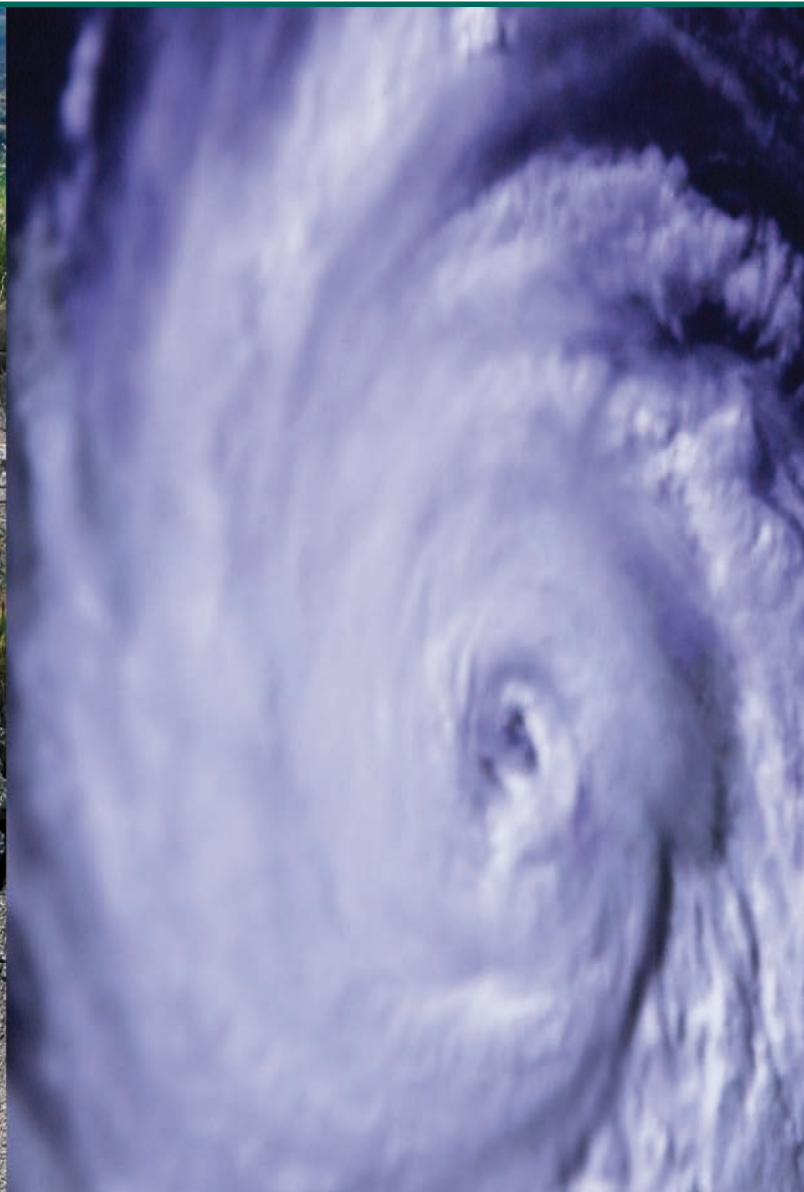


Global Reinsurance Guide 2011 >



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Overview >

This is the second edition of Fitch Ratings' Global Reinsurance Guide. Our goal in producing this publication is to provide reinsurance brokers, security committees and reinsurance investors with information on Fitch's universe of reinsurance coverage and key factors that affect ratings within the sector. The Guide includes:

- › Fitch's "2011-2012 Global Reinsurance Review and Outlook" report. This describes the expectations underlying Fitch's current stable rating outlook for the sector, as well as describing the conditions that could lead Fitch to revise the outlook.
- › Fitch's assessment of the impact of Hurricane Irene on the reinsurance sector.
- › Summary reports on individual reinsurers, outlining key rating drivers.

The publication of Fitch's Global Reinsurance Guide comes during a year that has already seen an unprecedented level of insured natural catastrophe losses in H111. While Fitch believes that the sector has so far demonstrated a considerable financial resilience to these events, the near and medium term earnings outlook remains less certain.

Prior to H111, the sector's earnings had already faced pressure from factors including lower investments yields and pricing adequacy. An uncertain earnings outlook places increased emphasis on capital preservation as we move into 2012.

Earnings sustainability is likely to remain as the key rating driver for the reinsurance sector over the rating outlook horizon. Fitch considers an upturn in pricing as the factor most likely to improve the sector's medium-term earnings fortunes.

2011-2012 Global Reinsurance Review and Outlook Special Report >



Overview >

Outlook Remains Stable: Fitch Ratings believes that the reinsurance sector's capital, underwriting and operating trends will support reinsurers' current ratings over the next 12-24 months from September 2011. The agency's base case anticipates continued capital strength and a gradual recovery of earnings into 2012, assuming a normalised level of catastrophe losses over the period. The sector's earnings outlook remains uncertain due to pressure on investment income, premium pricing adequacy and declining prior-year reserve surpluses.

Reduced Profitability in 2011: Fitch views the direction of pricing over the next 12-24 months from September 2011 as the key determinant of earnings performance over the rating outlook period. Fitch forecasts a calendar year combined ratio of 107.9% for full-year 2011 (end-2010: 94.7%), assuming a more normal level of catastrophe losses in H211 following a record level of losses in the first half. The agency expects a reduced contribution from prior accident year reserves.

Capital Strength and Management: Fitch believes that reinsurers' financial resilience to the unprecedented catastrophe losses incurred during H111 is partly reflective of the large capital buffer accumulated by the sector from earlier years of profitable business. Reinsurers have been further protected by the purchase of retrocession and, for more sophisticated companies, the use of capital market risk transfer instruments.

Capital Preservation Increasingly Important: An uncertain earnings outlook places greater emphasis on reinsurers to preserve existing capital, in light of Fitch's expectation that capital will be accumulated more slowly over the outlook period. The agency regards maintaining focus on profitable underwriting as the key factor in achieving capital preservation, in light of the uncertain premium rate environment and expectations of lower investment yields.

Pricing Cycle at Crossroads: Fitch believes that positive pricing momentum into 2012 will be dictated largely by the outcome of the current US hurricane season. Although Fitch does not view Hurricane Irene as a market-changing event, the storm does add to a growing total of attritional catastrophe losses reported in 2011. The recent downward revision of economic growth expectations for several major developed countries could lower the demand for reinsurance from primary insurers, reducing the likelihood of more general rate hardening.

Related Research

- › *GIPs Exposure Manageable, But Broader Dislocation of Financial Markets is Primary Concern (June 2011)*
- › *Solvency II Poised to Reshape Asset Allocation, Capital Markets (June 2011)*
- › *Hurricane Season 2011 - A Desk Reference for Insurance Investors (May 2011)*
- › *Reinsurers' First-Quarter 2011 Financial Results (May 2011)*
- › *Bermuda 2011 Market Update (Jan 2011)*

2011 Non-Life Projections

USDm	2011F	2010A
Net Premiums Written	114,100	103,719
Catastrophe Losses	23,300	12,000
Net Prior Year Reserve Surplus/(Deficit)	4,300	7,757
Calendar Year Combined Ratio (%)	107.9	94.7
Accident Year Combined Ratio (%)	111.8	102.2
Accident Year Combined Ratio ex Catastrophes (%)	90.7	90.6

Source: Fitch monitored universe of reinsurers

Expectations

Underlying Fitch's Stable Sector Outlook >

Fitch believes the key determinant of the sector's near-term earnings is the level of catastrophe losses for the remainder of 2011, with particular focus on the US windstorm season. However, with capitalisation strong, the rating focus over the medium term will remain on the key earnings elements that were under pressure before H111. Of these, Fitch considers an upturn in pricing as the factor most likely to improve the sector's medium-term earnings fortunes.

Focus on Preserving Strong Capitalisation

The end-2011 earnings contribution to capital looks set to be the lowest achieved by the sector for several years, reflecting the unprecedented catastrophe losses incurred during H111. In the short term the main threat to capitalisation is from a large loss event.

In Fitch's view, an insured loss of more than USD75bn would reduce capital levels to such an extent that reinsurers would be likely to look to increase premium rates across their entire portfolios.

In the medium term, Fitch views the primary threat to capitalisation as a protracted softening pricing cycle, leading to losses and a gradual erosion of capital. The agency considers maintaining a focus on profitable underwriting as the key factor for achieving this, in light of the uncertain premium rate outlook and expectations of lower investment yields.

Should a large loss event occur, the agency will assess the immediate financial impact on individual reinsurers and determine whether capital and leverage ratios have deteriorated beyond Fitch's previous expectations and rating tolerances. The agency would also assess how capital management may be affected over the next six to 12 months, particularly if it expects companies to raise additional capital to mitigate losses.

The shifting regulatory landscape that is likely to require reinsurers to hold proportionately more capital for the risks that they face reinforces the need to preserve funds. In particular, for those reinsurers that are likely to operate in Europe under Solvency II, or in countries that will seek Solvency II equivalence, the uncertainty about final solvency model calibrations will lead to reinsurers retaining excess capital rather than repatriating this to shareholders.

Fitch considers an upturn in pricing as the factor most likely to improve the sector's medium-term earnings fortunes.

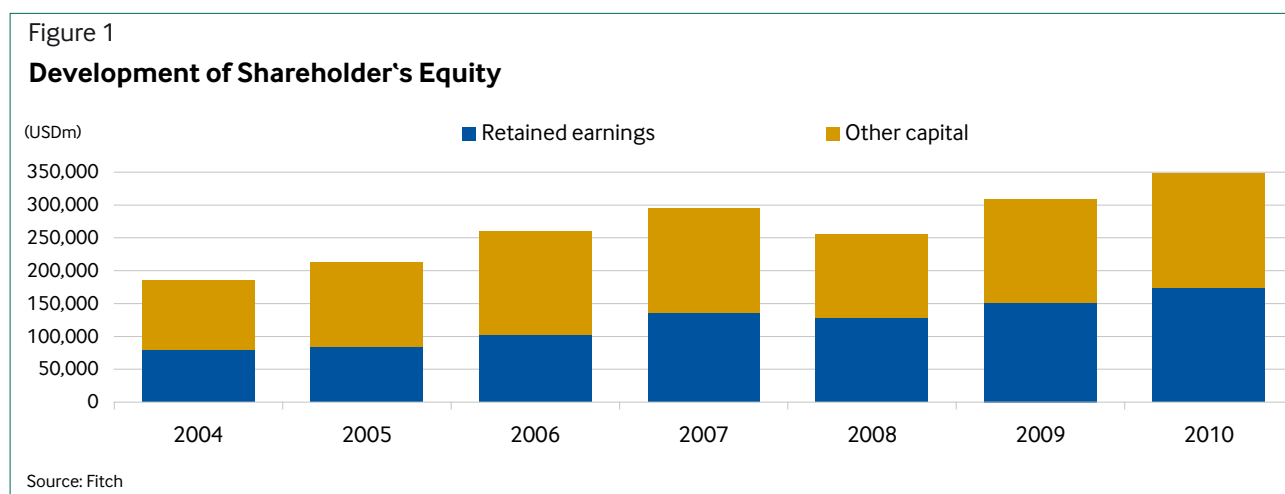
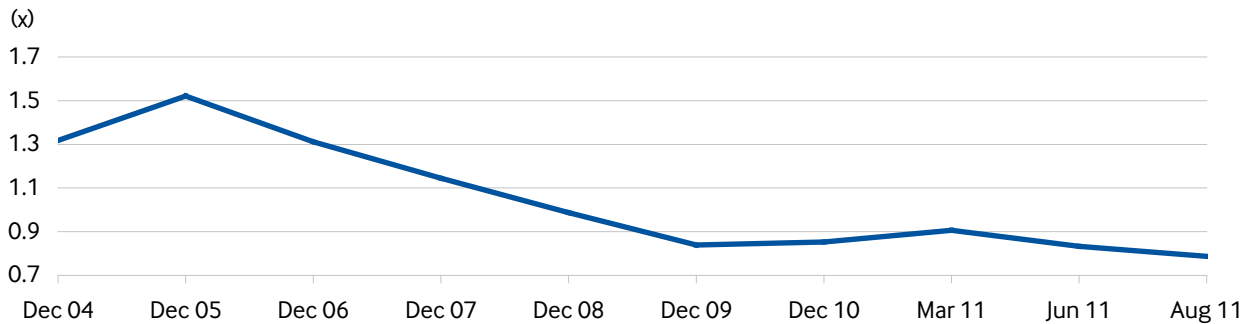


Figure 2

Average Market Price per Share-to-Tangible Book Value per Share



Source: Fitch

Macroeconomic Issues Viewed as Manageable

The generally high quality of assets held by reinsurers reduces the agency’s concerns about adverse effects arising from exposure to troubled sovereign debt and equity market volatility.

