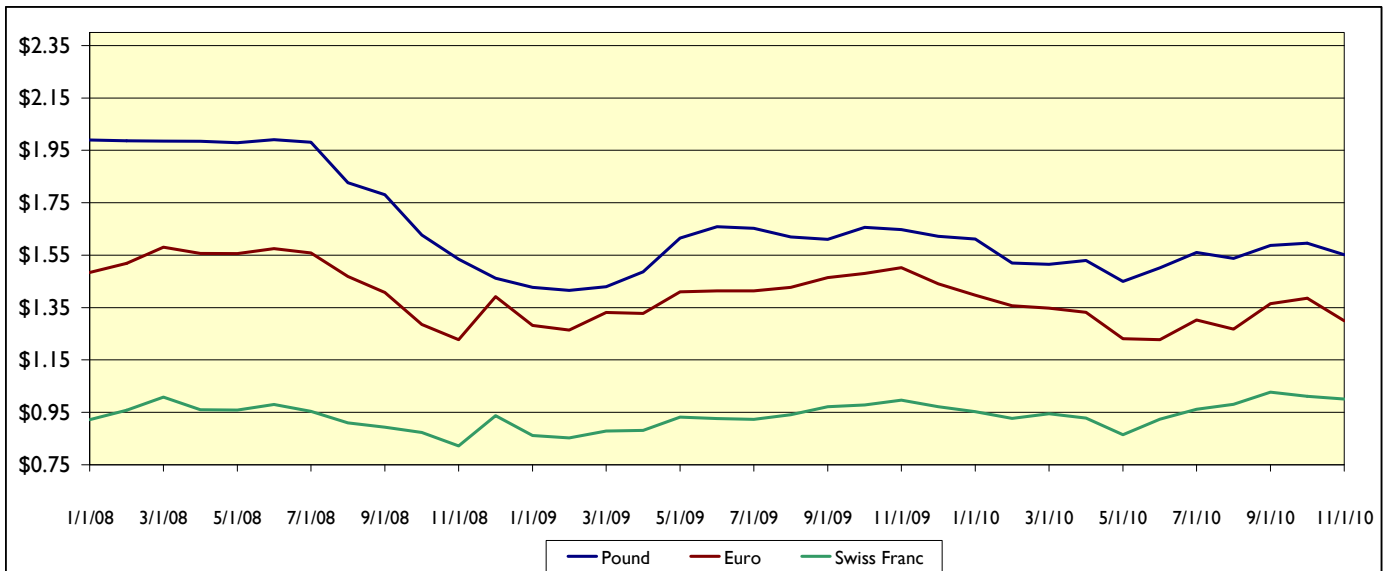
	Net Income/Loss	Increases from Exchange Rates	Reductions from Restructuring and Mergers	Mark to Market Losses (After-tax)	Net Capital Increases	Changes in Capital Funds
2001	(\$7,148)	(\$1,810)	\$0	\$0	\$5,472	(\$3,485)
2002	4,169	6,875	(6,800)	0	1,605	5,849
2003	11,314	6,253	7,100	0	21,967	46,634
2004	14,151	4,734	0	0	(681)	18,204
2005	2,264	(8,688)	0	0	12,077	5,652
2006	30,604	8,045	(5,000)	0	9,505	43,153
2007	32,611	6,804	0	0	(28,581)	10,834
2008	5,527	(8,039)	(1,500)	(35,000)	3,270	(35,742)
2009	26,506	4,483	0	12,000	(1,000)	41,606
2010 Est.	\$20,000 to \$25,000	(\$5,000 to \$10,000)	(500)	2,500	(5,000)	\$5,000 to \$15,000
2001 – 2009	\$119,997	\$18,657	(\$6,200)	(\$20,500)	\$18,635	\$132,705
9-Year Average	\$13,333	\$2,073	(\$690)	(\$2,050)	\$1,864	\$14,745

Notes: \$Mns. Restructurings involve: Munich-Allianz, Hannover-DHI, Converium-SCOR, Swiss-ERC, XL-SCA, Partner-Paris and Validus-IPC. Negative amount shown as capital increases in 2007 is largely stock repurchases. Net capital increases are calculated to balance to total change, and include miscellaneous items, with dividends and buy-backs shown as decreases.

