Best's Rating Report

hannover re

HANNOVER RUECKVERSICHERUNG AG

30625 Hannover, Germany

Financial Strength Rating
AM BEST
A Excellent

A

Non-Life Reinsurer

Ultimate Parent: HDI V.a.G.

HANNOVER RUECKVERSICHERUNG AG
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AMB#: 085070 AIIN#: AA-1340125
Ultimate Parent#: 085068
Publicly Traded Corporation: Hannover Rueckversicherung AG
XETRA: HNR 1

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the company and its insurance subsidiaries, the company is assigned a Best's Financial Strength Rating of A (Excellent). The company's Financial Size Category is Class XV.

RATING RATIONALE

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

Rating Rationale: The rating reflects Hannover Re's excellent risk-adjusted capitalisation, its solid operating performance and its strong business profile. These factors are partly offset by the company's constrained financial flexibility due to its dependence on its majority shareholder, Talanx AG, which is a non-listed intermediate holding company.

Excellent risk-adjusted capitalisation — A.M. Best expects a slight reduction in Hannover Re's risk-adjusted capitalisation in 2011 as the impact of higher catastrophe losses reduces current year net income. Despite this, Hannover Re continues to maintain excellent risk-adjusted capitalisation, which improved in 2010 supported by net earnings after dividends, unrealised gains on the investment portfolio and lower foreign exchange losses. The company also issued a EUR 500 million convertible bond in September 2010, which further supported risk-adjusted capitalisation. Hannover Re's 2011 reinsurance programme has been hit by a number of large catastrophe losses in the first half of the year; however, remaining capacity for the rest of the year is expected to be sufficient at approximately EUR 320 million. Hannover Re has a low direct exposure to peripheral Eurozone debt at just 1% of the total invested asset base at the first half (H1) of 2011. However, the continued uncertainty surrounding the economic and investment environment within the Eurozone remains an offsetting factor for the rating. In A.M. Best's view, Hannover Re's financial flexibility remains constrained by its dependence upon Talanx AG.

Solid operating performance — Hannover Re is expected to report a reduced net income in 2011 of approximately EUR 500 million after experiencing a number of large catastrophe losses in the first half of the year. Net major losses amounted to EUR 625 million (EUR 390 million above the H1 budget and EUR 95 million above the budget for 2011). The largest losses have included the Japanese earthquake (EUR 233 million), New Zealand earthquake (EUR 127 million), Australian flooding (EUR 55 million) and frost in Mexico (EUR 54 million). These losses have resulted in a combined ratio for non-life reinsurance of 110% at H1 2011. The company reported an improved net income in 2010 of EUR 749 million (2009: EUR 731 million) despite an increase in net large losses from EUR 240 million in 2009 to EUR 662 million (above a budget of EUR 500 million). The increase in large losses was driven by the Chilean and New Zealand earthquakes, Deepwater Horizon and windstorm Xynthia.

Strong business profile — Hannover Re continues to benefit from an excellent profile in the global reinsurance market. Premium growth in 2011 is likely to be driven by rate increases on catastrophes exposed to lines of business in Australasia and Japan as well as improvements in its life business in the United States following the acquisition of the ING portfolio and increased premium volume in certain emerging markets. Overall growth in gross premiums is likely to be at the company's target of 7% due to the significant contribution made by the life reinsurance business.

Best's Financial Strength Rating: A Outlook: Positive

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
11/04/11	A	07/16/08	A
11/02/10	A	03/13/08	A
07/20/09	A	09/11/07	A

BUSINESS REVIEW

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

Hannover Rueckversicherung AG (Hannover Re) maintains an excellent business position in the worldwide reinsurance markets and ranks among the four largest reinsurers.

The group is majority owned by the German industrial insurance group, Haftpflichtverband der Deutschen Industrie V.a.G. (HDI), through its intermediate holding company, Talanx AG, with 50.2% of share capital while the remainder is free-float.

Hannover Re remains a well-diversified reinsurer with 56% of premium income from non-life and 44% from life/health reinsurance in 2010. Consolidated gross written premiums (GWP) increased to EUR 11.4 billion in 2010 from EUR 10.3 billion in 2009, driven by increased reinsurance demand as well as growth in the life/health reinsurance business. A.M. Best expects premium income to rise moderately in 2011 to approximately EUR 12 billion with a contribution to growth from both non-life and life reinsurance. The company's main market remains the United States with approximately 26% of gross written premiums (GWP), followed by the United Kingdom with 21% and Germany with approximately 10% of gross premiums. Other European countries contribute approximately 16% of GWP, with 13% in Australasia and 14% in the rest of the world.