Fitch views the exposure held by European reinsurers to peripheral euro area countries as manageable, having stress-tested the investment portfolios of its rated universe of European insurers and reinsurers. Similarly, the low proportion of equity exposure held by the sector leads Fitch to conclude that asset quality does not present a rating concern at present.

Earnings sustainability is likely to remain as the key rating driver for the reinsurance sector over the rating outlook horizon.

Earnings Sustainability Remains Key Rating Factor

Earnings sustainability is likely to remain as the key rating driver for the reinsurance sector over the rating outlook horizon. Before the loss events of H111, the sector’s earnings had already faced pressure from lower investment yields, pricing adequacy, limited growth prospects in non-property business and declining reserve surpluses. The challenging fundamental outlook is reflected in the low equity market values as illustrated in Figure 2, which shows the market price per share to book value per share for 18 North American (re)insurance companies.

Pricing Cycle Reaches a Crossroads

In Fitch’s view, positive pricing momentum into 2012 will largely depend on the outcome of the US hurricane season. The agency does not consider Hurricane Irene a market-changing event. This is due to the manageable expected losses from the storm, which Fitch expects to be disproportionately assumed by the primary insurance market.

Figure 3

Recent Reinsurance Renewal Pricing Trends

Renewal season	Developments
July 2011	U.S. wind exposed programmes: up 5%-15% Extended Japanese programmes renewed up 30%-70% U.S. casualty: flat
June 2011	Florida hurricane exposed property: flat to up 5% New Zealand property renewal: up 100% U.S. casualty: flat
April 2011	US property CAT programme: flat to up 5% Renewing Japanese programmes extended following earthquake

Source: Company and broker reports

Even if there is a moderate hurricane season, with minimal additional losses, reinsurers would still be likely to press for continued rate increases across loss-affected lines in the upcoming renewal season due to the tremendous losses the industry sustained in H111.

Fitch believes that in the event of a market-hardening catastrophe loss, the discrepancy between premium rate growth in the property and casualty sectors would continue to widen.

It is unclear whether the H111 loss events will be sufficient to turn, or even stem, the general softening of the reinsurance pricing cycle, as illustrated in Figure 3. Although meaningful price rises have been achieved across loss-affected lines and regions, movements during the 2011 US June and July renewal seasons fell short of offering emphatic evidence of a more general hardening. The recent downward revision of economic growth expectations for several major developed countries could reduce demand for reinsurance from primary insurers, reducing the likelihood of more general rate hardening.

Fitch believes that in the event of a market-hardening catastrophe loss, the discrepancy between premium rate growth in the property and casualty sectors would continue to widen. There is an absence of obvious triggers that in Fitch's opinion would be likely to lead to a broad hardening of casualty rates in the medium term.

Casualty rates in global reinsurance remain competitive. Companies are attempting to remain disciplined as rates in the sector have proved inadequate to generate a consistent profit. Numerous reinsurers have reduced their casualty book over several quarters in response to poor market conditions and are likely to continue to do so if the market shows little sign of improvement

What Could Lead to a Negative Outlook for the Sector? >

The agency considers that the most likely trigger for a negative outlook for the sector would be catastrophic losses that would erode over 10% of the reinsurance industry's capital, together with an inability among reinsurers to replenish lost capital. Fitch estimates that, for this to occur, losses from a single event would need to exceed USD75bn, and capital markets would need to lose confidence in the sector, at least temporarily. Such combinations would be rare.

Two or three years of material underwriting losses outside normal cyclical variations, with a sector combined ratio in excess of 110%, or severe dislocations in the capital markets affecting reinsurers' financial flexibility over longer periods, could also result in a negative outlook for the sector. Moderately increased catastrophe losses, or underwriting performance within normal cyclical variations, are typically not triggers for a negative sector outlook.

The agency considers that the most likely trigger for a negative outlook for the sector would be catastrophic losses that would erode over 10% of the reinsurance industry's capital, together with an inability among reinsurers to replenish lost capital.

Figure 4

Largest Insured Natural Catastrophe Events, H111

Date	Event	Location	Economic loss (USDbn)	Insured loss (USDbn)
March 2011	Earthquake, tsunami	Japan	210.0	30.0
February 2011	Earthquake	New Zealand	20.0	10.0
April 2011	Storm, tornados	US	7.5	5.1

Source: Munich Re NatCatService

Sector Performance Highlights >

Unprecedented Catastrophe Losses in H111

Insured catastrophe events in H111 were the highest for this period on record at about USD60bn, according to a review published by Munich Re’s NatCatService. This is more than double the USD26.9bn for the first six month period of 2010 and almost 5x above the USD12.1bn average for the comparative periods from 2001 to 2010. As a result, most reinsurers’ full-year catastrophe budgets have already been exceeded.

Reinsurers’ most significant losses from H111 are from the Japanese earthquake and tsunami in March, which are expected to lead to insured losses of around USD30bn. This makes it the second-costliest event in global insurance history, behind Hurricane Katrina’s USD72.3bn in 2005, according to the Insurance Information Institute (III). The New Zealand earthquake insured loss, estimated at USD10bn, is a third of the size of the Japan loss, but is still large enough to be near the top 10 largest historical insured losses. See Appendix C.

The III reported that losses from the spring 2011 tornado season, if considered as a single event, would be about USD14bn. However, as they were considered separate events under reinsurance treaties, most losses from the US storms are being borne by the primary insurance sector rather than reinsurers.

In August 2011 Hurricane Irene became the first hurricane to make landfall in the US since Ike in 2008, causing widespread, but manageable incurred losses to the property/casualty (re)insurance industry. However, the storm serves as a timely reminder of the potential for significant catastrophe losses during the peak period of hurricane formation.

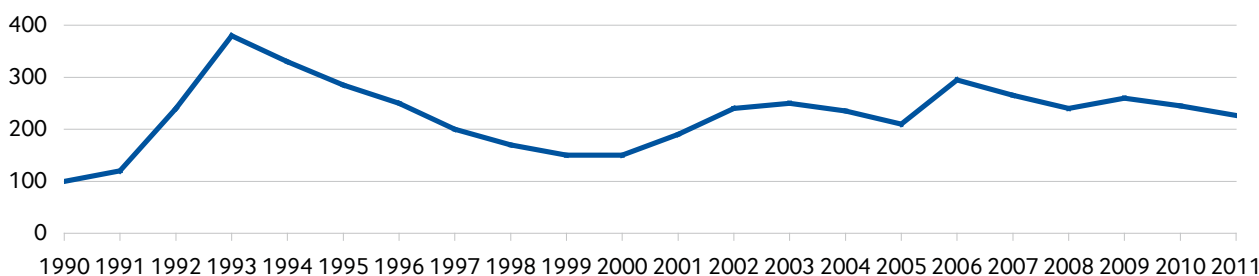
Prices in Catastrophe Exposed Regions Show Improvements

As illustrated by the chart in figure 5, reinsurance broker Guy Carpenter, LLC’s World Property/Catastrophe Rate on Line Index (where rate on line is defined as premium divided by contract limit), declined by 7.5% at the 1 January 2011 renewals, continuing a general downward trend since 2006. The industry-wide catastrophe events of 2008 generated the only annual rise in rate on line since the beginning of the soft market.

Figure 5

Guy Carpenter World Property Catastrophe Rate on Line Index

(1990 = 100)



Source: Carpenter & Company, LLC.

However, by mid-year 2011, many of the global reinsurers reported stronger growth in catastrophe premium rates, especially in the regions that most affected by year-to-date catastrophe losses such as Japan, New Zealand, and Australia. Rate increases in those countries have been as high as 100% on the uppermost layers of renewing programmes. At the 1 June and 1 July renewals, programmes in wind-exposed US areas, particularly Florida, have had increases of 5%-15% as the reinsurance market prepared for the US hurricane season.

During the US hurricane season attention will begin to turn to the main renewal season in January 2012, and whether upward pricing pressure will persist. Another significant hurricane landfall along the Atlantic or Gulf coasts, in addition to Hurricane Irene, that caused material insured losses could serve as the catalyst for a further hardening of property catastrophe rates. In such a case, reinsurers with property exposure in the loss-affected areas would almost certainly be pushing for strong rate increases in line with those achieved in loss-affected countries in the first half of the year.

Capital Flows

Evidence of capital preservation can be gleaned from the sharp reduction of share repurchase activity in H111 compared with the corresponding period in H110 see figure 6. Fitch believes that this trend is reflective of the reduced capital buffer held by the sector following the H111 losses. It may also indicate that reinsurers are retaining the option to increase capacity if pricing conditions markedly improve through the rest of 2011 and into 2012.

Fitch regards capital management strategies as potentially less risky than diversification initiatives, provided capital repatriation is not of such a magnitude as to weaken capitalisation to levels no longer supportive of the ratings. The operational risks associated with an unfocused and/or poorly controlled diversification strategy are likely to far outweigh the diversification benefits that a company can otherwise achieve. This is especially true during the transitional period of rapid organic growth into new lines of business or via acquisitions.

Figure 6

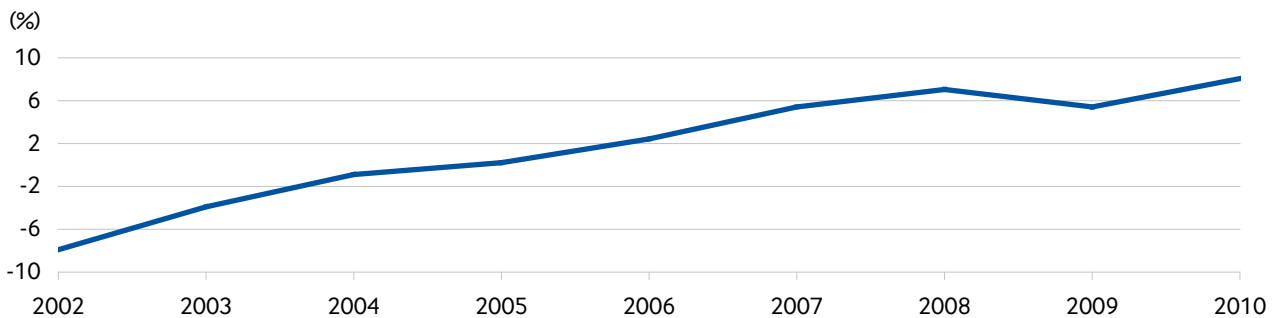
Reinsurer Share Repurchase Activity

(USDm)	H12011	H12010
Ace Limited	0	0
Arch Capital Group Ltd.	267	450
Allied World Assurance Company Holdings Ltd.	60	49
Alterra Capital Holdings Ltd.	144	44
Aspen Insurance Holdings Limited	2	200
Axis Capital Holdings Limited	15	419
Berkshire Hathaway Inc.	0	0
Endurance Specialty Holdings Ltd.	333	115
Everest Re Group, Ltd.	38	247
Flagstone Reinsurance Holdings Limited	0	58
Montpelier Re Holding Ltd.	63	175
Munich Re	423	895
RenaissanceRe Holdings Ltd.	175	411
PartnerRe Ltd.	244	600
Platinum Underwriters Holdings, Ltd.	82	213
Transatlantic Holdings, Inc.	0	141
Validus Holdings, Ltd.	6	444
White Mountains Insurance Group, Ltd.	93	118
XL Group plc	259	2
Total	2,204	4,581

Source: Company reports

Figure 7

Continued Favourable Reserve Development



Source: Fitch analysis of GAAP reserving data of 18 reinsurers

Reserve Cushion Continues to be Reduced

Fitch expects that favourable reserve development from prior years will be far less supportive of underwriting results than in recent years. Furthermore, in several cases reinsurers have reported reserve deficiencies in certain product lines, particularly longer-tail ones, such as casualty reinsurance. However, Fitch does not view such adverse developments as outside normal expectations for the current pricing environment in light of the cyclical nature of reinsurance underwriting.