While that run of events is unlikely, we expect to see U.S. reinsurance prices to begin to increase in 2012 or 2013 due to combinations of:

- Capital gradually leaving the market through dividends, buybacks and mergers,
- Some European reinsurers (perhaps including some at Lloyd's) will be constrained by Solvency II capital rules in 2013,
- Expense ratio pressures,
- Higher “attritional” catastrophe loss experience and higher model estimates for U.S. hurricane,
- An eventual rebound in business activity, increasing demand for coverage,
- Inflation, which impacts excess reinsurers more than primary companies, or
- Depressed bond values.

Foreign currencies fell sharply against the U.S. dollar in late 2008, rebounded during 2009, and fell again late in 2010.



A stronger dollar tends to reduce industry capital levels, when measured in U.S. dollars.

2011 forecasts

Holborn forecasts the market will continue to show moderate, if any, growth and falling leverage ratios.

	Gross Premiums Written	Combined Ratio	Net Income	Net New Capital	Change in Capital	Year-end Capital	Gross Leverage Ratio
2011 Forecasts	\$170,000 to \$185,000	95% to 100%	\$10,000 to \$20,000	(\$10,000) to (\$5,000)	\$5,000 to \$15,000	\$220,000 to \$240,000	75% - 85%
2010 Estimates	\$200,000 to \$205,000	88% to 90%	\$20,000 to \$25,000	(\$2,000)	\$5,000 to \$15,000	\$215,000 to \$225,000	90% - 95%
2009 Actual	\$212,381	85.0%	\$26,506	(\$1,000)	\$42,605	\$210,613	100.8%
2001–2009 Averages	\$187,052	92.4%	\$13,333	\$1,864	\$15,132	\$150,640	124.2%

Note: \$Mns.

The 2011 estimates assume large loss experience at historical levels and more mergers and stock buy-back programs among major reinsurers. Mergers are increasingly likely and tend to reduce capital. The estimates also assume that the equity and currency markets remain near 2010 levels.

D. For More Information

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Holborn prepares the latest information on these issues in a variety of easy-to-use formats. We provide updates on recent and potential catastrophe events for several regions through an e-mail service. We also offer clients a monthly summary of reinsurer financial news and rating information. Holborn's Eye-in-the-Sky(SM) data management tool provides individually-tailored, real-time alerts on events that expose clients' accumulations.

About Holborn

Holborn is the largest independent reinsurance brokerage firm in the U.S., offering advanced analytic tools, global market access and responsive account services to clients. The company was formed in 1920, making us one of the most experienced reinsurance brokers in the world. We are owned exclusively by our employees. This contributes to Holborn's stable client base and noteworthy ability to attract and retain talent.

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Appendices

1. Normalized Results
2. Reinsurers Included in Study
3. Significant Market Losses: 1975-2010
4. Major Reinsured Losses Since 2001

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I. Normalized Results

Results excluding reserve changes and worldwide industry losses over 0.5% of U.S. GWP (direct)

	Net Income/ Loss	Casualty Reserve Strengthening	Property Reserve Strengthening	Estimated Cat Losses	Tax Effect	Adjusted Net Income/ Loss
2001	(7,148)	\$3,853	(\$3,000)	\$23,000	(\$6,114)	\$10,591
2002	\$4,169	\$2,750	\$3,000	\$1,500	(\$1,851)	\$9,568
2003	\$11,314	\$1,722	\$0	\$2,250	(\$839)	\$14,447
2004	\$14,151	\$3,970	(\$2,000)	\$8,250	(\$2,066)	\$22,304
2005	\$2,264	\$7,805	(\$10,000)	\$28,500	(\$4,951)	\$23,618
2006	\$30,604	(\$9,686)	\$8,000	\$0	\$304	\$29,222
2007	\$32,611	\$1,699	\$4,000	\$2,250	(\$1,651)	\$38,910
2008	\$5,527	\$358	(\$2,000)	\$8,000	(\$1,322)	\$10,563
2009	\$26,506	(\$2,900)	\$2,000	\$750	\$31	\$26,387
2010 Est.	\$20,000 to \$25,000	(\$5,000)	(\$5,000)	\$16,000 to \$18,000	(\$2,500 to \$3,500)	\$20,000 to \$25,000
2001-2009	\$119,997	\$9,571	\$0	\$74,500	(\$18,457)	\$185,611

Notes: \$Mns. No tax-effect on unconsolidated Bermuda companies or Lloyd's syndicates. Reserve strengthening reflects disclosed amounts for U.S. casualty excess business, and Holborn estimates of property losses that emerge in the year following major events.

