

# Endurance Specialty Holdings

Investor Presentation  
September 30, 2012



## Forward looking statements & regulation G disclaimer

### Safe Harbor for Forward Looking Statements

Some of the statements in this presentation may include forward-looking statements which reflect our current views with respect to future events and financial performance. Such statements include forward-looking statements both with respect to us in general and the insurance and reinsurance sectors specifically, both as to underwriting and investment matters. Statements which include the words "should", "expect", "intend", "plan", "believe", "project", "anticipate", "seek", "will", and similar statements of a future or forward-looking nature identify forward-looking statements in this presentation for purposes of the U.S. federal securities laws or otherwise. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the Private Securities Litigation Reform Act of 1995.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or may be important factors that could cause actual results to differ from those indicated in the forward-looking statements. These factors include, but are not limited to, the effects of competitors' pricing policies, greater frequency or severity of claims and loss activity, changes in market conditions in the agriculture insurance industry, termination of or changes in the terms of the U.S. multiple peril crop insurance program, a decreased demand for property and casualty insurance or reinsurance, changes in the availability, cost or quality of reinsurance or retrocessional coverage, our inability to renew business previously underwritten or acquired, our inability to maintain our applicable financial strength ratings, our inability to effectively integrate acquired operations, uncertainties in our reserving process, changes to our tax status, changes in insurance regulations, reduced acceptance of our existing or new products and services, a loss of business from and credit risk related to our broker counterparties, assessments for high risk or otherwise uninsured individuals, possible terrorism or the outbreak of war, a loss of key personnel, political conditions, changes in insurance regulation, changes in accounting policies, our investment performance, the valuation of our invested assets, a breach of our investment guidelines, the unavailability of capital in the future, developments in the world's financial and capital markets and our access to such markets, government intervention in the insurance and reinsurance industry, illiquidity in the credit markets, changes in general economic conditions and other factors described in our most recently filed Annual Report on Form 10-K.

Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation publicly to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

### Regulation G Disclaimer

In presenting the Company's results, management has included and discussed certain non-GAAP measures. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain the Company's results of operations in a manner that allows for a more complete understanding of the underlying trends in the Company's business. However, these measures should not be viewed as a substitute for those determined in accordance with GAAP. For a complete description of non-GAAP measures and reconciliations, please review the Investor Financial Supplement on our web site at [www.endurance.bm](http://www.endurance.bm).

The combined ratio is the sum of the loss, acquisition expense and general and administrative expense ratios. Endurance presents the combined ratio as a measure that is commonly recognized as a standard of performance by investors, analysts, rating agencies and other users of its financial information. The combined ratio, excluding prior year net loss reserve development, enables investors, analysts, rating agencies and other users of its financial information to more easily analyze Endurance's results of underwriting activities in a manner similar to how management analyzes Endurance's underlying business performance. The combined ratio, excluding prior year net loss reserve development, should not be viewed as a substitute for the combined ratio.

Net premiums written is a non-GAAP internal performance measure used by Endurance in the management of its operations. Net premiums written represents net premiums written and deposit premiums, which are premiums on contracts that are deemed as either transferring only significant timing risk or transferring only significant underwriting risk and thus are required to be accounted for under GAAP as deposits. Endurance believes these amounts are significant to its business and underwriting process and excluding them distorts the analysis of its premium trends. In addition to presenting gross premiums written determined in accordance with GAAP, Endurance believes that net premiums written enables investors, analysts, rating agencies and other users of its financial information to more easily analyze Endurance's results of underwriting activities in a manner similar to how management analyzes Endurance's underlying business performance. Net premiums written should not be viewed as a substitute for gross premiums written determined in accordance with GAAP.

Return on Average Equity (ROAE) is comprised using the average common equity calculated as the arithmetic average of the beginning and ending common equity balances for stated periods. Return on Beginning Equity (ROBE) is comprised using the beginning common equity for stated periods. The Company presents various measures of Return on Equity that are commonly recognized as a standard of performance by investors, analysts, rating agencies and other users of its financial information.

# Introduction to Endurance Specialty Holdings

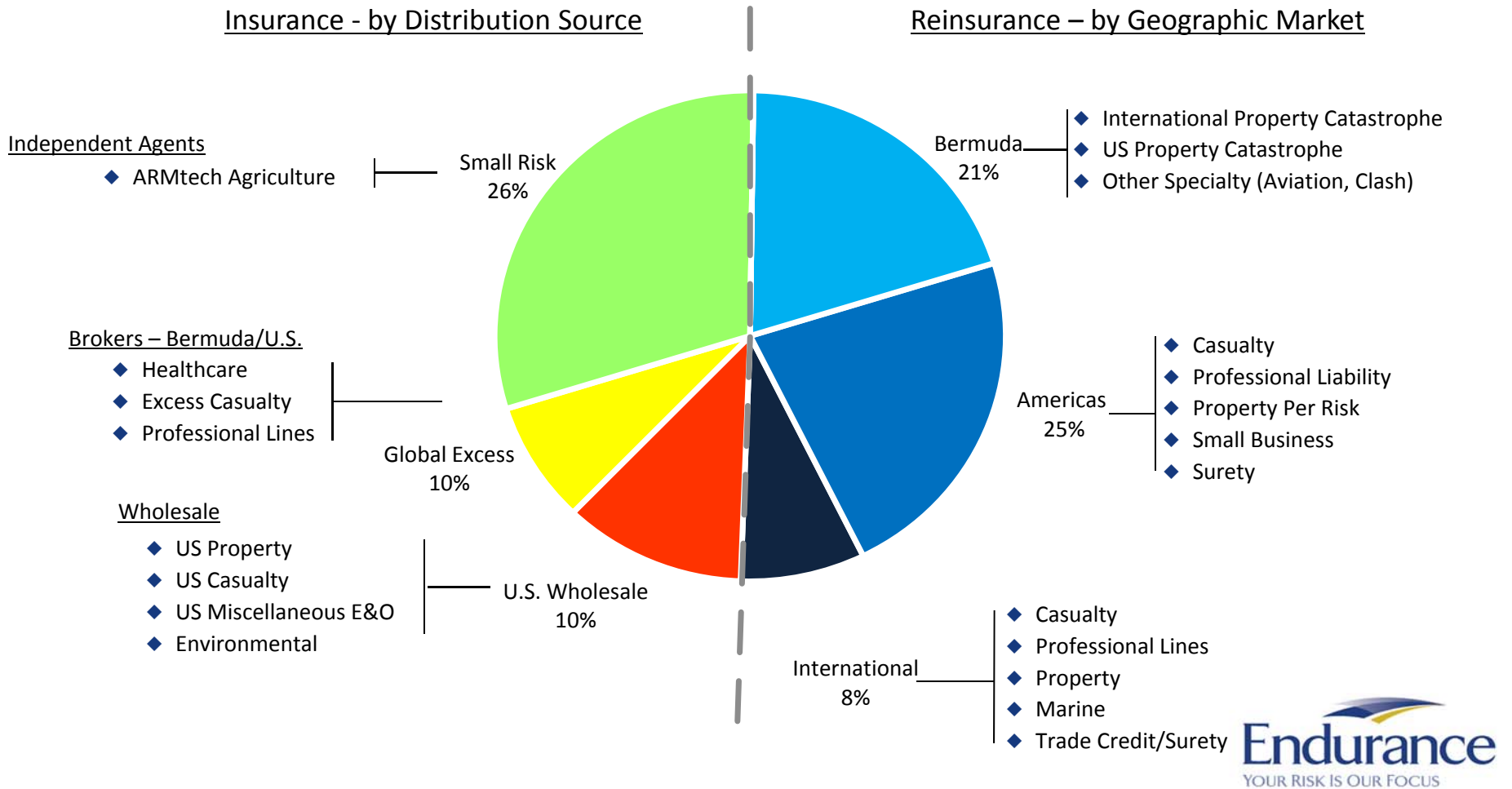
(Re)insurance company focused on diversified portfolio of businesses within specialty niches