Figure 7 above illustrates the reserve development as a percentage of net earned premium for 18 North American reinsurers.

Although favourable reserve development is masking weaker underwriting performance, Fitch does not believe that a reduction in reserve adequacy alone will promote a hardening in prices. Fitch continues to believe that the greatest threat to maintaining adequate loss reserves is an unexpected shift in inflation/interest rates, or loss cost factors that more specifically influence insurance claims costs, such as medical costs, litigation settlements or social inflation. Recent market reports indicate that loss costs are rising faster

than rate increases. In particular, this is being driven by an increase in claims frequency after several years of benign frequency trends.

The data in Fitch's reserve analysis is not fully representative of reinsurance trends, as in some instances it includes reserve development on the organisations' primary business and excludes data from (re)insurance organisations located outside North America.

Investment Environment to Exert Continued Pressure

Fitch expects further earnings pressure to come from the persistence of the current low-yielding investment environment. Although reinsurers generally maintain conservative asset allocations, investment income has historically been a significant contributor to profitability. The growing likelihood of low interest rates for some time is likely to create further earnings pressure.

Merger and Acquisition Activity Remains Hampered

Fitch continues to view the reinsurance sector as ripe for consolidation and believes that a certain amount of consolidation would be a modest credit positive. This

Figure 8

Calendar and Accident Year Combined Ratio Comparison

	H111	H110	2010	2009	2008	2007	2006
Calendar year combined ratio (%)	114.0	94.3	92.3	88.6	91.6	86.9	85.2
Accident year combined ratio (%)	117.9	99.3	99.8	94.1	98.3	91.5	86.9
Difference (pp)	-3.9	-5.0	-7.5	-5.5	-6.7	-4.7	-1.7

Source: Highline Data. Data is from 18 (re)insurance organisations in North America with significant reinsurance operations

is because a reduction in the number of reinsurers, and associated underwriting capacity, would be likely to ease competitive forces and help precipitate a hardening of premium rates. However, Fitch believes that M&A activity remains hampered by several factors including unfavourable pricing in some lines, continued uncertainty in relation to the ultimate effect of Solvency II on capital structures, significant integration risks and unattractive valuation multiples.

Fitch therefore does not expect the current battle for Transatlantic Holdings, Inc. (TRH) to lead to a huge wave of reinsurance M&A activity. Regardless of the successful acquirer in the bid for TRH, Fitch views a potential transaction as favourable overall in that it would be likely to reduce market excess capacity and create a larger, more diversified (re)insurance company.

In addition, Fitch does not expect another large wave of start-up investment capital following a significant event, as was the case in 2005 after Hurricanes Katrina, Rita, and Wilma. Overall, the class of 2005 Bermuda (re) insurers have produced less favourable returns than previous Bermuda classes as the subsequent hard market was short-lived and generally limited to property catastrophe business. Furthermore, the sidecar vehicle has emerged as a more efficient and flexible preferred option, allowing investors to take advantage of short-term pricing opportunities with a built-in exit strategy.

Catastrophe Model Update Presents Increased Loss Estimates

Fitch believes that it is better for reinsurers to layer into their own internal analysis of catastrophe risk multiple external catastrophe models, rather than rely on a single such model. Most important, companies should have a solid understanding of how and why their risk is affected by the various model updates.

In spring 2011 catastrophe modelling firm Risk Management Solutions (RMS) released its model version 11.0. This has generally produced increased levels of insured losses for the US southeast wind peril relative to the previous version.

Fitch believes that there will be increased upward pressure on property catastrophe reinsurance rates as both reinsurers and primary insurers gradually implement RMS version 11.0 into their internal analysis throughout 2011 and into the January 2012 renewal period.

The perception of risk is the compelling factor at play regarding third-party model changes. Reinsurance pricing changes in Florida so far in 2011 have to some degree been driven by catastrophe model changes, in particular, RMS version 11.0. All things being equal, a perceived increase in risk should lead to a corresponding increase in rates.

Although the move to RMS version 11.0 has been a focus in (re)insurance circles, it is instructive for companies to have a comprehensive understanding of their property risk exposures based on more than one particular model's output.

Catastrophe Bond Issuance Steady

Catastrophe bond issuance has remained steady since the small number of transactions completed during 2008-2009. All issuances in H111 included US wind exposure in advance of the 2011 US hurricane season. Recent catastrophe bond market updates published separately by Guy Carpenter Securities and Willis Capital Markets & Advisory reported that 71% of the outstanding catastrophe bond market is exposed to US hurricanes, compared with only 38% in 2003. Investors have therefore become over-weighted toward US hurricane exposure in recent years and are likely to seek more diversification of perils.

This was demonstrated recently, with the California Earthquake Authority (CEA) selling an earthquake catastrophe bond issue through a special-purpose vehicle without the involvement of traditional reinsurers. The three-year USD150m issuance was oversubscribed by investors due to its earthquake-only exposure.

Looking further ahead, the implementation of Solvency II from 2013 could also increase the use of catastrophe bonds domiciled in the EU, as the new regulatory rules will allow capital relief for such insurance-linked securities, whereas only traditional reinsurance is recognised. However, in light of the practical and structural limitations of the catastrophe bond market, Fitch does not foresee a sharp increase in issuances in the short term, as they are likely to remain a niche, albeit important asset class.

Companies should have a solid understanding of how and why their risk is affected by the various model updates.

Regulatory Developments >

Solvency II Creates Opportunities for Reinsurers

Solvency II could present significant opportunities for well-capitalised, diversified reinsurers. The results of the fifth quantitative impact study (QIS 5), released in March 2011, indicate that many non-life insurers may have to recapitalise or restructure their business to survive unless the Solvency II risk charges for non-life underwriting and catastrophe risk are recalibrated. Reinsurers may therefore benefit, as an increase of reinsurance cover could be one of the more efficient ways for primary insurers to reduce capital requirements.

Solvency II could present significant opportunities for well-capitalised, diversified reinsurers.

Small niche insurers may be most in need of reinsurance support as they tend to have fewer alternatives available to boost their capital positions. Compared with larger groups, they lack risk diversification, which can significantly reduce capital requirements. Moreover, because of the significant expense involved in developing and maintaining an internal model to determine their capital requirements, smaller insurers are more likely to use the standard formula approach, which may result in higher capital requirements.

In some cases, this could encourage small to medium-sized companies to consider mergers or acquisitions to more fully exploit the investments they will be required to make to satisfy EU regulators once Solvency II is fully implemented. Regardless of the rate of industry consolidation among primary insurers, Fitch believes that Solvency II will create meaningful market opportunities for reinsurers.

The anticipation of these potential opportunities has spurred several offshore companies to re-domicile to Europe in recent years in order to be closer to potential clients. This trend has been felt perhaps most sharply in Bermuda, where a number of (re)insurers, large and small, have redomiciled at least part of their operations to Europe over 2010-2011.

Solvency II Equivalence a High Priority

The European Insurance and Occupational Pensions Authority (EIOPA) recently released its preliminary findings on equivalence assessment for Bermuda, Switzerland and Japan, the first three jurisdictions seeking Solvency II equivalency status.

Switzerland received the best result, being “equivalent” on all but one principle measure, with limited caveats regarding criteria, followed by Japan, being “equivalent” or “largely equivalent” on principles and subject to certain criteria caveats. Bermuda received the most varied results ranging from “not equivalent” to “equivalent” on different principle measures and subject to many caveats regarding criteria. Nevertheless, Bermudian regulators appear to be optimistic that the jurisdiction is on the right path to achieve unqualified Solvency II third-party country equivalence by implementation in 2014.

However, uncertainty remains surrounding how the equivalency distinction will be interpreted by European regulators. For example, if Bermudian reinsurers are required to calculate their capital under Solvency II schemes as well as under Bermuda regulation, they could be put at a potential disadvantage relating to capital requirements, in addition to facing additional regulatory expenses. Regardless of how the strengthened Bermudian regulatory regime is ultimately viewed by European regulators, it seems that Bermuda’s regulatory framework will at the minimum become significantly less flexible and that Bermuda will therefore lose part of the appeal that allowed it to become one of the optimal domiciles for reinsurers.

These equivalency issues and prevailing concerns about the US government’s efforts to curtail Bermuda’s tax-advantaged status and a small, expensive potential employee base, has provided additional incentives for offshore reinsurers to consider redomiciling to Europe, causing several companies to move operations to domiciles including Ireland, Luxembourg, and Switzerland.

Small niche insurers may be most in need of reinsurance support as they tend to have fewer alternatives available to boost their capital positions.

H111 Financial Results >

Non-Life Underwriting Performance Weakened by Catastrophe Losses

Non-life reinsurers reported depressed earnings and underwriting returns in H111 as increased catastrophe losses were recorded throughout the industry. The group of reinsurers Fitch tracks on an ongoing basis generated a 126.7% calendar-year combined ratio in the first six months of the year. H111 results also included modest favourable prior-accident-year reserve development, which offset a small portion of the catastrophe losses reported by the group. The extent of this ranged from a mid-single-digit to a mid-teen percentage-point benefit on the combined ratio.

In addition to the unprecedented catastrophe losses of H111, the average exchange rate between the US dollar and the euro during the first six months of 2011 was greater than it was in the first six months of 2010. As financial data published in this report is converted from local currencies into US dollars, this relative weakening of the dollar compared with the prior period benefited the reported H111 results of certain companies in the segment.

Figure 9

H111 Non-Life Results

(USDm)	H111	H110
Net premiums written	41,550	37,000
Combined ratio	126.7	100.4

Note: Above results includes data for only those companies that had reported both H109 and H108 results at this report's publication date

Source: Individual company data

Life Profits from Increased Demand and Good Investment Returns

Life reinsurers continue to benefit from the increase in demand for primary cover from the ageing population in developed insurance markets and the rapidly expanding middle class in leading emerging markets such as China, India and Brazil.

The group of life insurance operations monitored by Fitch reported a moderate increase in net premiums earned through the first six months of 2011 compared with the prior-year period. The growth reflects solid increases in local-currency results, and benefits from favourable exchange-rate movements with the US dollar. In US dollar terms net premiums earned increased by 10% relative to H110. The results of the group of life reinsurers do not include those of Transamerica Re, which was formally acquired by SCOR from Aegon in Q311.

Through the first six months of 2011, the pre-tax income of the life reinsurance operations tracked by Fitch increased by 24% in US dollar terms compared with the prior-year period. The improvement in results in the first half of the year benefited somewhat from favourable exchange-rate movements as the increase in pre-tax earnings excluding currency exchange movements was 18%. Fitch attributes the improved results for the group to increased premium income and an overall improvement in investment returns over those reported in H110.