Results excluding reserve changes and with large losses at 25-year average level relative to U.S. GWP

	Adjusted Net Income		Normalized Combined Ratio	Normalized Return
	No Strengthening and No Large Losses	But Average Large Losses		
2001	\$10,591	\$6,326	100.7%	8.1%
2002	\$9,568	\$4,645	99.8%	6.2%
2003	\$14,447	\$8,722	95.3%	10.9%
2004	\$22,304	\$16,317	91.9%	12.9%
2005	\$23,618	\$17,372	88.8%	12.0%
2006	\$29,222	\$22,804	95.8%	15.1%
2007	\$38,910	\$32,684	86.9%	16.9%
2008	\$10,563	\$4,519	90.4%	2.2%
2009	\$26,387	\$20,431	89.7%	12.1%
2010 Est.	\$20,000 to \$25,000	\$15,000 to \$20,000	93% to 95%	7% to 9%
2001-2009	\$185,609	\$133,821	92.3%	10.6%

Note: \$Mns.

2. *Reinsurers Included in Study*

We combined the published experience of the RAA members, Lloyd's, Bermuda public companies and the major European reinsurer groups. We exclude reinsurance departments of insurer groups, such as Liberty Mutual, MAPFRE and Generali, and also Berkshire Hathaway's National Indemnity Co., as we consider it to be principally an investment vehicle and not a reinsurer. However, for consistency, we include insurers such as Lloyd's, ACE, AWAC and XL that are influential lead markets but may not write most of their volume as reinsurance. We also exclude specialist Life reinsurance and mortgage guarantee companies. Equitas and companies now in runoff are excluded from the years after they stopped underwriting. The companies in the study and the years each one is included are:

ACE (2000 – 2010)

Alterra (2010)/ Harborpoint (2005-2009)/ Max Re (2003-2009)

American Agricultural Insurance Company (2000 – 2010)

Amlin (Bermuda) Ltd. (2007-2010)

Arch (2003 – 2010)

Argo Reinsurance Ltd. (2007-2010) / PXR Reinsurance Company (2000 – 2006)

Ariel/Rosemont (2007 – 2010)

Aspen (2003 – 2010)

AWAC (2003 – 2010)

AXIS (2003 – 2010)

Berkley Insurance Company (2000 – 2010)

Catlin (Bermuda) (2003-2010)

CNA Re (2000 – 2002)

Converium (2000 – 2006)

EMC Reinsurance Company (2000 – 2010)

Endurance Specialty (2003 – 2009)

Everest Reinsurance Company (2000 – 2010)

Farmers Mutual Hail Insurance Company of Iowa (2000 – 2010)

Flagstone Reinsurance (2006-2010)

GE Insurance Solutions (2004 – 2005) / Employers Reinsurance Corporation (2000 – 2003)

General Re Group (2000 – 2010)

Gerling Global Group (2000 – 2002)

Glacier Re (2006-2009)

Hannover Re (2000 – 2010)

Hartford Re Company (2000 – 2002)

Hiscox Insurance Ltd. (Bermuda) (2006-2010)

Lancashire (2006-2010)

Lloyds (2000 – 2010, Market total GAAP results, eliminating syndicates consolidated into other reinsurers' results.)

Mapfre U.S. Re (2003 – 2005)

Montpelier (2003-2010)

MS Frontier Ltd. (Bermuda) (2007-2010)

Munich Re (2000 – 2010)
Odyssey Re Corp. / Odyssey America Re Corp (2000 – 2010)
Omega (Bermuda) (2006-2010)
Overseas Partners U.S. Reinsurance Company (2000 – 2002)
Partner Re (2001 – 2010)/ Paris Re (2006 – 2009) / AXA Re (2004 – 2006) / Axa Corporate Solutions Reinsurance Co. (2000 – 2003)
Platinum Re (2002 – 2009) / St. Paul Re (2000 – 2001)
PMA Capital Insurance Company (2000 – 2003)
QBE Reinsurance Corporation (2000 – 2010)
Renaissance Re (2000 – 2009)
SCOR (2000 – 2010)
Swiss Re (2000 – 2010)
Toa Reinsurance Company of America (2000 – 2010)
Tokio Millennium (Bermuda) (2003-2010)
Transatlantic/Putnam Reinsurance Cos. (2000 – 2010)
Trenwick America Reinsurance Corporation (2000 – 2005)
Validus/IPC Re, Ltd. (2000 – 2009)
White Mountain Re (2007-2010) / Folksam Reinsurance Company (2000 – 2007)
XL Ltd. (2000 – 2010)

Notes: Berkshire Hathaway's National Indemnity and Equitas units are excluded. Berkshire's General Re unit and the Faraday Syndicate at Lloyd's are included. Bermuda "Sidecars" do not report comparable figures and are not included.