NON-LIFE:

Hannover Re remains a market-leading non-life reinsurer with a strong market focus on the United States and Germany and growing premium income from Asia and the United Kingdom. Hannover Re's property/casualty GWP increased by 10.3% to EUR 6.3 billion in 2010 due to increased demand in China, Central and Eastern Europe, facultative reinsurance and agricultural risks.

Hannover Re's total German non-life consolidated premium income increased to around EUR 919 million in 2010 from EUR 879 million in 2009, with rates remaining broadly adequate. Improved rates in the German primary motor market benefitted Hannover Re through improved proportional rating levels in the reinsurance market. E+S (Hannover Re's subsidiary focusing on the German Market) also increased premium levels in non-proportional motor and personal accident, thereby supporting its position as one of the leading reinsurers in Germany. During the January 2011 renewals, Hannover Re reported rate increases of 5% on non-proportional business.

Premium income from the United States contracted by 2.2% during 2010 as rates continued to soften. Against the backdrop of rate reductions in property and property catastrophe business, as well as further softening in rates in casualty lines such as directors' and officers' and professional indemnity, Hannover Re reduced its volume in line with its active cycle management strategy.

Hannover Re increased its premium income in the United Kingdom and the London Market to approximately EUR 505 million in 2010 (2009: EUR 428 million). The majority of the increase stems from higher premiums in aviation business and niche primary business written through agencies. The UK portfolio predominately comprises marine lines, property and casualty lines, as well as aviation lines.

Hannover Re's retakaful premium volume increased premiums in 2010, despite increased competition from new start-ups and the continued economic recession. Hannover Re obtained a license as an "admitted reinsurer" in Brazil in July 2008 and writes both treaty and facultative business in this market. In Asia, Hannover Re takes an opportunistic underwriting approach, focusing on profitable non-proportional business. During 2009, Hannover Re selectively increased its premium volume in worldwide credit and surety lines, mainly driven by steep rate increases imposed as a result of the 2008 credit crisis.

LIFE/HEALTH:

Hannover Re continues to be one of the leading life reinsurers worldwide. The company operates in five business fields: risk reassurance (43% of GWP), new life reinsurance markets (28%), bancassurance (11%), multinational life groups (10%) and financial solutions (8%). North America is Hannover Re's largest life market with 35% of GWP, followed by the United Kingdom (27%), other European countries (8%), Germany (7%) and Asia (7%).

Total life premiums increased in 2010 to EUR 5.1 billion from EUR 4.5 billion. Portfolio growth principally derived from the US, UK, South Africa, Latin America, East Asia and particularly China. In 2011, further growth is anticipated, supported by Hannover Re's sound market position in the pension buyout market in the UK, its improved market position in the US mortality market (following the acquisition of the ING book) and its enhanced infrastructure in emerging markets.

Premium volume in North America rose to EUR 1,091 million in 2010 (from EUR 1,021 million in 2009), as Hannover Re continued to develop its sizeable position in the US mortality market as a result of the ING transaction. In Germany, demand for life insurance was affected by the financial crisis in 2008. Unit-linked products were no longer as popular and there was a resurgence in traditional life and annuity products. The effect of these factors resulted in a premium decline to EUR 343 million in 2010, from EUR 390 million in 2009.

FINANCIAL PERFORMANCE

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

Overall Earnings: Hannover Re's net income after minorities was EUR 749 million in 2010, a marginal improvement from the EUR 734 million reported in 2009 and ahead of the company's plan. The result was mainly driven by an increase in investment income to EUR 1,259 million (EUR 1,120 million in 2009) as well as a good operating result considering the company's large loss experience. The 2009 net income includes EUR 131 million of non-recurring income, principally due to the acquisition of the ING Life Re portfolio (EUR 86 million EBIT effect) as well as a derivative accounting EBIT effect from modified coinsurance contracts of EUR 122 million. Offsetting these factors was a EUR 66 million EBIT loss from conservative DAC write-offs, FX swaps and UK annuities business accounting. Overall earnings are likely to fall in 2011 due to large losses associated with the Australian floods, New Zealand earthquake and Tohoku earthquake.