Figure 10

H111 Life Reinsurance Results

(USDm)	H111	H110
Net premiums earned	21,064	19,157
Pre-tax income	1,601	1,288

Source: Individual company data

Conclusion >

Fitch's rating outlook on the global reinsurance sector (life and non-life) remains stable. The agency's base case anticipates continued capital strength and a gradual recovery of earnings into 2012, assuming a normalised level of catastrophe losses over the period.

Earnings prospects for the sector remain uncertain, due to pressure on investment income, premium pricing adequacy and prior-year reserve surpluses.

Fitch anticipates that capital will be accumulated more slowly over the outlook period and the agency regards maintaining focus on profitable underwriting as the key factor in achieving capital preservation.

Fitch believes that positive pricing momentum into 2012 will be largely dictated by the outcome of the current US hurricane season and occurrence of further major losses in H211. The recent downward revision of economic growth expectations for several major developed countries could lower demand for reinsurance from primary insurers, reducing the likelihood of a more general rate hardening.



Appendix A >

Data on Select Non-Life Reinsurance Operations

(USDm)	Net premiums written				Combined ratio				Shareholders' equity			
	H111	H110	2010	2009	H111	H110	2010	2009	H111	H110	2010	2009
Ace Limited	597	660	1,075	1,038	99.2	72.0	72.5	59.2	24,113	21,410	22,974	19,667
Allied World Assurance Holdings	380	357	522	465	105.5	83.7	80.9	81.3	3,044	3,469	3,076	3,213
Alterra Capital Holdings Ltd.	558	216	445	409	105.9	86.8	86.8	92.3	2,793	2,927	2,918	1,565
Arch Capital Group Ltd.	583	516	852	1,059	100.4	73.4	74.0	73.7	4,441	4,398	4,513	4,323
Aspen Insurance	645	740	1,119	1,001	141.7	95.4	88.4	73.4	3,105	3,304	3,242	3,305
AXIS Capital Holdings Limited	1,467	1,359	1,815	1,791	142.9	91.5	88.5	67.8	5,333	5,495	5,625	5,500
Berkshire Hathaway Inc.	NR	NR	9,171	9,321	129.6	94.7	95.2	93.5	163,007	142,763	157,318	131,102
Endurance Specialty Holdings Ltd.	635	610	934	866	138.4	94.4	86.9	75.9	2,670	2,844	2,848	2,787
Everest Re Group, Ltd.	1,564	1,600	3,340	3,274	129.8	109.8	100.6	84.7	6,153	6,036	6,284	6,102
Flagstone Re	478	532	711	656	149.4	93.8	96.6	69.6	964	1,196	1,135	1,211
Hannover Re	4,531	3,875	7,514	7,418	110.5	99.7	98.5	97.3	6,241	5,576	6,463	5,320
Lloyds	NR	15,093	27,194	27,008	NR	98.7	93.3	86.1	NR	27,455	28,975	28,930
Mapfre Re	NR	NR	1,707	1,631	NR	NR	103.7	100.1	NR	NR	1,351	1,338
Montpellier Re Holdings Ltd.	421	458	669	602	142.3	92.8	82.1	62.2	1,620	1,621	1,629	1,729
Munich Re	11,269	9,137	18,664	19,468	133.4	107.0	101.0	95.7	29,306	35,926	36,679	35,484
PartnerRe Ltd.	2,119	2,546	3,961	3,351	147.1	103.8	95.1	81.8	6,632	7,071	7,207	7,646
Platinum Re	321	399	761	898	161.1	84.2	86.0	76.7	1,696	2,105	1,895	2,078
RenaissanceRe Holdings Ltd.	819	708	810	839	172.6	39.2	38.4	15.4	3,519	3,775	3,936	3,841
Scor	2,453	2,127	4,463	4,204	115.9	103.6	99.8	99.7	5,775	6,779	6,921	6,202
Swiss Re	8,100	6,615	10,669	11,883	118.2	105.6	94.2	90.6	24,818	27,517	25,342	25,344
Transatlantic Holdings, Inc	2,040	1,974	3,882	3,986	123.7	101.9	98.2	93.5	4,234	4,050	4,284	4,034
Validus Re	808	970	1,038	673	105.6	107.1	77.5	48.7	3,543	3,603	3,505	4,031
White Mountains Re	553	549	866	807	111.7	112.4	94.1	80.1	3,621	3,514	3,653	3,657
XL Capital Ltd	1,208	1,052	1,538	1,470	112.1	88.7	80.1	82.1	10,628	10,507	10,613	9,432
Total	41,550	52,093	103,719	104,118	126.7	100.4	94.7	88.6	317,257	333,340	352,385	317,842

Notes:

NR - Not reported at publication date.

Combined ratio – Net losses and loss-adjustment expenses divided by net premium earned plus underwriting expenses divided by net premiums earned.

Shareholders' equity is organisation-wide equity and therefore depends on the company's reporting practices; may include equity that supports operations other than property/casualty reinsurance operations

Source: Company annual reports, financial supplements, and SEC filings

Appendix B >

Data on Select Life Reinsurance Operations

(USDm)	Net premium earned				Pre-tax income (loss)				Equity		
	H12011	H12010	2010	2009	H12011	H12010	2010	2009	H12011	2010	2009
Alterra	1	2	5	43	(3)	(2)	(8)	23	2,793	2,918	1,565
Berkshire Hathaway	1,411	1,367	2,714	2,626	NR	NR	NR	NR	163,007	157,318	131,102
Hannover Re	3,279	3,161	6,103	5,685	191	103	373	519	5,279	4,450	5,505
Munich Re	5,997	4,820	9,734	12,168	686	540	456	1,394	24,792	29,845	28,113
PartnerRe	385	337	744	587	NR	NR	NR	NR	6,632	7,207	7,646
Reinsurance Group of America	3,525	3,210	6,660	5,725	442	391	864	592	5,325	5,041	3,868
Scor	1,730	1,777	3,609	3,873	125	114	254	224	4,886	5,093	5,304
Swiss Re	4,555	4,291	8,759	9,866	161	142	810	689	24,818	21,899	25,344
XL Re	182	191	383	555	NR	NR	NR	NR	10,628	10,613	9,432
Total	21,064	19,157	38,710	41,128	1,601	1,288	2,749	3,441	248,160	244,384	217,878

Notes:

NR - Not reported at time of publication of this report. Shareholders equity is organisation-wide equity and therefore depends on the company's reporting practices; may include equity that supports operations other than life reinsurance operations. Results of the group of life reinsurers do not include those of Transamerica Re, which was formally acquired by SCOR from Aegon in Q311.

Source: Company annual reports, financial supplements, and SEC filings.

Appendix C >

Catastrophe Losses Reported by Reinsurer, H111

	Japan earthquake	New Zealand earthquake	Aggregate catastrophe losses
Ace Limited	215	97	557
Allied World Assurance Holdings	90	51	200
Alterra Capital Holdings Ltd.	83	14	166
Arch Capital Group Ltd.	79	65	274
Aspen Insurance	181	78	373
AXIS Capital Holdings Limited	201	323	702
Berkshire Hathaway Inc.	N/A	N/A	1,900
Endurance Specialty Holdings Ltd.	125	45	251
Everest Re Group, Ltd.	400	200	788
Flagstone Re	106	137	317
Hanover Re	N/A	N/A	206
Lloyds	NR	NR	NR
Mapfre Re	NR	NR	NR
Montpelier Re Holdings Ltd.	130	65	257
Munich Re	2,105	1,403	4,771
PartnerRe Ltd.	664	323	1,204
Platinum Re	94	170	327
RenaissanceRe Holdings Ltd.	326	197	663
Scor	NR	NR	501
Swiss Re	1,220	885	2,590
Transatlantic Holdings, Inc	342	182	612
Validus Re	149	42	384
White Mountains Re	90	40	184
XL Group Ltd	243	72	456

Note:

Japan earthquake and New Zealand earthquake losses reflect amounts reported in Q111 plus subsequent loss revisions reported in Q211 to the extent that the company attributed them to these specific events.

Source: Company reports

Appendix D >

Fitch's International Scale Ratings on Select (Re)insurance Organisations

Group	IFS Rating	Long-Term IDR	Rating Outlook
Ace Ltd.		A+	Stable
Ace Tempest Reinsurance Limited	AA-		Stable
Alterra Capital Holdings Limited		A-	Stable
Alterra American Insurance Limited	A		Stable
Alterra Reinsurance Europe Limited	A		Stable
Arch Capital Group Ltd.		A	Stable
Arch Reinsurance Company	A+		Stable
Arch Reinsurance Europe	A+		Stable
Arch Reinsurance Limited	A+		Stable
Axis Capital Holdings Limited		A	Stable
Axis Reinsurance Company	A+		Stable
Berkshire Hathaway, Inc.		AA-	Stable
Brit Insurance Holdings, Limited		BBB+	Stable
Brit Insurance Limited	A		Stable
China Taiping Insurance Holding Co. Ltd.		BBB+	Stable
Endurance Reinsurance Corporation of America	A		Stable
Endurance Specialty Holdings, Ltd.		A-	Stable
Everest Re Group		A+	Stable
Everest Reinsurance (Bermuda) Ltd.	AA-		Stable
Everest Reinsurance Company	AA-		Stable
Flagstone Reassurance Suisse SA	A-		Negative
Flagstone Reinsurance Holdings, S.A.		BBB+	Negative
General Reinsurance Corp.	AA+		Stable
General Security Indemnity Co. of Arizona	A		Positive
Hannover Rueckversicherung AG	A+	A+	Stable
Hiscox Insurance Company (Bermuda) Limited	A		Stable
Hiscox Insurance Company (Guernsey) Limited	A		Stable
Hiscox Ltd.		BBB+	Stable
Lloyd's of London	A+		Stable
Mapfre Re Compania De Reasegueros S.A	A		Stable
Mapfre SA		A-	Stable
Montpelier Re Holdings, Ltd.		BBB+	Positive
Montpelier Reinsurance Ltd.	A-		Positive
Munich Reinsurance America, Inc.	AA-		Stable
Munich Reinsurance Company	AA-	AA-	Stable
National Indemnity Co.	AA+		Stable
Odyssey Reinsurance Company	A-		Stable
Odyssey Re Holdings Corp.		BBB	Stable
Pacific Life Re Limited	BBB+		Stable
Partner Reinsurance Company Ltd.	AA-		Stable
PartnerRe Ltd.		A+	Stable
Platinum Underwriters Bermuda, Ltd.	A		Stable
Platinum Underwriters Holdings, Ltd.		A-	Stable
QBE Insurance Group Limited		A	Stable
QBE Reinsurance (Europe) Limited	A+		Stable
QBE Reinsurance Corporation	A+		Stable

Fitch's International Scale Ratings on Select (Re)insurance Organisations

Group	IFS Rating	Long-Term IDR	Rating Outlook
Reaseguradora Patria, S.A.	BBB+		Stable
Reinsurance Group of America, Inc.		A-	Stable
Renaissance Reinsurance Ltd.	A+		Stable
RenaissanceRe Holdings, Ltd.		A	Stable
RGA Reinsurance Company	A+		Stable
SCOR Global Life S.E.	A		Positive
SCOR Global P&C S.E.	A		Positive
SCOR Holding (Switzerland) AG		A	Positive
SCOR S.E.	A	A	Positive
Sirius International Insurance Corporation	A-		Stable
Society of Lloyds		A	Stable
Taiping ReinsuranceCo. Ltd.	A		Stable
Validus Holdings, Ltd.		BBB+	Stable
Validus Reinsurance, Ltd.	A-		Stable
White Mountains Re Group Ltd.		BBB+	Stable
White Mountains Reinsurance Company of America	A-		Stable
XL Group Ltd.		BBB+	Stable
XL Re Ltd.	A		Stable

Ratings at 1 September 2011

Source Fitch

Fitch details potential losses & impact of Hurricane Irene on U.S. Insurers >

FITCH DETAILS POTENTIAL LOSSES & IMPACT OF HURRICANE IRENE ON U.S. INSURERS

Fitch Ratings-Chicago-01 September 2011: Hurricane Irene, while inflicting substantial economic damage, will come in far behind the most severe storms to strike U.S. soil in recent years, according to Fitch Ratings in a new report.