3. Major Worldwide Losses 1975 to 2010 (Events over 0.5% of U.S. GWP)

Year	Loss	Reported Fatalities	Worldwide Direct Insured Losses	% of U.S. Industry GWP	
1977	Tenerife crash	583	\$500 Mn	0.5%	
1978	U.S. Blizzard	approx. 100	\$800 Mn	0.8%	
1979	Hurricane Frederic	12	\$2 Bn	2.0%	
1980	Mt. St. Helens explosion	57	\$2 Bn	2.0%	
1980	MGM Grand Fire	85	\$750 Mn	0.8%	
1983	Australia Wildfires	75	\$600 Mn	0.6%	
1983	Hurricane Alicia	21	\$1.5 Bn	1.5%	
1985	Mexico City Earthquake	10,153	\$4 Bn	2.6%	
1987	UK Winterstorm (B7J)	23	\$5 Bn	2.4%	
1988	Piper Alpha Rig Explosion	167	\$2.5 Bn	1.0%	
1988	Hurricane Gilbert	341	\$6 Bn	2.8%	
1989	Exxon Valdez Oil Spill	0	\$4.5 Bn	1.6%	
1989	Hurricane Hugo	56	\$7.5 Bn	3.4%	
1989	Loma Prieta Earthquake	63	\$7.5 Bn	3.4%	
1989	Phillips Petroleum Explosion	23	\$1.5 Bn	0.7%	
1990	UK Winter Storm Daria (Burns' Day)	95	\$7 Bn	3.0%	
1990	UK Winter Storm Vivian	64	\$5 Bn	2.1%	
1991	Typhoon Mireille, Japan	52	\$5 Bn	2.1%	
1992	Hurricane Andrew	26	\$15.5 Bn	6.3%	
1992	Hurricane Iniki	6	\$1.5 Bn	0.6%	
1993	Mississippi Flood	50	\$3 Bn	1.2%	
1994	Northridge Earthquake	72	\$17.5 Bn	6.5%	
1995	Kobe Earthquake	6,434	\$5 Bn	1.8%	
1995	Texas Hail (Cat 38)	13	\$4 Bn	1.4%	
1995	Hurricane Opal	70	\$3 Bn	1.1%	
1996	Hurricane Fran	26	\$3.5 Bn	1.2%	
1998	Hurricane Georges	604	\$4 Bn	1.3%	
1999	Izmit, Turkey Earthquake	17,217	\$4 Bn	1.3%	
1999	Hurricane Floyd	57	\$5 Bn	1.6%	
1999	Typhoon Bart	26	\$4 Bn	1.3%	
1999	European Winter Storm Lothar	50	\$9 Bn	2.9%	
1999	European Winter Storm Martin	30	\$6 Bn	2.0%	
2001	September 11th Attacks	3,017	\$41 Bn	11.3%	
2001	Hurricane Allison	41	\$3.5 Bn	1.0%	
2002	Czech Floods	84	\$4 Bn	1.0%	
2003	St. Louis Tornadoes	45	\$3.5 Bn	0.8%	
2003	California Wild Fires	15	\$3.5 Bn	0.8%	
2004	Hurricane Charley	35	\$12.5 Bn	2.6%	
2004	Hurricane Frances	49	\$7 Bn	1.5%	
2004	Typhoon Songda	45	\$3.5 Bn	0.7%	
2004	Hurricane Ivan	123	\$13 Bn	2.6%	
2004	Hurricane Jeanne	3,035	\$5 Bn	1.1%	
2005	Indian Ocean Tsunami	230,000	\$5 Bn	1.0%	
2005	Hurricane Katrina	1,836	\$65 Bn	13.3%	
2005	Hurricane Rita	34	\$9 Bn	1.8%	
2005	Hurricane Wilma	35	\$18.5 Bn	3.7%	
2007	California Wild Fires	14	\$3 Bn	0.8%	
2007	European Winter Storm Kyrill	44	\$6 Bn	1.2%	
2007	UK Floods	13	\$7 Bn	1.4%	
2008	Hurricane Gustav	112	\$7 Bn	1.2% - 1.7%	
2008	Hurricane Ike	103	>\$20 Bn	>4.1%	
2009	Winter Storm Klaus	16	\$3.5 Bn	0.6% - 0.8%	
2010	Chile Earthquake	500	\$10 Bn to \$14 Bn	1.4% - 0.3%	
2010	European Windstorm Xythia	62	\$3.5 Bn	0.5%	
2010	Deepwater Horizon	11	\$3.5 Bn	0.5%	
2010	NZ Earthquake	Few	\$4.5 Bn to \$6.0 Bn	0.6% to 6.0%	
1975 - 2010 Totals		56 Events	>275,000	\$400 Bn to \$425 Bn	
46-Year Averages		1.22 per year	> 6,000	\$9 Bn to \$10 Bn	4.5% - 5.0%