Underwriting Income: Non-life underwriting results decreased moderately in 2010 to EUR 82 million from an underwriting result of EUR 144 million in 2009 as the reported combined ratio deteriorated to 98.2% from 96.6% in 2009. The deterioration was due to the impact of a number of major losses. Total net spending on catastrophe and major losses amounted to EUR 662 million in 2010, an increase on the EUR 240 million reported in 2009, due to the impact of major losses, such as the Chilean earthquake, New Zealand earthquake and the Deepwater Horizon disaster.

The life technical result marginally decreased to EUR 231 million in 2010, from EUR 268 million in 2009. The decrease is due to certain one-off effects associated with the ING acquisition and derivative contracts that benefitted the 2009 year.

Investment Income: Hannover Re's investment income improved by 12% to EUR 1,259 million in 2010, as a result of a 14% increase in the value of investments and realised gains on bonds. Impairments amounted to EUR 24 million whilst net realised gains and net unrealised losses totalled EUR 162 million and EUR 40 million, respectively. Ordinary investment income increased by 9% to EUR 881 million in 2010 from EUR 811 million in 2009, impacted by a higher asset base compared to the prior year. Assets under own management increased to EUR 25.4 billion in 2010, up from EUR 22.5 billion in 2009, mainly driven by a positive cash flow from the technical account. However, A.M. Best expects net investment income to decrease during 2011 as a result of increases in bond yields. Hannover Re increased its quoted equity portfolio to 2.1% of total investments, but the overall focus continues to be on fixed income instruments. At year-end 2010, fixed income investments amounted to 84.2% of the portfolio. Of the fixed income securities 71.4% were invested in high quality bonds rated "aaa" or "aa". Only 2.6% of the bonds were non-investment grade. Hannover Re's exposure to the subprime market is limited. Private equity exposure accounted for less than 2%, real estate investments at 1.9% and short-term investments, including cash, were 7.9% of the total investment portfolio under own management at year-end 2010. A.M. Best believes that maturities match the liabilities adequately and that Hannover Re continues to match the currency of assets and liabilities appropriately.

CAPITALIZATION

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

In A.M. Best's view, Hannover Re's risk-adjusted capitalisation remains supportive of the rating level. The company increased shareholders' equity without minorities by 21% in 2010 to EUR 4,509 million (2009: EUR 3,714 million). The company's capitalisation is supported by extensive use of hybrid capital issues. Interest expense for hybrid capital increased marginally to EUR 85 million in 2010 (2009: EUR 77 million) and is likely to rise again in 2011 to approximately EUR 98 million reflecting the company's hybrid issue in September 2010. Going forward, A.M. Best expects operating earnings to adequately cover the current interest expense as well as planned dividend payments.

Hannover Re's financial flexibility remains to some extent dependent on its majority shareholder, Talanx AG, which as an intermediate holding company of a mutual group has only limited flexibility to raise additional funds.

Hannover Re continues to transfer risks to the capital markets. The K5 transaction, which securitised a stop loss cover on the retained portion of the natural catastrophe portfolio, came to an end in 2008 and was replaced by a similar transaction, K6. Initially USD 177 million of natural catastrophe risk was placed in 2009, which increased to USD 329 million in 2010 as the market for alternative risk transfer recovered after the financial crisis.

During 2008, Hannover Re transferred a portfolio of unit-linked life and annuity reinsurance for European clients within the scope of the transaction, L7, to the capital market, monetising an embedded value of EUR 100 million.

Reinsurance recoverables have reduced to 27% of shareholders' equity (including minorities) in 2010, down from 168% in 2005.

Reserve Quality: A.M. Best believe that Hannover Re's non-life reserving remains prudent with the group's conservative reserving policy reflected in current and previous run-off profits.

LIQUIDITY

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

Overall Liquidity: A.M. Best believes that Hannover Re's liquidity is sufficient to meet future cash flow requirements. Cash and short-term investments in its portfolio remained at approximately 8% of total investments under own management in 2010.

Liquid assets increased marginally to 56.2% in 2010, from 55.8% of total liabilities in 2009. However, a significant proportion of technical reserves are fully matched by cedant deposits which do not carry any liquidity risk, thus distorting the liquidity ratio.