Diversified Portfolio of Businesses	Strong Balance Sheet	Capital Management History
<ul style="list-style-type: none"> <li>▪ Evenly split between insurance and reinsurance businesses</li> <li>▪ Maintain strong balance of specialty, property and casualty exposures</li> <li>▪ Track record of opportunistically entering and exiting businesses to achieve strong returns</li> </ul>	<ul style="list-style-type: none"> <li>▪ “A” ratings from AM Best, S&amp;P and Moody’s</li> <li>▪ \$3.3 billion of total capital</li> <li>▪ Conservative, low-duration, AA rated investment portfolio</li> <li>▪ Prudent reserves that have historically been a source of value</li> </ul>	<ul style="list-style-type: none"> <li>▪ Returned \$1.9 billion to investors through dividends and share repurchases               <ul style="list-style-type: none"> <li>• Represents 76.8% of inception to date net income available to common shareholders</li> </ul> </li> <li>▪ Maintain a diversified , efficient capital structure</li> </ul>
<p style="text-align: center;"><b>We have built a strong franchise in our first ten years of operation</b></p> <ul style="list-style-type: none"> <li>▪ Inception to date operating ROE of 11.6%</li> <li>▪ 10 year book value per share plus dividends CAGR of 11.8%</li> </ul>		

# Diversified Portfolio of Businesses

Portfolio diversified by product, distribution source and geography

Trailing Twelve Months Net Premiums Written as of September 30, 2012: \$2.0 BN



# Balanced Portfolio of Diversified Risk Types

Adjusted product growth and capital deployment based on market conditions

Trailing Twelve Months Net Premiums Written as of September 30, 2012: \$2.0 BN

## Casualty (34%)

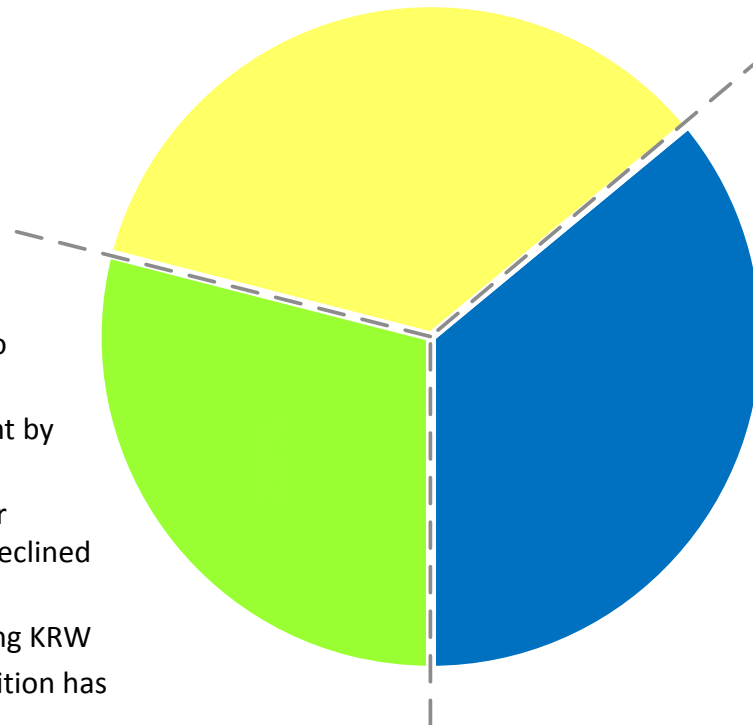
- ◆ Casualty reinsurance reduced significantly since its peak in 2004
- ◆ Casualty insurance lines of business have increased modestly since 2005 as growth in middle market U.S. based business has been partially offset by declines in Bermuda based large account business

## Property (34%)

- ◆ Property reinsurance has started to expand based on improved pricing and growth in Europe
- ◆ Catastrophe reinsurance expanded at mid-year renewals as pricing improved and capital was transferred from all risk insurance business line
- ◆ Property insurance premiums reduced due to transfer of capital away from all risk insurance business line

## Specialty (32%)

- ◆ Agriculture insurance is not linked to property-casualty pricing cycle
  - We have expanded policy count by 40.4% since 2007
- ◆ Aerospace, marine, surety and other reinsurance lines of business have declined significantly from their peaks
  - Exited offshore energy following KRW
  - Reduced premiums as competition has increased

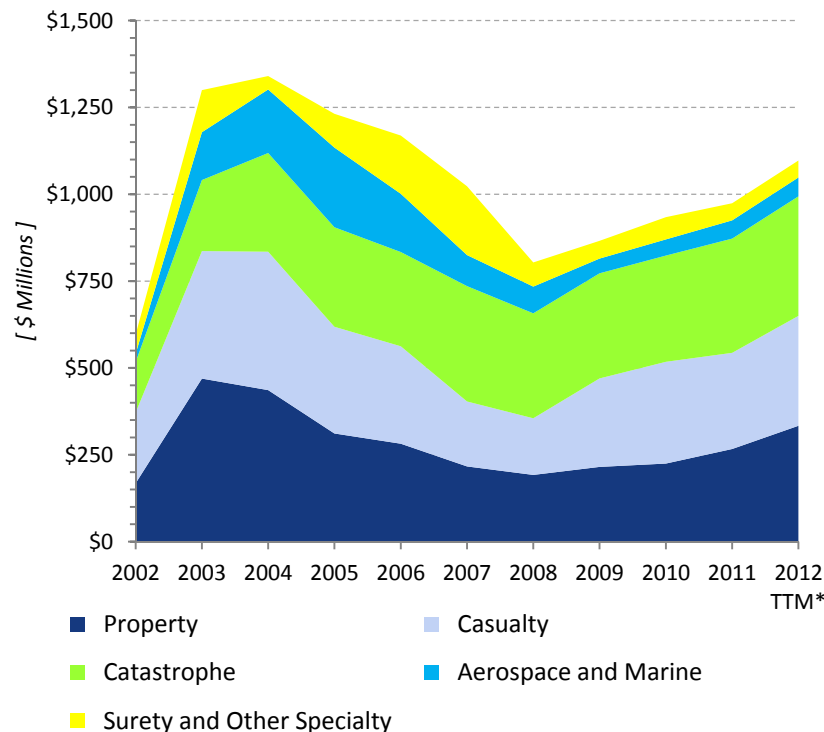




# Opportunistic Reinsurance Portfolio Management

Reinsurance book has been actively managed through market cycles

## Reinsurance Net Written Premiums



## Managing the Reinsurance Portfolio

**Catastrophe** - Premiums have grown in line with our capital base and pricing has improved following global cat losses in 2011

**Property** - Premiums have declined 29% since 2003 as prices softened, but have begun to grow in more recent periods on improved pricing