Source: Holborn estimates of worldwide market loss, all coverages, including LAE; Based on PCS, III, Sigma and market reports. Actual loss amounts, not adjusted for inflation. Foreign currencies converted at historic rates.
Events shown in bold are over 2.5% of GWP.

4. Major Reinsured Losses Since 2001

Year	Loss	Worldwide Direct Insured Losses	Reinsured Losses	% of Reinsurance Industry GWP
2001	September 11th Attacks	\$41 Bn	\$20 Bn – \$25 Bn	15% - 20%
2001	Hurricane Allison	\$3.5 Bn	\$1 Bn – \$2 Bn	0.8% - 1.6%
2002	Czech Floods	\$4 Bn	\$1 Bn – \$2 Bn	0.6% - 1.3%
2003	St. Louis Tornadoes	\$3.5 Bn	\$1 Bn – \$2 Bn	0.5% - 1.0%
2003	California Wild Fires	\$3.5 Bn	< \$1 Bn	< 0.5%
2004	Hurricane Charley	\$12.5 Bn	\$1.5 Bn – \$2.5 Bn	0.75% - 1.25%
2004	Hurricane Frances	\$7 Bn	\$1 Bn – \$2 Bn	0.5% - 1.0%
2004	Typhoon Songda	\$3.5 Bn	\$1 Bn – \$1.5 Bn	0.5% - 0.75%
2004	Hurricane Ivan	\$11.5 Bn	\$1.5 Bn – \$2.5 Bn	0.75% - 1.25%
2004	Hurricane Jeanne	\$5 Bn	\$1 Bn – \$2 Bn	0.5% - 1.0%
2005	Indian Ocean Tsunami	\$5 Bn	< \$1 Bn	0.6% - 1.1%
2005	Hurricane Katrina	\$65 Bn	\$20 Bn – \$24 Bn	10.7% - 14.6%
2005	Hurricane Rita	\$9 Bn	\$2 Bn – \$3 Bn	1.1% - 1.6%
2005	Hurricane Wilma	\$18.5 Bn*	\$3 Bn – \$4 Bn	1.6% - 2.2%
2007	California Wild Fires	\$3 Bn	< \$1 Bn	< 0.5%
2007	European Winter Storm Kyrill	\$6 Bn	\$1 Bn – \$1.5 Bn	0.5% - 0.7%
2007	UK Floods	\$7 Bn	\$1 Bn – \$1.5 Bn	0.5% - 1.7%
2008	Hurricane Gustav	\$7 Bn	\$1 Bn – \$2 Bn	0.5% - 1.0%
2008	Hurricane Ike	>\$20 Bn	\$6 Bn - \$7 Bn	3.1% - 3.6%
2009	Winter Storm Klaus	\$3.5 Bn	< \$1 Bn	< 0.5%
2010	Chile Earthquake	\$10 Bn to \$14 Bn	\$9 Bn - \$12 Bn	4.5% to 6.0%
2010	European Windstorm Xynthia	\$3.5 Bn	>\$1 Bn	>0.6%
2010	Deepwater Horizon	\$3.5 Bn	>\$2 Bn	>1.0%
2010	NZ Earthquake	\$4.5 Bn to \$6.0 Bn	\$2.5 Bn - \$3.5 Bn	1.2% - 1.7%
2001 – 2010 Totals	24 Events	\$250 Bn - \$275 Bn	\$80 Bn - \$100 Bn	
10-Year Averages	2.40 per year	\$25 Bn - \$28 Bn	\$8 Bn - \$10 Bn	4% - 5%

Source: Holborn estimates of worldwide market loss, all coverages, including LAE; based on PCS, III, Sigma and market reports. Actual loss amounts, not adjusted for inflation; foreign currencies converted at historic rates: Events listed are over 0.5% of U.S. GWP in direct losses.

*U.S. loss and expenses: \$16 Bn.

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