At over \$45 billion of insured losses, Hurricane Katrina remains the most financially devastating hurricane in the US.

Likely to be an issue is the substantial flooding brought on by Hurricane Irene, according to Senior Director Brian Schneider. 'While many commercial and crop insurance policies cover flood losses, homeowner policies generally do not' said Schneider. 'There is also the potential for business interruption losses as the affected areas work to recover from the storm'

While AIR Worldwide is estimating \$3-\$6 billion in insured losses, projections from EQECAT, Inc. are coming in notably lower at between \$1.8-\$3.4 billion. Economic damages figure to come in substantially higher at over \$10 billion.

Forecasters are also saying there is a realistic chance that a major hurricane will make landfall in the U.S. or Caribbean before the year is out, which is potentially bad news for (re)insurers. '(Re)insurers are already absorbing very high losses and now we enter September, historically the most active month of hurricane season,' said Schneider.

As discussed in a press release published yesterday, Fitch expects U.S. property & casualty insurers to be able fully absorb losses brought on by Hurricane Irene. Additional information is available in the Aug.31 press release ('Fitch: Hurricane Irene Losses Manageable for U.S. Insurers'), available at 'www.fitchratings.com' under 'Latest Research'

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Additional information is available at 'www.fitchratings.com'

Summary of Company Reports >

Alterra Capital Holdings Limited

And Insurance Subsidiaries
Update

Ratings

Alterra Capital Holdings Limited
Long-Term Issuer Default Rating A-

Alterra USA Holdings Limited
Alterra Finance LLC
Long-Term Issuer Default Rating A-
Senior Unsecured BBB+

Alterra Bermuda Limited
Alterra Europe plc
Alterra Reinsurance Europe plc
Alterra Reinsurance USA Inc
Alterra Excess & Surplus Ins Co
Alterra America Insurance Co
Insurer Financial Strength (IFS) A

Rating Outlooks

Long-Term Issuer Default Rating Stable
IFS Stable

Financial Data

Alterra Capital Holdings Limited			
(\$ Mil., YTD)	6/30/11	12/31/10	
Shareholders Equity	2,793	2,918	
Debt and Hybrids	440	440	
Assets	10,497	9,917	
Gross Premium			
Written	1,192	1,411	
Net Income	(14)	302	
Combined Ratio (%)	103.5	85.7	
Return on Equity (%)	(1.0) ^a	13.5	

^aAnnualized.

Related Research

[Property/Casualty Insurers' Mid-Year 2011 Results, Aug. 25, 2011](#)

Related Criteria

[Insurance Rating Methodology, March 31, 2011](#)

[Non-Life Insurance Rating Methodology, March 31, 2011](#)

[Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011](#)

[Fitch's Approach to Rating Insurance Groups, Dec. 14, 2010](#)

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Key Rating Drivers

Solid Balance Sheet: Fitch Ratings believes the merger of Max Capital Group Ltd. and Harbor Point Limited to form Alterra Capital Holdings Limited (Alterra) in 2010 favorably created a more diversified, multi-line reinsurance and insurance company. Alterra has a sizable and stable underwriting platform with shareholders' equity of \$2.8 billion. Financial leverage (total debt to capital) increased to roughly 13% at Dec. 31, 2010 from 5% in 2009 with the issuance of senior debt. However, Fitch believes leverage remains reasonable and below the peer average.

Favorable Operating Performance: Overall profitability improved during the last two years as catastrophe activity subsided following sizable but manageable catastrophe and alternative investment losses suffered in 2008. Fitch notes that it expects year-to-date 2011 catastrophe losses, including the New Zealand and Japan earthquakes, to affect Alterra's earnings, but not result in a material capital event.

Disciplined and Flexible Risk Management: Fitch recognizes the benefits of Alterra's strategy of maintaining flexibility to shift its disciplined underwriting approach based on changing market conditions and expected returns on capital. While Fitch recognizes the benefits of Alterra's strategy of maintaining underwriting flexibility, it also creates additional execution risk, particularly from Alterra's growing specialty products segment, which includes some long-tail business that inherently has more risk of pricing and reserving error.

Reduced Underwriting Opportunities: The ratings reflect the effect of reduced underwriting opportunities tied to the soft insurance market and competitive conditions in many of the company's core business lines.

Bermuda Domicile: Fitch notes that Alterra's debt ratings continue to benefit from Fitch's standard Bermuda notching related to the domicile's moderate regulatory environment and limited payment restrictions. Please refer to Fitch's "Insurance Industry: Global Notching Methodology and Recovery Analysis" for further details.

What Could Trigger a Rating Action

Acquisition Integration: Demonstrated successful integration of businesses under the Alterra platform, including those measures listed below, could lead to positive pressure on the ratings. Failure to show a successful integration could lead to negative pressure.

Capitalization: A material increase in shareholders' equity could lead to a positive rating action. A significant reduction in equity by more than 20% that is not recovered in the near term, and an increase in financial leverage to more than 25%, could lead to a negative rating action.

Underwriting Profitability: A consistent track record of underwriting profitability could lead to positive pressure on the ratings. A consistent track record of underwriting deterioration could lead to negative pressure.

Arch Capital Group, Ltd.

And Insurance Company Subsidiaries

Update

Ratings

Long-Term Issuer Default Rating	A
Senior Unsecured	A-
Preferred Stock	BBB

Arch Reinsurance Ltd.
 Arch Reinsurance Company
 Arch Reinsurance Europe Underwriting Limited
 Arch Insurance Company
 Arch Excess and Surplus Insurance Company
 Arch Specialty Insurance Company
 Arch Indemnity Insurance Company
 Arch Insurance Company (Europe) Limited
 Arch Reinsurance Ltd.

Insurer Financial Strength	A+
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Rating Outlooks

Long-Term Issuer Default Rating	Stable
Insurer Financial Strength	Stable

Financial Data

Arch Capital Group, Ltd.

	6/30/11	12/31/10
Total Equity (\$ Mil.)	4,441	4,513
Total Financial Debt (\$ Mil.)	400	400
Total Assets (\$ Mil.)	17,214	15,812
Operating Revenue (\$ Mil.)	1,489	3,003
Net Income (\$ Mil.)	111	817
Combined Ratio (%)	104.8	92.5
ROAE (%)	5.4	20.0

Related Research

Hurricane Season 2011: A Desk Reference for Insurance Investors, May 26, 2011

Reinsurers' First-Quarter 2011 Financial Results, May 19, 2011

Arch Capital Group, Ltd., March 9, 2011

Bermuda 2011 Market Update, Jan. 19, 2011

Related Criteria

Non-Life Insurance Rating Methodology, March 31, 2011

Insurance Rating Methodology, March 31, 2011

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Key Rating Drivers

Consistently Strong Profitability: Fitch Ratings views Arch Capital Group, Ltd.'s (ACGL) run-rate profitability as strong, characterized by low and stable combined ratios and high returns on capital. Fitch believes that the company's earnings can decline materially in response to large catastrophe-related events but notes that in 2011, 2008, and 2005, years in which significant insured catastrophe events occurred, ACGL's profitability remained solid.

Increased 2011 Catastrophe Losses: ACGL's GAAP combined ratio increased to 104.8% for the first six months of 2011 compared with a 93.4% for the first six months of 2010 due to catastrophe losses from the Japanese and New Zealand earthquakes and U.S. storms. However, excluding the impact of catastrophes (21.4 points) and favorable reserve development (9.1 points), ACGL's combined ratio for the first six months of 2011 was 92.5%, down slightly from 93.2% for the comparable period one year ago.

Reserve Risk Well-Managed: Fitch believes that ACGL's reserves are adequate and well-managed, although the company is exposed to potential adverse development due to the relatively large proportion of its reserves derived from longer duration casualty lines of business. Fitch also notes that ACGL's underwriting profitability will be pressured going forward to the extent that future reserve development trends are not as favorable as they have been in recent years.

Low Financial Leverage: Fitch believes that ACGL uses a modest amount of financial leverage and that the quality of the company's capital is good. ACGL's equity credit-adjusted debt-to-total capital ratio (including accumulated other comprehensive income) is 8.3% at June 30, 2011, up slightly from 8.1% at year-end 2010.

Historically Strong Interest Coverage: ACGL's operating earnings-based interest and preferred dividend coverage declined to 2.7x in the first six months of 2011 following a very strong 11.4x in 2010, as earnings were adversely affected by catastrophe losses.

What Could Trigger a Rating Action

Prior Year Reserve Development: Sizable adverse prior year reserve development that causes Fitch to question ACGL's better than peer underwriting results and lower than peer underwriting volatility could lead to a downgrade.

Weakening Coverage: Fitch's rating rationale anticipates run-rate operating earnings-based interest and preferred dividend coverage to return to strong levels of at least 9x.

Changes in Leverage: Significant increases in underwriting or financial leverage or material declines in capitalization could generate negative rating pressure.

Growth in Key Financial Metrics: Material improvement in key financial metrics (e.g. net premiums written to equity, assets to equity, and liabilities to equity) to more overcapitalized levels and enhanced competitive positioning, while maintaining run-rate earnings and low earnings volatility could lead to an upgrade over the long term.

Berkshire Hathaway Inc.And Insurance Subsidiaries
Update**Ratings**

Long-Term Issuer Default Rating	AA-
Senior Unsecured	A+
Insurer Financial Strength	AA+

Rating Outlooks

Long-Term Issuer Default Rating	Stable
Insurer Financial Strength	Stable

Financial Data**Berkshire Hathaway Inc.**

	06/30/11	12/31/10
Total Equity (\$ Mil.)	166,784	162,934
Total Financial Debt (\$ Mil.)	56,717	58,571
Total Assets (\$ Mil.)	382,696	372,229
Operating Revenue (\$ Mil.)	6,111	15,043
Net Income (\$ Mil.)	4,928	12,976
ROAE (%)	6.1	9.0
Combined Ratio (%)	109.5	93.4

Related Research

Reinsurers' First-Quarter 2011
Financial Results, May 19, 2011

Hurricane Season 2011: A Desk
Reference for Insurance Investors,
May 26, 2011

Related Criteria

Insurance Rating Methodology,
March 31, 2011

Non-Life Insurance Rating
Methodology, March 31, 2011

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Key Rating Drivers

History of Underwriting Profits: Berkshire Hathaway Inc.'s (BRK) five key insurance subsidiaries, Government Employees Insurance Co., GEICO Indemnity Co., General Reinsurance Corp. (GenRe), Columbia Insurance Co., and National Indemnity Co. (NICO), are solid performers with strong competitive positions and large market shares that in most years generate significant earnings.

BRK's Investment Strategy: BRK uses an insurance float of approximately \$66 billion to fund long-term investments in common stocks. Substantially all of the common equity investments reside within the insurance operating companies.

Speculation in Derivative Securities: BRK's \$58 billion notional exposure to equity put derivative and CDS contracts is large but manageable given the terms of the contracts. This exposure resides primarily in the Finance and Financial Products business and are speculative in nature and therefore are not classified as hedges from an accounting perspective.

Catastrophe Exposure: BRK, primarily through NICO and GenRe, has significant exposure to severe catastrophe events. During the first half of 2011, BRK's insurance operations reported \$1.4 billion in pretax earnings despite catastrophe losses of approximately \$1.9 billion.

Leverage Used by Segments Varies: Fitch Ratings' expectation is that BRK's utilities and railroad business units will service their own debt. BRK's ability to fund finance operations at a low cost is an important competitive advantage and BRK guarantees much of this debt. BRK's pro forma debt-to-total capital and debt-to-tangible capital ratios at the holding company level (including debt issued by the company's finance company subsidiaries and guaranteed by BRK) were 22% and 28%, respectively, at June 30, 2011.