**Casualty** - Casualty has declined 21% from its peak in 2004 and recent growth is in shorter tail, smaller case casualty lines

**Aerospace and Marine** - Premiums have declined 76% from 2005 peak as we exited the offshore energy market and managed exposures

**Surety and Other Specialty** - Continue to maintain a core portfolio while remaining disciplined in a soft market

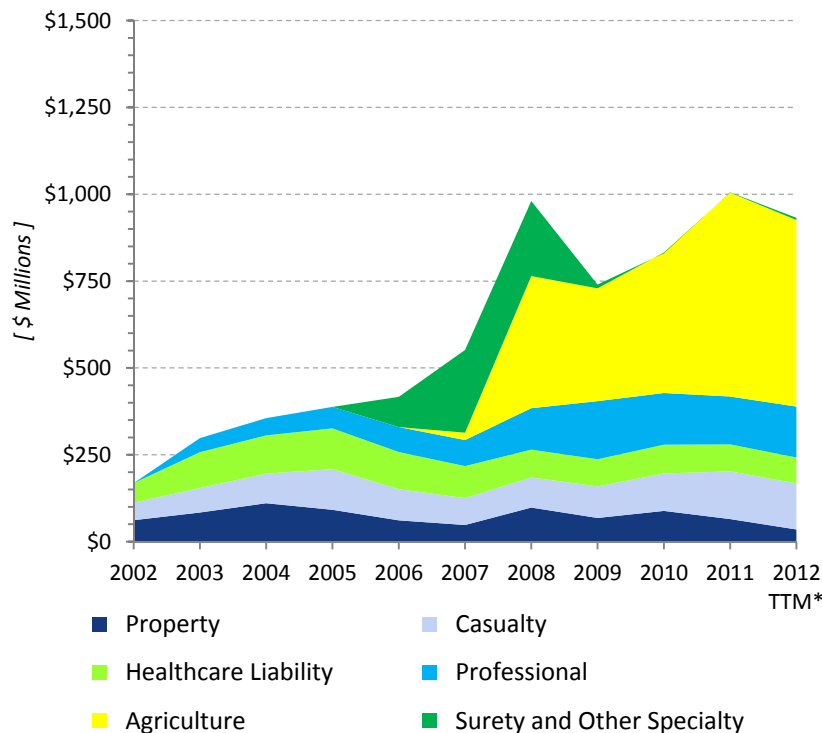
Current market conditions are improving within the catastrophe and property lines of business where non-impacted areas are seeing modest price improvements while impacted areas are experiencing significant price increases. Casualty pricing is showing signs of stabilization as the markets appear to be coming out of the bottom of the cycle.

\* Trailing Twelve Months

# Diversified Insurance Portfolio

Continue to expand insurance capabilities while maintaining discipline

## Insurance Net Written Premiums



## Managing the Insurance Portfolio

**Agriculture** – Strong growth supported by industry leading technology and customer service.

**Professional** – Recent growth driven by increase in small case products in the U.S while reducing our exposures to large case products

**Casualty** – Growth has focused on small case market where competition has been lower

**Property** – Reducing our exposures within E&S property lines due to reallocating capital to businesses with higher margin potential

**Healthcare Liability** – Shrinking historically profitable line that has attracted aggressive competition

**Surety and Other Specialty** – Historically consisted of California's Workers' Compensation that we exited in 2009

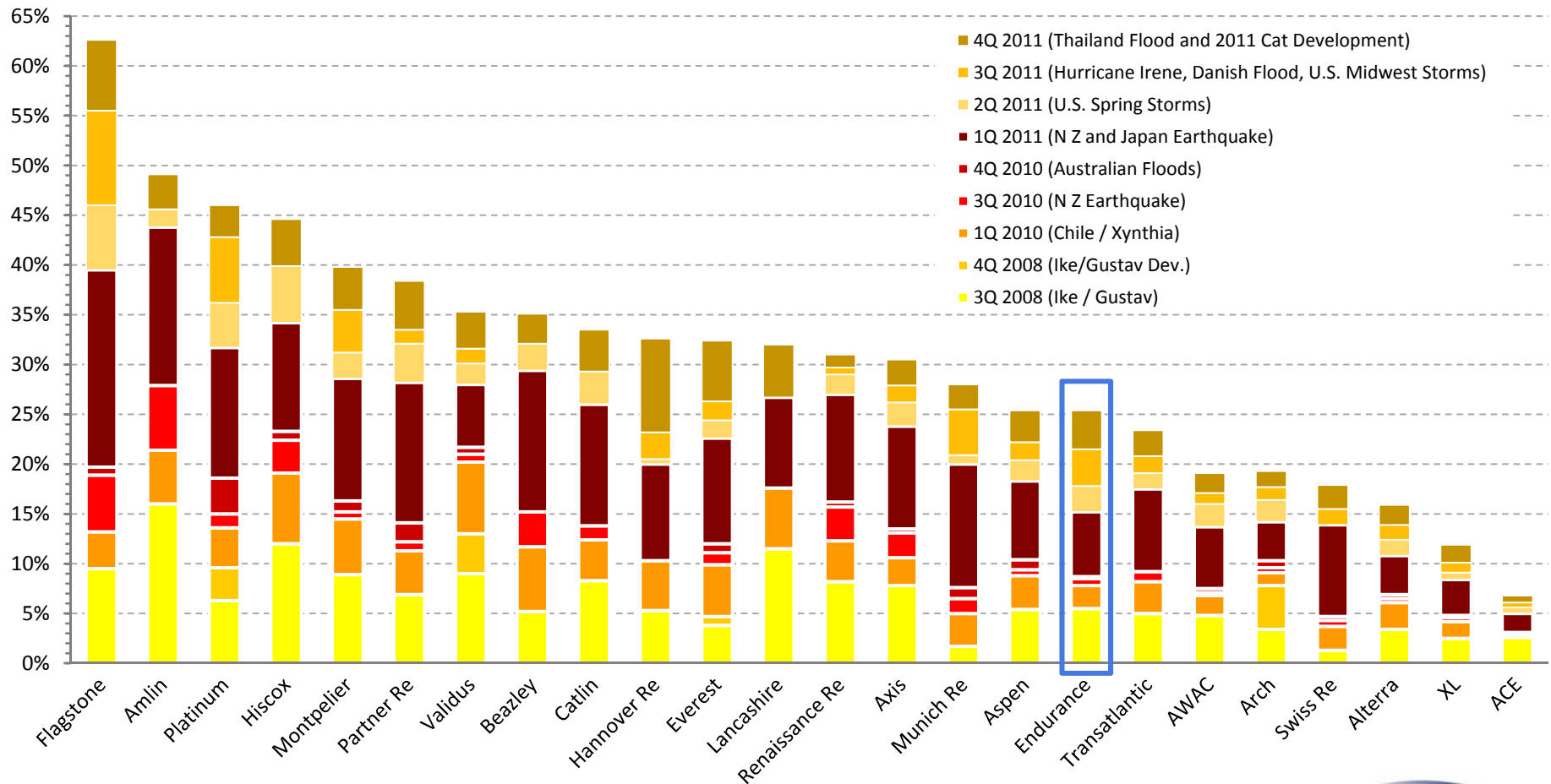
Market conditions are improving as E&S casualty business is experiencing modest rate improvement, especially for smaller contracts. Larger account professional lines and excess casualty are experiencing a moderation of price reductions as the market approaches the bottom of the cycle.