SOURCE OF INFORMATION: Company Annual Report

Summarized Accounts as of December 31, 2010

US $ per Local Currency Unit 1.3253 = 1 Euro (EUR)

STATEMENT OF INCOME

	12/31/2010 EUR(000)	12/31/2010 USD(000)
Technical account:		
Reinsurance premiums assumed	8,618,199	11,421,699
Gross premiums written	8,618,199	11,421,699
Reinsurance ceded	2,038,196	2,701,221
Net premiums written	6,580,003	8,720,478
Increase/(decrease) in gross unearned premiums	248,416	329,226
Reinsurers share unearned premiums	34,989	46,371
Net premiums earned	6,366,576	8,437,623
Total underwriting income	6,366,576	8,437,623
Net claims paid	4,167,418	5,523,079
Net increase/(decrease) in claims provision	416,569	552,079
Net claims incurred	4,583,987	6,075,158
Net operating expenses	1,886,132	2,499,691
Other technical expenses	1,823	2,416
Total underwriting expenses	6,471,942	8,577,265
Balance on technical account	-105,366	-139,642
Non-technical account:		
Net investment income	686,455	909,759
Realised capital gains/(losses)	107,577	142,572
Unrealised capital gains/(losses)	24,558	32,547
Other income/(expense)	17,885	23,703
Profit/(loss) before tax	731,109	968,939
Taxation	171,045	226,686
Profit/(loss) after tax	560,064	742,253
Increase/(decrease) in the equalisation provision	141,287	187,248
Exceptional income/(expense)	-12,523	-16,597
Retained profit/(loss) for the financial year	406,254	538,408
Retained profit/(loss) carried forward	406,254	538,408

ASSETS

	12/31/2010 EUR(000)	12/31/2010 % of total	12/31/2010 USD(000)
Cash & deposits with credit institutions	455,977	1.5	604,306
Bonds & other fixed interest securities	8,498,706	27.4	11,263,335
Shares & other variable interest instruments	1,282,820	4.1	1,700,121
Liquid assets	10,237,503	33.0	13,567,763
Mortgages & loans	683,635	2.2	906,021
Real estate	7,866	0.0	10,425
Real estate for own use	11,650	0.0	15,440
Inter-company investments	4,766,940	15.3	6,317,626
Other investments	14,119	0.0	18,712
Total investments	15,721,713	50.6	20,835,986
Reins. sh. of tech. reserves - unearned premiums	244,099	0.8	323,504
Reinsurers' share of technical reserves - claims	2,586,844	8.3	3,428,344
Reinsurers' share of technical reserves - life	2,094,035	6.7	2,775,225
Reinsurers' share of technical reserves - other	19,282	0.1	25,554
Total reinsurers share of technical reserves	4,944,260	15.9	6,552,628
Deposits with ceding companies	7,505,898	24.2	9,947,567
Insurance/reinsurance debtors	2,150,819	6.9	2,850,480
Inter-company debtors	289,199	0.9	383,275
Other debtors	279,598	0.9	370,551
Total debtors	2,719,616	8.8	3,604,307
Fixed assets	16,070	0.1	21,298
Prepayments & accrued income	120,969	0.4	160,320
Other assets	38,107	0.1	50,503
Total assets	31,066,633	100.0	41,172,609

LIABILITIES

	12/31/2010 EUR(000)	12/31/2010 % of total	12/31/2010 USD(000)
Capital	120,597	0.4	159,827
Paid-up capital	120,597	0.4	159,827
Non-distributable reserves	1,260,306	4.1	1,670,284
Claims equalisation reserve	1,751,992	5.6	2,321,915
Retained earnings	302,000	1.0	400,241
Capital & surplus	3,434,895	11.1	4,552,266
Gross provision for unearned premiums	1,281,293	4.1	1,698,098
Gross provision for outstanding claims	13,886,321	44.7	18,403,541
Gross provision for long term business - life	7,257,402	23.4	9,618,235
Fund for future appropriations - life	823	0.0	1,091
Gross provision for other technical reserves	124,148	0.4	164,533
Total gross technical reserves	22,549,987	72.6	29,885,498
Other borrowings	1,300,000	4.2	1,722,890
External borrowings	1,300,000	4.2	1,722,890
Deposits received from reinsurers	2,547,126	8.2	3,375,706
Insurance/reinsurance creditors	730,675	2.4	968,364
Other creditors	54,419	0.2	72,122
Total creditors	785,094	2.5	1,040,485
Accruals & deferred income	4,395	0.0	5,825
Other liabilities	445,136	1.4	589,939
Total liabilities & surplus	31,066,633	100.0	41,172,609

HISTORY

The company was founded in Germany in 1966 as a reinsurance and direct insurance company and was incorporated under the name Aktiengesellschaft fuer Transport und Rueckversicherung. In 1976, Hannover Rueckversicherung Aktiengesellschaft adopted its present title, after transferring its direct marine portfolio to its parent company, HDI Haftpflichtverband der Deutschen Industrie V.a.G. Since then, the company has written reinsurance only.