What Could Trigger a Rating Action

Insurance Subsidiary Capital Deterioration: Thresholds of credit quality include Fitch's judgment of capitalization, a total financing and commitments ratio greater than 1.5x, net leverage (excluding affiliated investments) more than 3.5x, or a sharp and persistent reduction in underwriting profits.

More Leveraged Equity Market Exposure: Increases in equity index put derivative contract notional amounts outstanding that exceed current notional outstanding \$35 billion.

Reduced Liquidity or Higher Leverage: Acquisitions or other actions that reduce outstanding cash below \$10 billion or approximately 5x consolidated interest expense. A run-rate debt-to-tangible capital ratio from the holding company, insurance, and finance operations (including debt issued or guaranteed by the holding company) that exceeds 30%.

Significant Reduction in Leverage: A commitment to lower debt-to-tangible capital ratios attributed to the holding company, insurance, and finance operations. Fitch believes that this would likely require the scaling back of the finance operations.

The issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

Everest Re Group, Ltd.

And Insurance Subsidiaries Update

Ratings

Everest Reinsurance Holdings	
Long-Term Issuer Default Ratings	A+
Senior Unsecured	A
Junior Subordinated	BBB+
Everest Re Capital Trust II	
Trust-Preferred Securities	BBB+
Everest Reinsurance Company	
Everest National Insurance Co	
Everest Indemnity Insurance Co	
Everest Security Insurance Co	
Everest Reinsurance (Bermuda) Ltd	
Everest Reinsurance Company (Ireland), Ltd	
Insurer Financial Strength (IFS)	AA-

Rating Outlooks

Long-Term Issuer Default Ratings	Stable
IFS	Stable

Financial Data

Everest Re Group, Ltd.			
(\$ Mil., YTD)	6/30/11	12/31/10	
Shareholders' Equity	6,153	6,284	
Debt and Hybrids	858	868	
Assets	19,004	18,408	
Gross Premium			
Written	2,053	4,201	
Net Income	(185)	611	
Combined Ratio (%)	124.3	102.8	
Return on Equity (%)	(6.4) ^a	10.4	

^aAnnualized.

Related Research

Property/Casualty Insurers' Mid-Year 2011 Results, Aug. 25, 2011

Related Criteria

Rating Hybrid Securities, July 28, 2011
Non-Life Insurance Rating Methodology, March 31, 2011

Insurance Rating Methodology, March 31, 2011

Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011

Fitch's Approach to Rating Insurance Groups, Dec. 14, 2010

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Key Rating Drivers

High-Quality Balance Sheet: Despite recent catastrophe losses, Fitch Ratings believes that Everest Re Group, Ltd. (Everest) maintains a solid, high-quality balance sheet and capital position with minimal leverage risk and ample financial flexibility, which provides a more than adequate cushion against the operational and financial risks the company faces.

Track Record of Favorable Performance: Fitch affirmed Everest's ratings in May 2011 despite large catastrophe losses in part due to its long-term track record of favorable operating performance. Fitch believes that Everest will continue to emphasize profitability over volume growth during the soft insurance market and difficult economic times.

Strong Franchise and Competitive Position: Fitch believes that Everest maintains a well-diversified underwriting portfolio in both primary insurance and reinsurance markets with a strong competitive position in its chosen markets.

Recent Pressure on Underwriting Profitability: The ratings also reflect the company's recent reductions in underwriting profitability due in part to the effect of earnings volatility from catastrophe losses, the poor pricing environment, and lingering exposure to asbestos claims.

Earnings Uncertainty from Asbestos Exposure: Everest's survival ratio remains below expectations relative to Fitch's benchmarks. However, asbestos and environmental reserves as a percentage of total reserves have decreased over time, favorably reducing risk of a material reserve charge.

Bermuda Domicile: Fitch notes that Everest's debt ratings continue to benefit from Fitch's standard Bermuda notching related to the domicile's moderate regulatory environment and limited payment restrictions. Please refer to Fitch's "Insurance Industry: Global Notching Methodology and Recovery Analysis" for further details.

What Could Trigger a Rating Action

Operating Performance: A sustained deterioration in operating performance on an absolute basis and relative to peers such that the combined ratio is consistently more than 100% and earnings volatility increases could lead to a negative rating action.

Capitalization: A significant reduction in stockholders' equity that is not recovered in the near term and financial leverage consistently more than 30% could lead to a negative rating action.

Near-Term Upgrade Unlikely: Given Everest's current profile and very strong ratings, a near-term upgrade is unlikely. However, significantly increased capitalization, enhanced underwriting profitability, and consistently favorable operating performance relative to peers could create upward pressure on the Rating Outlook.

Flagstone Reinsurance Holdings, S.A.

And Insurance Company Subsidiaries Update

Ratings

Long-Term Issuer Default Rating BBB+
Subordinated Debt BB+

Flagstone Finance S.A.

Long-Term Issuer Default Rating BBB+
Subordinated Debt BB+

Flagstone Reinsurance Suisse, S.A.

Insurer Financial Strength A-

Rating Outlooks

Long-Term Issuer Default Rating Negative
Insurer Financial Strength Negative

Financial Data

Flagstone Reinsurance Holdings, S.A.

	6/30/11	2010
Common Equity (\$ Mil.)	947	1,135
Total Debt and Hybrids (\$ Mil.)	253	251
Assets (\$ Mil.)	3,244	2,719
Gross Written Premium (\$ Mil.)	769	1,098
Net Income (\$ Mil.)	(181)	97
Combined Ratio (%)	144.6	101.6
Annualized ROAE (%)	(17.4)	8.3

Related Research

Flagstone Reinsurance Holdings, S.A., July 6, 2011

Hurricane Season 2011: A Desk Reference for Insurance Investors, May 26, 2011

Reinsurers' First-Quarter 2011 Financial Results, May 19, 2011

Bermuda 2011 Market Update, Jan. 19, 2011

Related Criteria

Rating Hybrid Securities, July 28, 2011

Insurance Rating Methodology, March 31, 2011

Non-Life Insurance Rating Methodology, March 31, 2011

Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011

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Key Rating Drivers

Ratings Recognize Potential Volatility: Flagstone Reinsurance Holdings, S.A.'s (Flagstone's) ratings recognize that catastrophe-focused reinsurers will periodically suffer losses of a magnitude sufficient to significantly affect earnings, and reduce capital. Despite the company's significant first-half 2011 losses (discussed below), Flagstone's key capital ratios remain within tolerances for the current rating level, albeit at the high end of prior expectations. Flagstone's ratings also reflect the company's high-quality and liquid investment portfolio that supports the company's loss reserves.

Rating Outlook Is Negative: The Negative Rating Outlook considers Fitch Ratings' opinion that total first-half 2011 catastrophe losses of approximately \$317 million were at the high end of expectations for the current rating level. These losses contributed to a nearly 10% reduction of beginning of period shareholders' equity, which is material for a property catastrophe reinsurer of Flagstone's size, particularly with six months remaining in the calendar year.

Financial Flexibility Could Be Constrained: Flagstone's ratings remain vulnerable over the remainder of 2011, particularly in light of factors that could constrain Flagstone's financial flexibility if the company were to experience additional losses of an unexpected magnitude over the near to medium term. In addition to capital ratios being at the high end of ratings tolerances, the company's stock price is currently trading at a significant discount to book value. This could make it difficult for the company to raise new capital, if needed.

Lowered Catastrophe Exposure: Favorably, Fitch notes that the structure of Flagstone's retrocessional reinsurance program significantly reduces Flagstone's net exposure if another large catastrophe event were to occur in 2011. This is evidenced by the reduction in Flagstone's one-in-100-year per event probable maximum loss (PML) (currently \$157 million versus \$272 million at year-end 2010) and its one-in-250-year per event PML (currently \$228 million versus \$272 million at year-end 2010).

What Could Trigger a Rating Action

Additional Near-Term Catastrophe Losses: If additional catastrophe events occur that further reduce capital and financial flexibility or if current loss expectations from first-half 2011 events develop unfavorably, it could lead to a ratings downgrade.

Increased Underwriting or Asset Leverage: Additionally, if the company were to report an increase in underwriting leverage (measured by traditional net premiums written-to-equity ratios) to levels in excess of 1.0x or asset leverage in excess of 3.0x, Fitch could downgrade Flagstone's ratings.

Higher Financial Leverage: Finally, Flagstone's debt ratings could be downgraded if the company were to report a material increase in Flagstone's debt-to-capital ratio to levels in excess of 25% from its current level of 20%, or a decrease in run-rate interest coverage ratios to the low single digits.

Hannover Rueckversicherung AG

And its Subsidiaries

Full Rating Report

Ratings

Insurer Financial Strength Rating A+
 Long-Term Foreign-Currency IDR A+

Hannover Finance (Lux) S.A. A-
 EUR750m sub debt/2024
 Hannover Finance (Lux) S.A. A-
 EUR500m sub debt/perp

E+S Rueckversicherung AG
 Insurer Financial Strength Rating A+

Sovereign Risk
 Long-Term Foreign-Currency IDR AAA
 Long-Term Local-Currency IDR AAA

Outlooks

Insurer Financial Strength Ratings Stable
 Long-Term Foreign-Currency IDR Stable
 Sovereign Long-Term Foreign-Currency IDR Stable
 Sovereign Long-Term Local-Currency IDR Stable

Financial Data

Hannover Rueckversicherung AG

	31 Dec 10	31 Dec 09
Total assets (EURm)	46,725	40,83,8
Net income (EURm)	831	774
Total equity (EURm)	5,118	4,257
Return on equity (%)	18.2	22.4

Key Rating Drivers

Ratings Affirmed: Fitch Ratings affirmed all existing ratings of Hannover Rueckversicherung AG (Hannover Re) and its operating subsidiaries with a Stable Outlook on 10 May 2011.

Underwriting and Investment Leverage: Hannover Re has higher-than-peer-average underwriting and investment leverage. This higher leverage renders its capital position more sensitive to changes in underwriting results and in investment markets.

High-Quality Investment Portfolio: Fitch considers Hannover Re's investment portfolio to be relatively low risk with high credit quality. The reinsurer began to move back to investments in listed equities in Q310 but sold out of this position in March 2011 following the Japanese earthquake. At the time being, management does not intend on re-entering the equity market. Exposures to troubled sovereigns represent about 1% of the company's total investments.

Capital Improving, Quality Weak: Fitch views Hannover Re's capitalisation as commensurate with current rating levels and improving; however, capital quality is weak. Capital levels have strengthened organically in 2010 and so far in 2011, offsetting the significant premium growth over the last few years. At end-2010, 27% of the policyholder surplus was from hybrid debt. Fitch considers this amount to be high and notes that further shifts to softer capital would be viewed negatively.

Strong Global Franchise: Hannover Re is one of the largest reinsurers in the world, with a strong franchise in the property & casualty reinsurance market and an increasingly dominant position in life & health reinsurance. In each of these areas, Hannover Re is one of the top five reinsurers worldwide by premium volume.

Credit Reinsurance Exposure: Hannover Re has higher exposure to credit reinsurance than many of its peers. Credit and surety reinsurance account for approximately 8.9% of non-life premium income. Fitch believes that this exposure is managed through significant rate rises but that losses from this business line remain possible in the near term as economic conditions remain challenging.

What Could Trigger a Rating Action

Deterioration in Fundamentals: Factors that could cause Fitch to downgrade Hannover Re's ratings include gross financial leverage rising above 30%, a deterioration in risk-adjusted capitalisation, excessive growth, increased use of hybrid debt in the capital structure, and weaker profitability than peers.

Stronger Capital: Events that could lead to an upgrade include reduced gross financial leverage under 20% and a significant strengthening of the capital base on a risk-adjusted basis.