# Endurance is World Class at Risk Management

Endurance has performed well versus peers in recent large catastrophe events

## Five Year Catastrophe Losses versus Shareholder Equity

From December 31, 2006 – December 31, 2011



Note: Catastrophe loss values were obtained through publicly released information and company transcripts for each quarter and include current quarter losses as well as announced loss reserve development associated with prior quarter catastrophe losses. Catastrophe losses are compared with starting Total Shareholder Equity for each loss quarter.

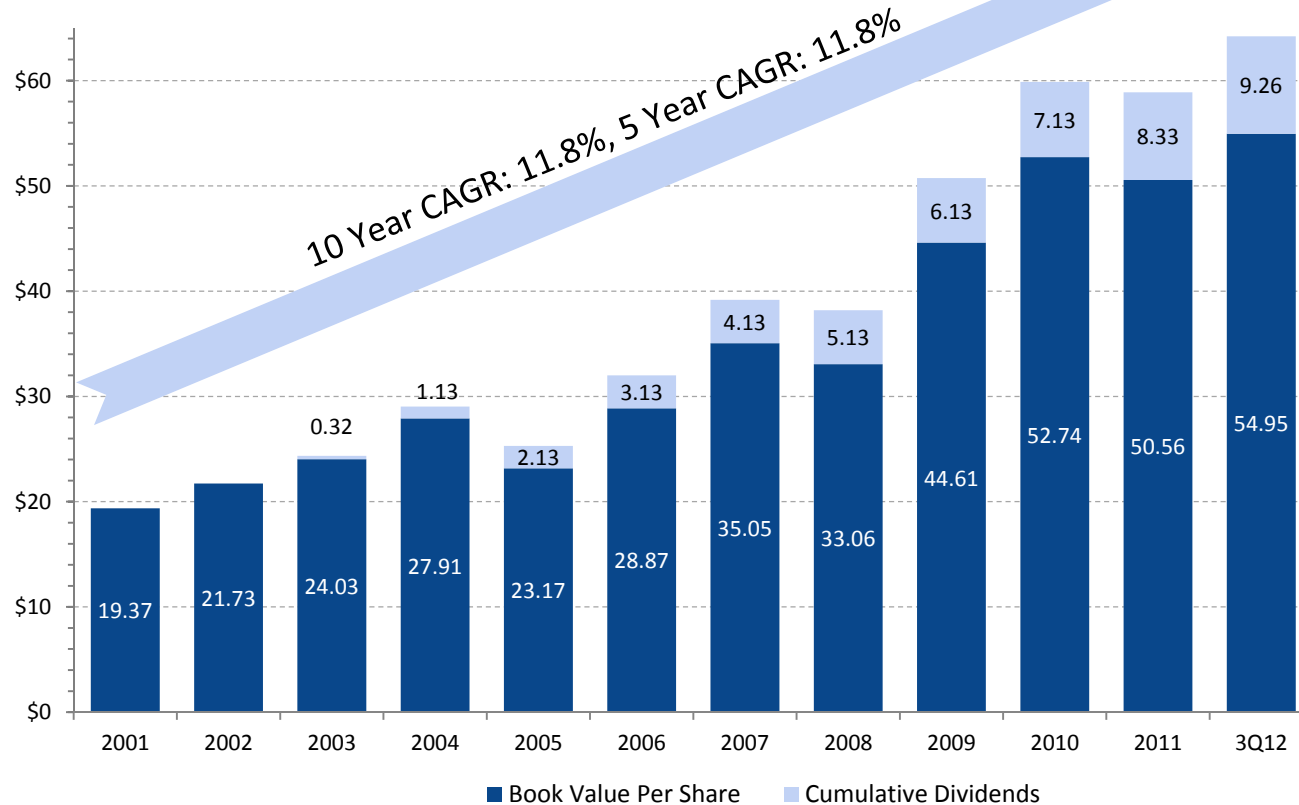




# Endurance's Financial Results

Diluted book value per common share has grown tremendously in absolute terms...

Growth in Diluted Book Value Per Common Share (\$) From December 31, 2001 – September 30, 2012



### Significant Impacts to Book Value

- 2005 – Hurricanes Katrina, Rita and Wilma
- 2008 – Credit crisis and related impact of marking assets to market
- 2011 – High frequency of global catastrophes (Earthquakes impacting New Zealand and Japan, Hurricane Irene, Texas wildfires, Thailand and Australian Floods, Danish Cloudburst, and a record level of tornadoes in the United States)

Note: Diluted Book Value Per Share calculated on weighted number of average diluted shares outstanding.