The company played a pioneering role in the securitising of insurance risk and announced in 1998 the first financing securitised by life insurance policies. In 1997, Hannover Re acquired parts of the in-force reinsurance portfolios of Skandia International Insurance Company of Stockholm, as well as Skandia's related infrastructure. The transaction complemented Hannover Re's activity in certain growth segments, namely, life and health reinsurance, facultative reinsurance and aviation/space insurance. The transaction provided further geographic diversification and consequently positioned the group as a leader in the worldwide aviation market. The financing of the transaction imposed no material financial impact on the group's future earnings or capitalisation. Hannover Re also acquired the renewal rights of all the property and casualty reinsurance business as of January 1, 1998.

In 2001, Hannover Re established a reinsurer in Bermuda. Since then, Hannover Re has participated successfully in the catastrophe market in Bermuda.

With the disposal of Praetorian Financial Group Inc. in 2007, Hannover Re decided to concentrate on its core business of life and non-life reinsurance.

In 2009, Hannover Re Group acquired ING individual life reinsurance business from Scottish Re. With this transaction, Hannover Life Re became one of the top five traditional market participants in the United States.

MANAGEMENT

Hannover Re has a highly experienced management team. The group's corporate structure is based on business units (such as life/health reinsurance), and the head of each business unit is represented on the executive board.

The strategic profit target is a return on equity of 750 basis points above the five-year average yield on government bonds and a double-digit EBIT growth per year.

Hannover Re intends to grow mainly organically in non-life, subject to meeting profitability targets. Acquisitions are only sought in life reinsurance. Except for its participation in Compass in South Africa and Inter Hannover in the United Kingdom, the group also excludes holding equity stakes in primary insurers following the sale of Praetorian Financial Group Inc.

A.M. Best believes that Hannover Re has a comprehensive enterprise risk management framework in place which addresses the relevant risks that the company faces. Hannover Re is more leveraged than some of its peers in terms of relying on capital substitutes, such as securitisations or hybrid equity.

Supervisory Board: Wolf-Dieter Baumgartl, Herbert K. Haas (Chairman), Uwe Kramp (Employee Representative), Otto Mueller (Employee Representative), Dr. Andrea Pollak, Dr. Immo Querner, Dr. Erhard Schipporeit, Dr. Klaus Sturany, Gert Waechtler (Employee Representative).

Board of Management: Andre Arrago, Dr. Wolf Becke, Claude Chevre, Juergen Graeber, Dr. Klaus Miller, Dr. Michael Pickel, Roland Vogel (Chief Financial Officer), Ulrich Wallin (Chief Executive Officer).

REINSURANCE

The following text is derived from the consolidated report of Hannover Rueckversicherung AG.

Although Hannover Re has substantially reduced its reliance on traditional retrocessional cover since 2007, it continues to maintain conventional whole account protection for catastrophe claims above prudent net retentions. The retrocession programme is largely placed with high quality reinsurers. Life retrocession cover is on an excess of loss basis with relatively low retention levels.

In 2007, Hannover Re restructured its whole account catastrophe protection to reduce its aggregates. The company did not renew its structured reinsurance covers and relies now on traditional covers and its securitisation programme. In 2008, most of Hannover Re's natural catastrophe exposure was covered by a 44% quota share retrocession to K5. The retention was limited by whole account catastrophe excess of loss protection with a limit of EUR 297 million in excess of EUR 250 million in the major peak zones as well as swaps and

insurance-linked warranties of up to approximately EUR 140 million covering higher layers. With the placing of the Kepler securitisation Hannover Re added a stop loss cover with a capacity of USD 200 million attaching following the utilisation of K5 on the company's net retention on catastrophe losses in 2007. At the end of 2008, K5 had a limit of USD 386 million.

In 2009, however, the sharp decrease in availability of non-traditional cover resulted in the restriction in the capacity under K6 (the successor to K5) to USD 177 million and Kepler was not renewed in 2009. The traditional whole account cover, however, was renewed in 2009. In mid-2009, Hannover Re placed a catastrophe bond, Eurus II, with a capacity of EUR 150 million, covering European wind perils until 2012. In 2010, the company increased its K6 facility by USD 152 million to a capacity of USD 329 million. This was the principal reason behind an overall fall in retention from 92.6% in 2009 to 90.1% in 2010. The company's retention is likely to remain fairly stable in 2011.