Related Research

Reinsurance Underwriting Cycle Back in Full Swing (February 2010)

Analysts

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Lloyd's of London

Full Rating Report

Ratings

Lloyd's of London
Insurer Financial Strength Rating A+

The Society of Lloyd's
Long-Term IDR A
Subordinated debt BBB+

Lloyd's Insurance Company (China) Ltd
Insurer Financial Strength Rating A+

Outlooks

Insurer Financial Strength Ratings Stable
Long-Term IDR Stable

Financial Data

Lloyd's of London	2010	2009
Total assets (GBPm)	70,610	67,290
Total liabilities (GBPm)	52,419	49,127
Gross written premiums (GBPm)	22,592	21,973
Pre-tax profit (GBPm)	2,195	3,868
Combined ratio (%)	93.3	86.1
Return on capital (%)	12.1	23.9

Key Rating Drivers

Resilience of Earnings: Fitch Ratings considers the resilience of Lloyd's of London's (Lloyd's) earnings in currently challenging market conditions, characterised by significant natural catastrophe losses in Q111 and soft pricing conditions across some classes, to be the primary rating driver. The agency will continue to assess the volatility of earnings at Lloyd's in relation to a range of European and Bermudian reinsurers that the agency considers to represent the closest peer group.

PMD's Market Oversight: Fitch views the Performance Management Directorate's (PMD) oversight of market participants as a key mechanism in improving earnings stability in the medium term. The agency will continue to monitor the influence of the PMD's efforts, paying particular attention to cycle management, improved long-term profitability and the performance of the market, which are the PMD's stated areas of emphasis.

Financial Flexibility: The variety of funding sources for the Central Fund gives The Society of Lloyd's (the Society) significant financial flexibility. The Society has the ability to raise funds both internally – through contributions, levies and syndicate loans – and externally through the capital markets.

Capitalisation Remains Strong: Fitch anticipates that capitalisation will continue to support the current rating, assuming further losses fall within boundaries anticipated by the market. The three-layered capital structure at Lloyd's (consisting of syndicates' Premium Trust Funds (PTFs), members' Funds at Lloyd's (FAL) and the Central Fund) remained strong in 2010, despite an uptick in large loss activity during H110.

What Could Trigger a Rating Action

Weakened Capitalisation: A marked erosion of capital, including Central Fund assets, or a poor level of reported profitability relative to peers over a period of time could lead to a downgrade of the ratings.

Reduced Earnings Volatility: Key drivers for an upgrade would be a reduced level of earnings volatility versus peers in the wake of a large catastrophe event, or evidence of earnings resilience during a prolonged period of increased attritional losses and lower premium pricing conditions.

Related Research

UK Non-Life Insurance – Profitability: Capital is Both the Problem and the Solution (June 2011)

Hurricane Season 2011: A desk Reference for Insurance Investors (May 2011)

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Munich Reinsurance Company

And its Subsidiaries

Full Rating Report

Ratings

Insurer Financial Strength Rating	AA-
Long-Term Foreign-Currency IDR	AA-
Subordinated debt rating	A
Senior unsecured notes (issued by Munich Re America Corporation)	A+

Outlooks

Insurer Financial Strength Rating	Stable
Long-Term Foreign-Currency IDR	Stable

Financial Data

Munich Reinsurance Company

	31 Dec 10	31 Dec 09
Total assets (EURm)	236,358	223,412
Total equity (EURm)	23,028	22,278
Gross written premiums (EURm)	45,541	41,423
Net income (EURm)	2,430	2,564
ROE (%)	10.4	11.8
Reinsurance combined ratio (%)	100.5	95.3
Primary combined ratio (%)	96.8	93.1

Key Rating Drivers

Ratings Affirmed: Fitch Ratings' most recent rating action in May 2011 was to affirm all existing ratings of Munich Reinsurance Company (Munich Re) and its operating subsidiaries with a Stable Outlook.

Strong Capital: Fitch views Munich Re's capitalisation as strong and resilient. The agency expects the Q111 catastrophe losses, which equated to approximately 12% of GAAP equity, to represent an earnings rather than a capital event for the reinsurer. Further severe catastrophic events during the remainder of 2011 are likely to fall directly to the bottom line, although Fitch believes that Munich Re would be able to replenish capital by issuing shares should this be required.

Manageable Catastrophe Exposure: While Munich Re's Q111 catastrophe losses were high compared with peers, the losses were consistent with the company's historically high market share in Japan, Australia and New Zealand. Munich Re's catastrophe profile is well diversified by region.

Conservative Investment Portfolio: Munich Re has a conservative investment portfolio, and the credit quality of its bond portfolio remains high. At 14% of its total government bond portfolio, or 53% of shareholder funds at Q211, Fitch deems the group's exposure to Greece, Italy, Ireland, Portugal and Spain (GIIPS) sovereign debt to be relatively high but manageable. This exposure is mitigated as policyholder participation applies to half of the portfolio.

Low Leverage: Munich Re's debt leverage and operating leverage are low and in line with the rating level. Based on the company's current financial condition and cash flow characteristics, its debt/capital ratio has considerable scope to increase before it would exceed Fitch's leverage guidelines for the current rating level.

Challenged Profitability: Fitch views Munich Re's profitability as adequate but challenged. While reinsurance operations by definition have volatile operating results based on the occurrence of catastrophes, the primary operations at ERGO Versicherungsgruppe AG (ERGO) have experienced deterioration and the operating environment is expected to remain challenging in the near term.

What Could Trigger a Rating Action

Deterioration in Fundamentals: Factors that could cause Fitch to downgrade Munich Re's ratings include: a sustained material drop in the company's risk-adjusted capital position as measured by Fitch's stress test; failure to maintain a disciplined underwriting approach; and underperformance relative to peers.

Better Peer Performance: Rating actions that could lead to an upgrade include: profitability in line with higher rated peers and industry averages over the cycle; and improvement in the company's capital position.

Related Research

European Reinsurers: Volatility Trends (May 2010)

Reinsurance Underwriting Cycle Back in Full Swing (February 2010)

ERGO Versicherungsgruppe AG And Insurance Companies (December 2009)

Reinsurers' First-Quarter 2011 Financial Results (May 2011)

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PartnerRe Ltd.

And Partner Reinsurance Company Ltd.
Credit Update

Ratings

Long-Term Issuer Default Rating	A+
Senior Debt	A
Preferred Stock	BBB+
Subordinated Debt	BBB+

Partner Reinsurance Company Ltd.

Insurer Financial Strength	AA-
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Rating Outlooks

Long-Term Issuer Default Rating	Stable
Insurer Financial Strength	Stable

Financial Data

PartnerRe Ltd.

	6/30/11	12/31/10
Common Equity (\$ Mil.)	5,738	6,687
Total Debt & Hybrids (\$ Mil.)	1,707	1,333
Assets (\$ Mil.)	24,600	23,364
Gross Written Premium (\$ Mil.)	2,640	4,885
Net Income (\$ Mil.)	(700)	818
Combined Ratio (%)	147.1	95.0
Annualized ROAE (%)	(11.3)	11.8

Related Research

Hurricane Season 2011: A Desk Reference for Insurance Investors, May 26, 2011

Reinsurers' First-Quarter 2011 Financial Results, May 19, 2011

PartnerRe Ltd., Jan. 19, 2011

Bermuda 2011 Market Update, Jan. 19, 2011

Related Criteria

Rating Hybrid Securities, July 28, 2011

Insurance Rating Methodology, March 31, 2011

Non-Life Insurance Rating Methodology, March 31, 2011

Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011

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Key Rating Drivers

Ratings Reflect Strong Franchise: PartnerRe Ltd.'s (PartnerRe) ratings reflect the company's strong competitive position, high-quality balance sheet, and solid long-term operating profitability. The ratings also consider Fitch Ratings' belief that the company's risk management capabilities will enable it to maintain its strong and liquid balance sheet during periods that experience heightened underwriting losses and/or capital market volatility.

Business Offers Potential Volatility: PartnerRe's underwriting portfolio includes relatively higher exposure to low-frequency but high-severity events. Most recently, PartnerRe's first-half 2011 catastrophe losses (primarily from earthquakes in Japan and New Zealand) totaled approximately \$1.2 billion and resulted in a \$668 million operating loss for the period. This result together with \$227 million of share repurchases contributed to a 14% decline in common equity that was among the largest observed in the universe of reinsurers rated by Fitch.

Long-Term Performance Is Solid: PartnerRe has consistently achieved its goal of generating a 13% operating return on equity through the pricing cycle. However, it is difficult for any reinsurer to maintain stable earnings given that the purpose of reinsurance is largely to absorb earnings volatility on behalf of clients. Therefore, Fitch recognizes that reinsurers with catastrophe exposure will periodically suffer losses of a magnitude sufficient to significantly affect earnings and reduce capital, as PartnerRe experienced in first-half 2011.

Rating Outlook Is Stable: The Stable Outlook reflects Fitch's belief that PartnerRe's capital strength remains adequate for its rating category in the aftermath of the losses suffered in the first half of 2011. In Fitch's view, the company remains well-positioned to take advantage of anticipated pricing improvement in catastrophe-exposed lines in the coming months.

What Could Trigger a Rating Action

Near-Term Upgrade Unlikely: Due to PartnerRe's high current rating category, Fitch views a near-term ratings upgrade as unlikely in the absence of a material change in risk profile resulting in significantly lower underwriting volatility observed over an extended period.

Deteriorating Underwriting Performance and Profitability: Fitch could downgrade PartnerRe's ratings if the company failed to report calendar year combined ratios in the mid-90% on a run-rate or multiyear rolling average basis or operating earnings-based returns on average equity that fail to approximate 10% or higher, assuming that risk-free interest rates return to historical levels.

Lower Interest Coverage Ratios: Fitch could downgrade PartnerRe's debt ratings if operating earnings-based interest and interest and preferred dividend coverage ratios fall below approximately 10x and 6x, respectively, on a multiyear rolling average basis.

Increased Underwriting Leverage: Barring a significant shift in business mix toward less volatile lines, an increase in the net written premium-to-GAAP equity ratio to levels that exceed 1.0x could result in a ratings downgrade.

RenaissanceRe Holdings Ltd.

And Insurance Company Subsidiaries Update

Ratings

Long-Term Issuer Default Rating	A
Senior Unsecured	A-
Preferred Stock	BBB

RenRe North America Holdings, Inc.

Senior Unsecured	A-
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Renaissance Reinsurance Ltd.

Insurer Financial Strength	A+
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Rating Outlook

Long-Term Issuer Default Rating	Stable
Insurer Financial Strength	Stable

Financial Data

RenaissanceRe Holdings, Ltd.

	6/30/11	12/31/10
Total Equity and Minority Int. (\$ Mil.)	4,147	4,697
Total Financial Debt (\$ Mil.)	349	549
Total Assets (\$ Mil.)	8,166	8,138
Operating Revenue (\$ Mil.)	639	1,080
Net Income (\$ Mil.)	(223)	703
Combined Ratio (%)	174.1	45.1
ROAE (%)	(28.1)	21.4

Related Research

Hurricane Season 2011: A Desk Reference for Insurance Investors, May 26, 2011

Reinsurers' First-Quarter 2011 Financial Results, May 19, 2011

RenaissanceRe Holdings Ltd., Feb. 4, 2011

Bermuda 2011 Market Update, Jan. 19, 2011

Related Criteria

Non-Life Insurance Rating Methodology, March 31, 2011

Insurance Rating Methodology, March 31, 2011

Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011

Rating Hybrid Securities, July 28, 2011

Analysts

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Key Rating Drivers

Competitive Position Remains Strong: RenaissanceRe Holdings Ltd. (RNR) has a leadership position in the property/catastrophe reinsurance market derived largely from the company's ability to provide consistent capacity in the marketplace and its ability to effectively underwrite and price catastrophe-related risks. RNR uses a proprietary model in conjunction with vendor models in its underwriting and risk evaluation process and Fitch views RNR's property/catastrophe underwriters as having a demonstrated record of expertise.