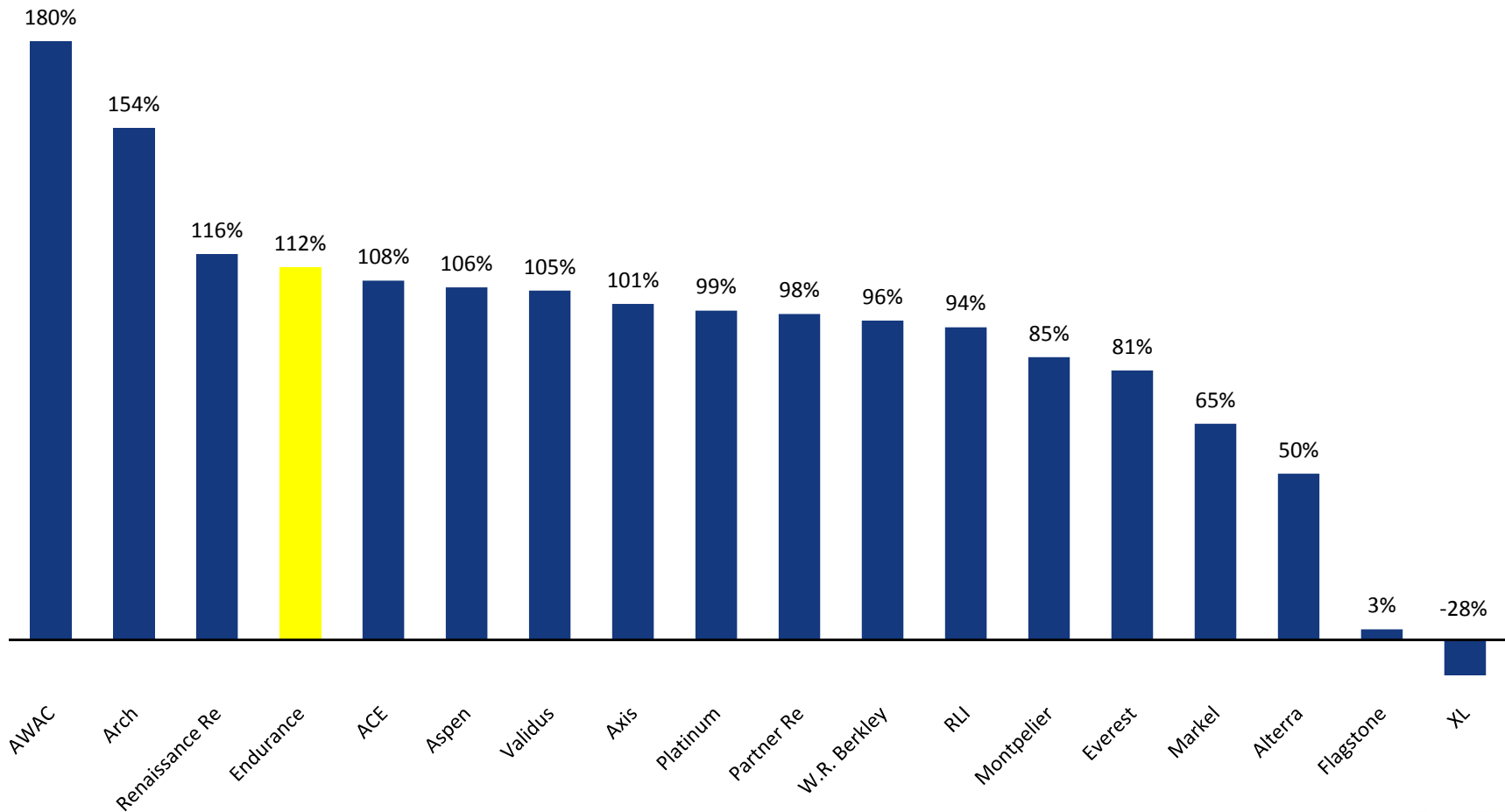


# Endurance's Financial Results

Book value per common share growth compares favorably to peers

Diluted Book Value Per Share Plus Dividend Growth

From December 31, 2006 – September 30, 2012

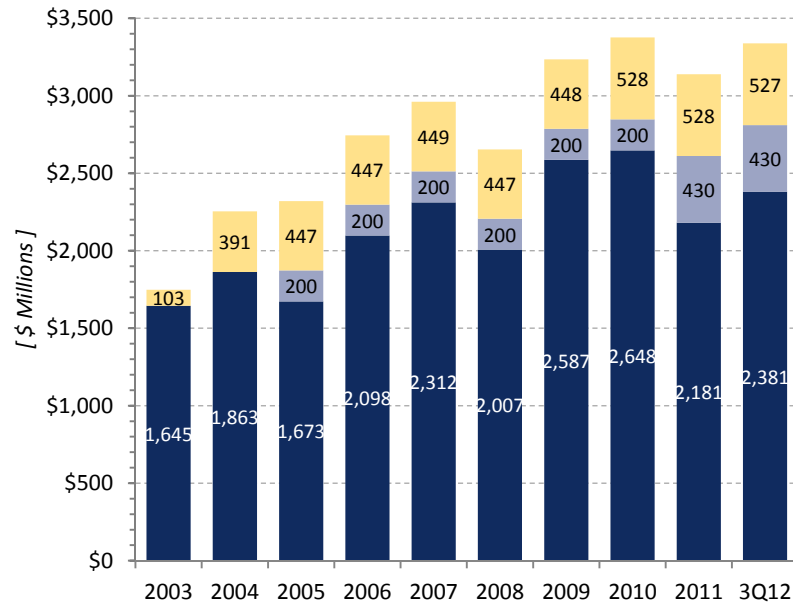


Note: Fully Diluted Book value per share and dividend data provided by company press releases and filings. For those companies that do not disclose fully diluted book value per share, the dilution was calculated using average diluted shares outstanding.

# Growing Capital Base while returning Capital to Investors

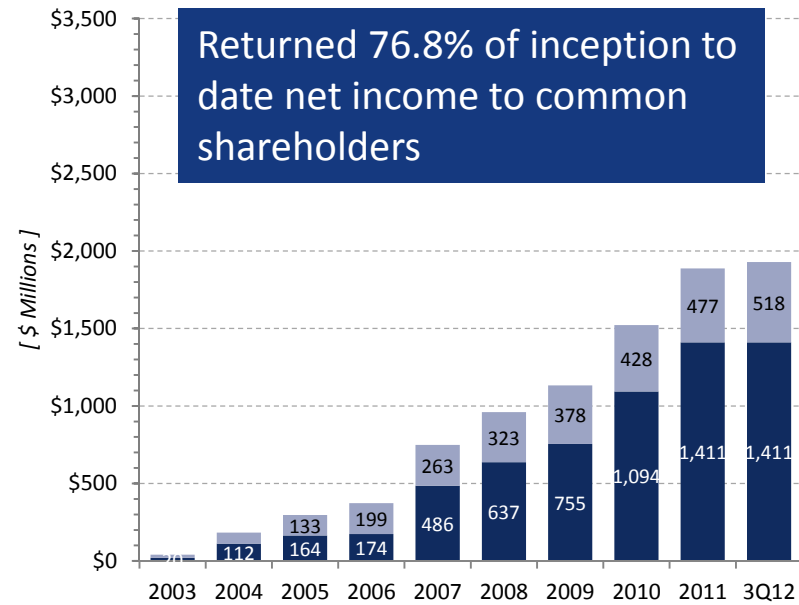
Diluted shares outstanding have been reduced by approximately 39% in the last five years

Endurance has a Diversified and Growing Capital Base



■ Common Equity    ■ Preferred Equity    ■ Debt

\$1.9 Billion of Capital Cumulatively Returned to Shareholders



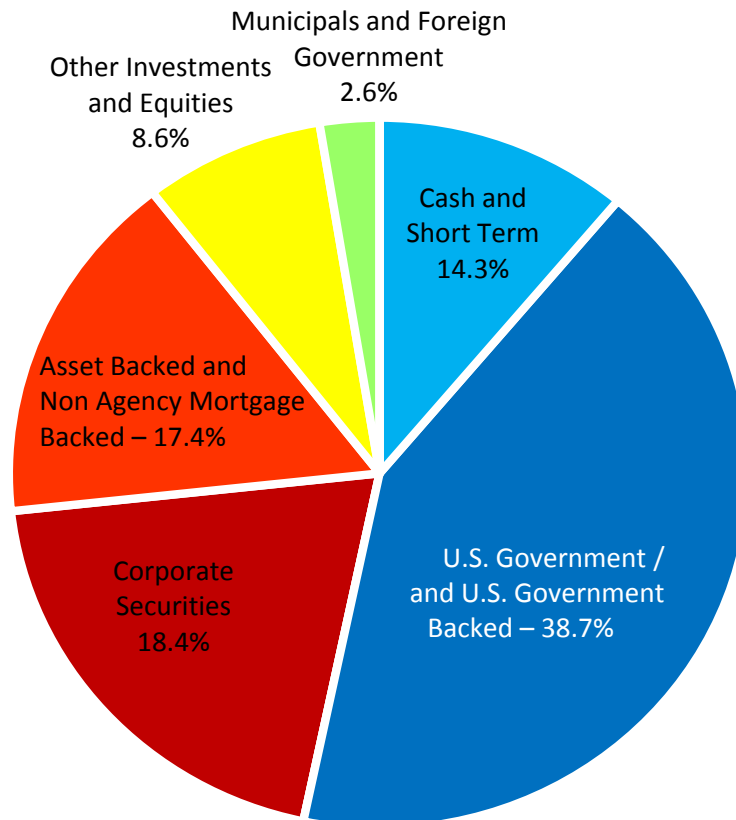
■ Cumulative Share Repurchases    ■ Cumulative Dividends

Endurance has proven its ability to generate capital which has allowed for the return to its shareholders of \$1.9 billion through share repurchases and dividends while also supporting organic growth. Current capital levels exceed rating agency minimum levels allowing for the possibility of opportunistic growth in the event that markets harden.