In order to alleviate new business strain from financing life business, Hannover Re has also securitised future profits from its life insurance portfolio through high quality banks and reinsurers (L1 - L7). The placement of L7 was successfully closed in January 2009.

Hannover Re closed a securitisation transaction transferring its clients' risk directly to the capital market rather than its own risk using Globe Re, a special purpose vehicle. Globe Re pools and facilitates the transfer of US property catastrophe risk of several US clients.

The quality of Hannover Re's retrocessionaires is expected to remain stable following a strong improvement in 2006. The company actively manages counterparty risks and has developed appropriate monitoring tools. Cession limits are highly transparent and strictly enforced.

BALANCE SHEET ITEMS

	EUR (000) 2010	EUR (000) 2009	EUR (000) 2008	EUR (000) 2007	EUR (000) 2006
Liquid assets	10,237,503	8,135,002	7,867,604	7,730,863	7,811,374
Total investments	15,721,713	13,604,150	12,182,677	12,106,449	12,133,993
Total assets	31,066,633	27,172,049	23,596,243	23,777,012	24,577,580
Unreal gain/(loss) - investments	1,980,350	1,453,628	1,278,283	1,086,352	861,019
Gross technical reserves	22,549,987	19,958,811	17,669,227	17,094,334	17,292,678
Net technical reserves	17,605,727	15,817,912	14,145,032	13,286,663	13,022,655
Total liabilities	27,631,738	23,923,528	20,777,369	20,504,703	21,075,140
Capital & surplus	3,434,895	3,248,521	2,818,874	3,272,309	3,502,440

INCOME STATEMENT ITEMS

	EUR (000) 2010	EUR (000) 2009	EUR (000) 2008	EUR (000) 2007	EUR (000) 2006
Gross premiums written	8,618,199	8,329,878	7,328,660	6,652,631	7,644,587
Net premiums written	6,580,003	6,480,100	5,514,097	4,914,085	5,675,101
Balance on technical account(s)	-105,366	-130,407	-29,747	-196,358	39,965
Profit/(loss) before tax	731,109	534,334	-70,657	128,944	404,058
Profit/(loss) after tax	560,064	429,647	-176,063	-37,176	341,374

LIQUIDITY RATIOS (%)

	2010	2009	2008	2007	2006
Total debtors to total assets	8.8	7.8	8.4	7.3	8.6
Liquid assets to net technical reserves	58.1	51.4	55.6	58.2	60.0
Liquid assets to total liabilities	37.0	34.0	37.9	37.7	37.1
Total investments to total liabilities	56.9	56.9	58.6	59.0	57.6

LEVERAGE RATIOS (%)

	2010	2009	2008	2007	2006
Net premiums written to capital & surplus	191.6	199.5	195.6	150.2	162.0
Net technical reserves to capital & surplus	512.6	486.9	501.8	406.0	371.8
Gross premiums written to capital & surplus	250.9	256.4	260.0	203.3	218.3
Gross technical reserves to capital & surplus	656.5	614.4	626.8	522.4	493.7
Total debtors to capital & surplus	79.2	65.4	70.3	52.8	60.2
Total liabilities to capital & surplus	804.4	736.4	737.1	626.6	601.7

PROFITABILITY RATIOS (%)

	2010	2009	2008	2007	2006
Loss ratio	72.0	74.2	76.5	78.0	74.7
Operating expense ratio	28.7	27.3	23.6	26.3	24.6
Combined ratio	100.7	101.5	100.1	104.2	99.3
Other technical expense or (income) ratio	0.0	0.1	0.1	0.0	0.1
Net investment income ratio	10.8	11.1	10.3	13.2	11.4
Operating ratio	89.9	90.4	89.9	91.1	87.9
Return on net premiums written	8.5	6.6	-3.2	-0.8	6.0
Return on total assets	1.9	1.7	-0.7	-0.2	1.4
Return on capital & surplus	16.4	14.2	-5.8	-1.1	10.2

Why is this *Best's®* *Rating Report* important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of an insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by A.M. Best Europe - Rating Services Limited.

A Best's Financial Strength Rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

Best's Financial Strength Ratings are assigned according to the following scale:

Secure Best's Financial Strength Ratings

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Good

Vulnerable Best's Financial Strength Ratings

B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

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