Volatile Underwriting Results: Fitch views RNR's year-to-year underwriting profitability as volatile, but the effect of this volatility on the company's ratings is mitigated somewhat by RNR's low combined ratios over extended periods of time. Fitch views this as an important factor supporting the company's ratings and as evidence of RNR's underwriting skills.

Poor 2011 Underwriting Results: RNR recorded a net loss of \$223 million for the first six months of 2011 due to sizable catastrophe losses from the Japanese and New Zealand earthquakes, large U.S. tornadoes, and Australian flooding. As a result, RNR's consolidated GAAP combined ratio increased to 174.1% for the first six months of 2011 compared with a 45.8% combined ratio for the first six months of 2010.

Reasonable Operating Leverage and Capitalization: Fitch believes that RNR's capital position provides an adequate cushion against operational and financial risks. RNR utilizes a reasonable amount of operating leverage with a ratio of net premiums written to shareholders' equity of 0.2x-0.3x in recent periods, which is low compared with the overall reinsurance industry, but in line with those of other reinsurers with property/catastrophe concentrations.

Low Financial Leverage: Fitch considers RNR to use a moderate amount of financial leverage in its capital structure, with an equity credit-adjusted debt-to-total capital ratio of 13.9% at June 30, 2011, down from 15.7% at Dec. 31, 2010.

High-Quality Portfolio: RNR has an overall high-quality and liquid portfolio of fixed-income and short-term investments, although the company's alternative investments expose its earnings to potential volatility.

What Could Trigger a Rating Action

Weak Profitability: Significant deterioration in RNR's historically strong profitability, as demonstrated by sustained underwriting losses or adverse investment portfolio results could result in negative rating actions.

Declines in Capital: Material weakening in the company's current balance sheet strength or a catastrophe event loss that is 25% or more of shareholders' equity could trigger a downgrade.

Changes in Operating and Financial Leverage: Fitch's rating rationale anticipates operating leverage as measured by net premiums written to shareholders' equity to remain below 0.5x and equity credit-adjusted financial leverage to remain below a range of 20%-25%.

SCOR

Full Rating Report

Ratings

SCOR S.E.

Insurer Financial Strength	A
Long-Term Foreign-Currency IDR	A
Junior subordinated debt	BBB+
Short-Term IDR	F1

SCOR Global P&C S.E.

Insurer Financial Strength	A
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SCOR Global Life S.E.

Insurer Financial Strength	A
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Outlooks

Insurer Financial Strength	Positive
Foreign-Currency Long-Term IDR	Positive

Financial Data

SCOR S.E. (Consolidated)

(EURm)	31 Dec 10	31 Dec 09
Total assets	28,722	27,989
Surplus	4,352	3,901
Published net income	418	370
Gross written premiums	6,694	6,379

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Related Research

Applicable Criteria

Insurance Rating Methodology (March 2011)
Life Insurance Rating Methodology (March 2011)
Non-Life Insurance Rating Methodology (March 2011)

Key Rating Drivers

'A' category rating: SCOR S.E.'s (SCOR) ratings reflect the group's strong solvency and moderate debt in relation to its risk profile. SCOR also benefits from significant business and risk diversification. The ratings also take into account the group's consistent and comprehensive strategy, solid business position, and average profitability.

Solid capital adequacy: SCOR's capital position has not deteriorated despite the negative impact of the financial crisis, and debt leverage remains moderate. Fitch expects SCOR's capital adequacy to stabilise at around its current strong level, as future retained earnings are likely to compensate for increased capital requirements largely relating to internal growth.

Consistent strategy: SCOR's management team has established and implemented a consistent strategy over the past five years. Due to both internal and external growth, the group's activities are now well balanced between life and non-life reinsurance, and within each of these business lines. This brings considerable diversification, with a favourable impact on the group's risk profile. In addition, SCOR's integration of acquired operations has been well managed so far.

Strong business position: Fitch considers that SCOR's business position has improved as a result of the integration of Reviros, of Converium and prospectively of Transamerica Re. This is based on the group's solid financial strength and on its ability to offer attractive reinsurance solutions in selected countries and business lines. Fitch expects the group to continue to strengthen its business positions in areas where it can apply its expertise in addition to its risk-taking capacity.

Average profitability: Despite its positive trend, SCOR's profitability could still be improved. Sustainably competitive underwriting conditions in a number of business lines and occurrence of natural disaster, such as those experienced in Q1 2011, challenge the group's ability to achieve significant earnings improvement in the short to medium term. In addition, SCOR's strategic plan, aimed at gradually increasing risk undertaken, still has to deliver its full benefits.

What Could Trigger a Rating Action

Earning accumulation: Further development of the capital base through retained earnings to offset the increase in additional capital required to support business growth would be a positive rating factor.

Lower volatility: Fitch would view positively clear demonstration of cycle management and diversification benefits, prudent risk selection and operating performance at least in line with or better than similarly rated peers, particularly as reinsurance market conditions remain challenging.

Swiss Reinsurance Company Limited

Ratings

Swiss Reinsurance Company Limited

Insurer Financial Strength	Not rated
Long-Term Foreign-Currency IDR	Not rated

Financial Data

	31 Dec 10	31 Dec 09
Total assets (USDm)	228,403	232,748
Net Income (USDm)	863	496
Total Equity (USDm)	25,342	25,344
Return on Equity (%)	3.6	2.3
Combined Ratio (%)		

Key Credit Observations

Resolution of legacy business: Fitch views Swiss Re's residual exposure to credit derivatives activities as being a manageable risk for the Group. This is despite the reinsurer remaining more leveraged from a Total Financing Commitments (TFC) perspective, than its European peers. The maximum potential payout to credit derivatives further declined at H111 to USD23.2bn (FY10: USD24.8bn). The agency views positively Swiss Re's re-risking in recent years, noting the sale by mid-2010 of all remaining assets from the former Structured CDS positions, and reduction of the Financial Guarantee Re and Portfolio CDS notionals.

Strength of Capitalisation: The strength of capitalisation is viewed positively. Capital strength, based on Fitch's risk-adjusted assessment, has improved significantly since 2008. The recent early repayment of funds provided by Berkshire Hathaway and restoration of a full dividend are further indicators of Swiss Re's renewed financial strength. Finally, the reduced uncertainty of future capital deterioration, following the cessation and scaling back of riskier trading and underwriting activities, is viewed as a further positive.

Repositioning of reinsurance portfolio: Fitch considers that the repositioning of Swiss Re's Property & Casualty (P&C) business will benefit near and possibly medium-term earnings. The main change has seen a reduction in the weight of casualty business written in favour of a larger property book. Historically, Swiss Re maintained a significantly riskier profile than peers due to its capital markets and financial guarantee underwriting. Under the leadership of the current CEO, risk is now considered to be in line with peers.

Earnings sustainability: The consistent across-cycle earnings generated by Swiss Re's core reinsurance business are viewed favourably by Fitch. Since 2005, the core insurance and reinsurance segments have continued to produce positive results when compared with peers, reflecting Swiss Re's high quality underwriting, in Fitch's opinion. The ending of the Berkshire quota share in 2012 adds 25% potential growth within the P&C and Corporate Solutions businesses, which could provide significant uplift to results if a more general hardening of the P&C market occurs.

Moderate Investment Risk: Swiss Re's current investment portfolio is considered to be of high quality and moderately low risk. Published guidance indicates that a consistent investment strategy will likely remain over the medium-term. The risk contained within Swiss Re's investment portfolio has been significantly reduced since 2008, when sizeable exposure to both structured mortgage- and asset-backed securities caused significant volatility in the reinsurer's reported results.

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Validus Holdings, Ltd.

And Validus Reinsurance Ltd.
Update

Ratings

Long-Term Issuer Default Rating	BBB+
Subordinated Debt	BB+
Validus Reinsurance Ltd.	
Insurer Financial Strength	A-

Rating Outlooks

Long-Term Issuer Default Rating	Stable
Insurer Financial Strength	Stable

Financial Data

Validus Holdings, Ltd.		
	6/30/11	12/31/10
Common Equity (\$ Mil.)	3,543	3,505
Total Debt and Hybrids (\$ Mil.)	537	537
Assets (\$ Mil.)	8,260	7,061
Gross Written Premium (\$ Mil.)	1,455	1,991
Net Income (\$ Mil.)	(62)	403
Combined Ratio (%)	113.2	86.2
Annualized ROAE (%)	(1.8)	10.7

Related Research

- [Hurricane Season 2011: A Desk Reference for Insurance Investors, May 26, 2011](#)
- [Reinsurers' First-Quarter 2011 Financial Results, May 19, 2011](#)
- [Bermuda 2011 Market Update, Jan. 19, 2011](#)

Related Criteria

- [Rating Hybrid Securities, July 28, 2011](#)
- [Insurance Rating Methodology, March 31, 2011](#)
- [Non-Life Insurance Rating Methodology, March 31, 2011](#)
- [Insurance Industry: Global Notching Methodology and Recovery Analysis, March 31, 2011](#)

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Key Rating Drivers

Short Operating History Is Solid: Validus Holdings, Ltd.'s (Validus) ratings reflect the company's record of strong underwriting profitability, solid capitalization, and high-quality and liquid investment portfolio that supports the company's loss reserves. Validus' ratings also reflect its comparatively short operating history and rapid growth, as well as the current competitive market conditions and low interest rate environment.

Ratings Recognize Potential Volatility: Validus' ratings also consider the company's significant exposure to earnings and capital volatility derived from its property catastrophe reinsurance products, most recently evidenced by the company's roughly \$384 million of combined catastrophe losses in the first six months of 2011, of which approximately 50% are from the Japanese and New Zealand earthquake events.

Capitalization Appears Solid: Fitch Ratings believes that Validus' capitalization provides adequate protection for the underwriting and investment risks the company faces. Fitch views capitalization as characterized by reasonable operating and asset leverage ratios.

Acquisitions Have Strengthened Franchise: Fitch considers Validus' acquisitions of IPC Holdings, Ltd. in September 2009 and Talbot Underwriting Agency Ltd. in 2007 to be significant contributors to the company's success to date in building upon a viable business platform. Fitch believes that the characteristics of the acquired companies mitigated, but did not eliminate, the risks that typically accompany such acquisitions. However, Fitch also views Talbot's comparative rapid premium growth with some concern given competitive conditions in the Lloyd's market in which it operates.

Acquisition of Transatlantic: If Validus is successful with its unsolicited stock and cash offer to merge with Transatlantic Holdings, Inc., as the transaction is currently structured, Fitch does not expect to take any rating action. Fitch believes the acquisition would favorably create a larger, more diversified reinsurance company, although it would also create execution risk in integrating the organizations.

What Could Trigger a Rating Action

Sustained Strong Results: If Validus were to report strong underwriting results and overall profitability over the next six to 12 months, including accident year underwriting profits in the absence of above-average catastrophe activity, it could lead to a Positive Rating Outlook or upgrade. This assumes that the company also maintains solid capitalization with net written premium-to-equity and asset leverage ratios at or near current levels of 0.7x (annualized) and 2.3x, respectively, while loss reserve development remains neutral to favorable.

Deteriorating Capital Strength: A significant deterioration in Validus' capitalization metrics or a material increase in premiums written-to-equity ratios to levels in excess of 1.0x or asset leverage in excess of 3.0x could lead to a Negative Rating Outlook or a ratings downgrade.

Higher Financial Leverage: A material increase in Validus' debt-to-capital ratio to levels in excess of 25% or decrease in run-rate interest coverage ratios to the low single digits for a period of consecutive years could lead Fitch to downgrade the company's debt ratings.

The issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

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