# Strong Balance Sheet

Endurance maintains a high quality, short duration investment portfolio

## \$6.5 B Investment Portfolio at September 30, 2012



## Investment Portfolio Highlights

- Fixed maturity portfolio duration remains short at 2.52 years
- Investment quality (AA average) has remained high as the portfolio is conservatively managed in challenging economy
  - 53.0% of investments are cash/short term or US backed
  - No direct exposure to sovereign debt or bank debt of European peripheral countries
- Expanded into equities in 2011 to diversify portfolio and reduce interest rate risk
- Other investments of \$478.9 million consist of alternative funds (70.2%) and specialty funds (29.8%)
  - Alternative funds include hedge funds and private equity funds
  - Specialty funds include high yield loan and convertible debt funds
  - Other investments returns have significantly outperformed S&P 500 with half the volatility since programs incepted

## Conclusion

### Endurance is a compelling investment opportunity

- Strategically manage our businesses
  - Selectively reduced reinsurance premiums, especially in competitive longer tail lines
  - Shifted capital from all risk insurance business line to property catastrophe reinsurance business line
  - Efficient capital management
    - Reduced diluted shares outstanding by approximately 39% in the last five years
- Maintain excellent balance sheet strength and liquidity
  - High quality, short duration investment portfolio; fixed maturity investments have an average credit quality of AA
  - Prudent reserving philosophy and strong reserve position; strong history of favorable development
  - Capital levels well in excess of rating agency minimums provide flexibility to grow in potentially hardening markets
- The outlook for Endurance's book of business remains attractive
  - Experiencing improved pricing across most of our lines of business
  - Catastrophe lines have remained disciplined and profitable and market conditions are improving
  - Small account casualty insurance lines are experiencing rate hardening



# Appendix

## Overview of ARMtech

## Overview of ARMtech

### Acquisition of ARMtech has been a great success for Endurance

- ARMtech was founded by software developers and has maintained a strong focus on providing industry leading service through leveraging technology
  - Writes crop insurance through independent agents across 44 states
  - Based in Lubbock, Texas with historic concentration in Texas and southern states
  - Recent growth has further balanced the portfolio geographically and by crop
- ARMtech built a leading specialty crop insurance business from scratch over the last 11 years
  - Approximate 7% market share and is 5<sup>th</sup> largest of 15 industry participants
  - Has grown to approximately 159,000 policies in force
  - 2012 crop year\* gross written premiums estimated to be \$879 million
- Endurance purchased ARMtech in December 2007 at a purchase price of approximately \$125 million
  - Since the acquisition, ARMtech has generated in excess of \$120 million in operating profit
  - ARMtech has grown MPCl policy count by 29.8% since 2007
- Agriculture insurance provides strong return potential, diversification in Endurance's portfolio of (re)insurance risks and is an efficient user of capital

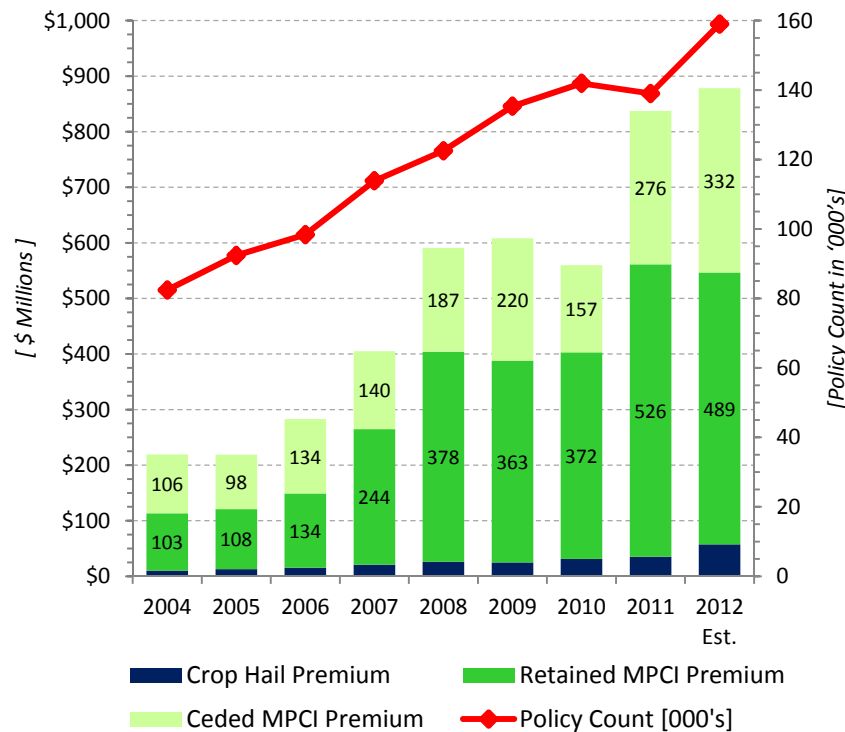


\* 2012 crop year is defined as July 1, 2011 through June 30, 2012 which is the period covered by crop insurance and reinsurance

# ARMtech is a Leader in the Crop Insurance Space

ARMtech's focus on technology and service has allowed it to steadily grow its business

Written Premiums and Policy Counts by Crop Year



## Using technology and service to expand premiums

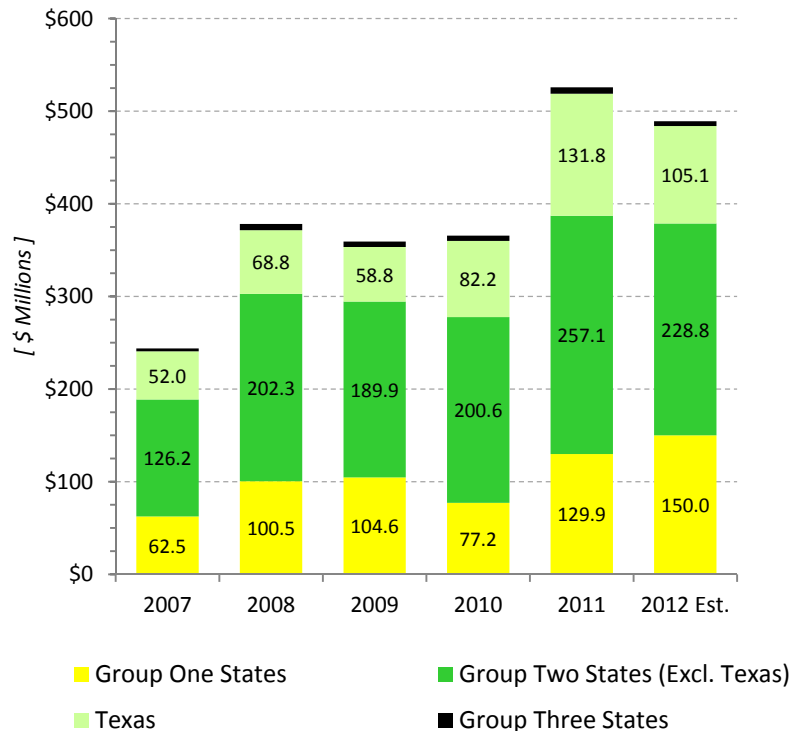
- ARMtech has built a market leading specialty crop insurance business through its focus on offering excellent service supported by industry leading technology.
- Policy count has grown 39.2% over the past five years in a line of business not subject to the property/casualty pricing cycle.
- ARMtech is a leader in using technology to deliver high quality service and to satisfy the very intense compliance and documentation standards imposed on the industry by the U.S. Federal Government.
- ARMtech has generated strong underwriting profits since inception.

ARMtech has demonstrated its ability to grow market share and premiums over time through its leading edge technology and superior delivery of service and compliance.

# ARMtech is Gaining Market Share in Broader Geographic Areas

## 2012 was a very strong marketing year for ARMtech

### MPCI Net Written Premiums by Crop Year and State Grouping\*



### Estimated 2012 Net Written Crop Year Premiums

- Estimated 2012 crop year MPCI net written premiums of \$489.2 million are 7.0% lower than crop year 2011
  - Growth from geographically diverse states as technology focused service offering is attracting new customers and agents,
  - Partially offset by 11.0% decline in Texas due to higher cessions, and
  - Partially offset by lower commodity prices on corn, cotton and soybeans.
- The portfolio of crop risk is more balanced in 2012 through greater crop and geographic diversification and through greater cessions in Texas (cotton concentration)

ARMtech continues to focus on diversifying its business geographically while managing its exposure to Texas through active use of available reinsurance protections.

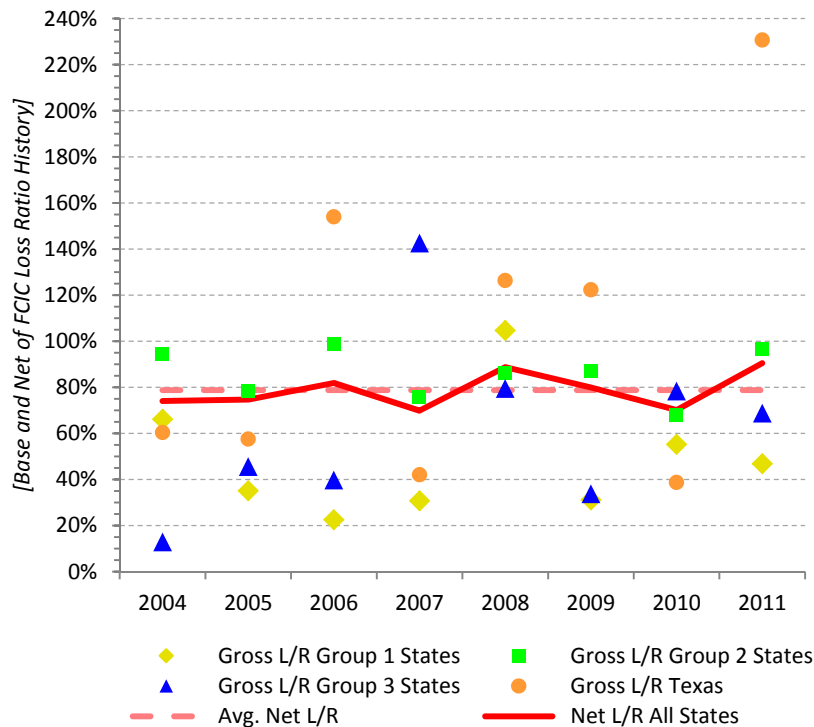
\* Group One States – IL, IN, IA, MN, NE  
 Group Two States – States other than Group One and Group Three states  
 Group Three States – CT, DE, MA, MD, NV, NH, NJ, NY, PA, UT, WY



# Agriculture Insurance is Not Correlated with the P&C Business Cycle

## FCIC reinsurance lowers volatility

### Historic Loss Ratio Results – Pre and Post Federal Retrocessions



### Stable Results in Volatile Times

- While individual states can produce large loss ratios, the U.S. Federal reinsurance program has historically reduced loss ratio volatility.
- ARMtech's business has historically produced stable profits over time after reflecting the reinsurance terms set out in the current standard crop reinsurance agreement
  - Historic average loss ratio post U.S. Federal cessions has been 78.7% [adjusted for the 2011 Federal reinsurance terms]
  - The best year was 2007 with a 69.8% net loss ratio and the worst 2011 with a 90.5% net loss ratio
  - ARMtech's current expense run rate after the A&O subsidy is approximately 7%
- ARMtech has built a differentiated business with high risk adjusted return potential

While individual states can produce highly varied gross loss ratios on a year to year basis, the U.S. Federal reinsurance program has historically mitigated that volatility and leaves ARMtech with a business which is not correlated to the traditional P&C pricing cycle and has high risk adjusted return potential.

# Overview of ARMtech

ARMtech's recognition of premiums and earnings are influenced by growing seasons

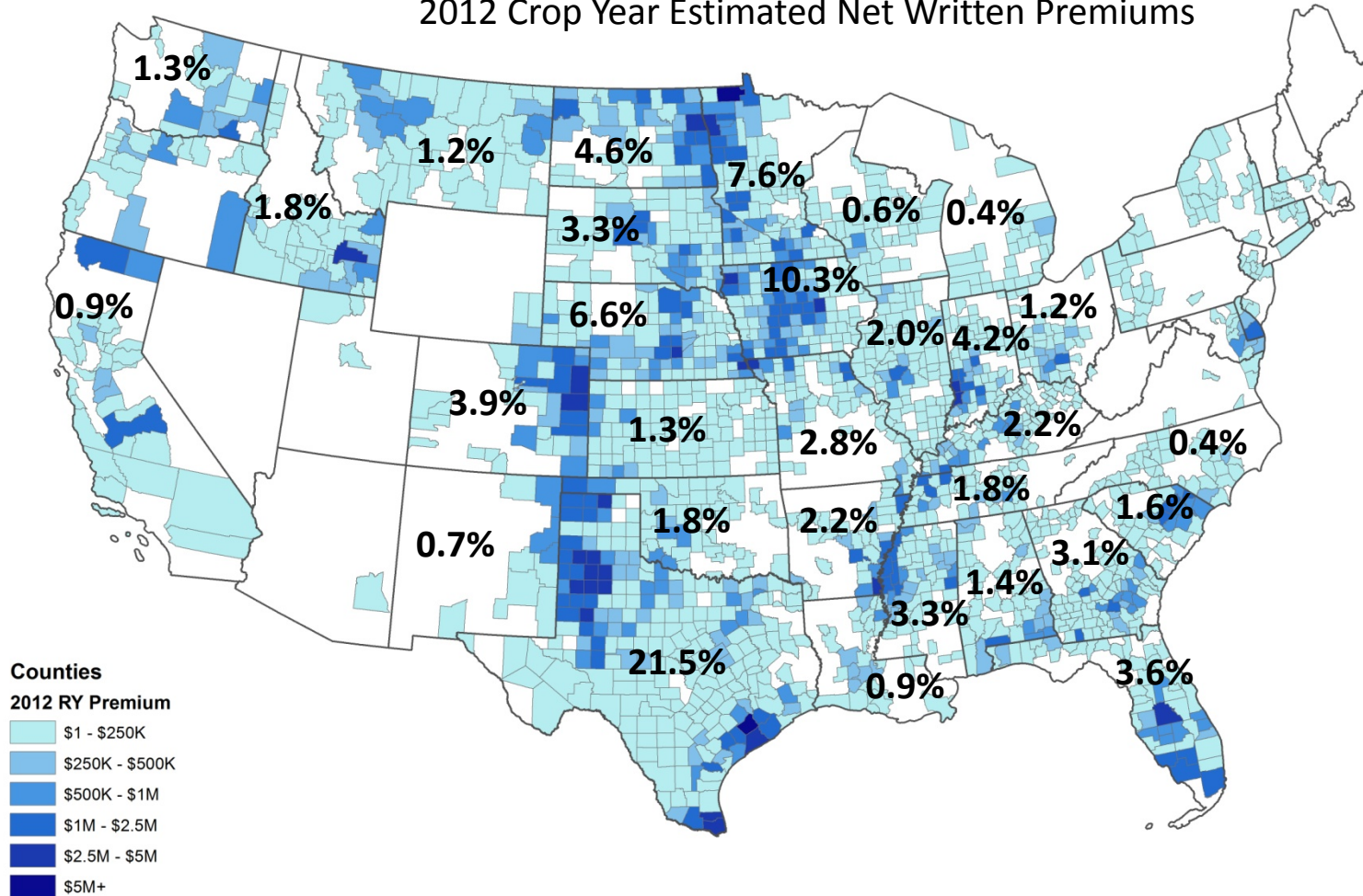
## Seasonality of MPCl Business

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Recognition of annual written premiums	60% - 65% Spring crops	10% - 15% Spring crop adjustments due to actual cessions	20% - 25% Spring crop report adjustments Winter crops	5% - 10% Winter crop adjustments
Recognition of annual earned premiums	10%-15% Largely driven by winter crops	25% - 30% Driven by spring crops and winter crops	30% - 35% Largely driven by spring crops	25% - 30% Largely driven by spring crops
Commodity price setting	Setting of prices for spring crops (forward commodity price for fourth quarter)		Price setting of winter crops (forward commodity price for second quarter)	
Harvest		Harvest of winter crops		Harvest of spring crops

# Geographic Diversification of Crop Insurance Business

ARMtech maintains a diversified portfolio of risk both geographically and by crop

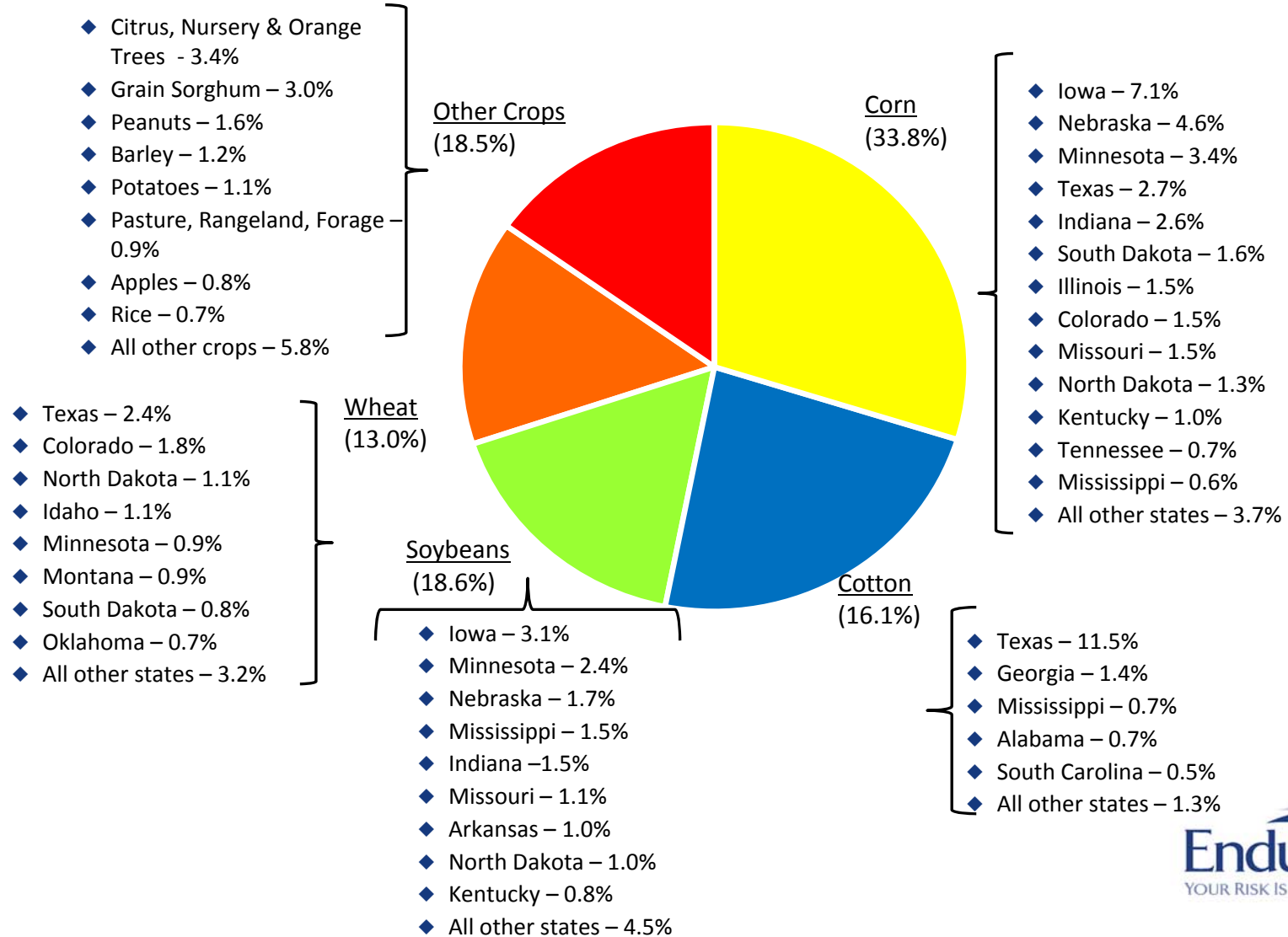
2012 Crop Year Estimated Net Written Premiums



# Diversification of Crops Within ARMtech's Portfolio

Underwritten risks diversified by geography and commodity type

## ARMtech's Estimated 2012 Crop Year MPCI Net Written Premiums





# Agriculture Insurance Contains Three Layers of Risk Mitigation

Farmers retention, ceding premiums to the U.S. Federal Government and limitations on losses and gains

**2012 Crop Year  
Gross Liability**

70.2% of risk retained by  
ARMtech

29.8% of first dollar risk retained  
by farmers

41.2% of MPCII Premiums Ceded to U.S. Federal Government

**Loss Sharing**

*(% of loss retained by ARMtech within each applicable band when the loss ratio is above 100%.)*

**Assigned Risk Fund**

*“Higher Risk Policies”*

<u>Loss Ratio</u>	
100 - 160	7.5%
160 - 220	6.0%
220 - 500	3.0%

**Commercial Fund**

*“Lower Risk Policies”*

<u>Loss Ratio</u>	<u>Group 1 States</u>	<u>Group 2 &amp; 3 States</u>
100 - 160	65.0%	42.5%
160 - 220	45.0%	20.0%
220 - 500	10.0%	5.0%

**Gain Sharing**

*(% of gain retained by ARMtech within each applicable band when the loss ratio is below 100%.)*

<u>Loss Ratio</u>	
65 - 100	22.5%
50 - 65	13.5%
0 - 50	3.0%

<u>Loss Ratio</u>	<u>Group 1 States</u>	<u>Group 2 &amp; 3 States</u>
65 - 100	75.0%	97.5%
50 - 65	40.0%	40.0%
0 - 50	5.0%	5.0%

14.8% of 2012  
Crop Year NWP

85.2% of 2012  
Crop Year NWP





# Overview of MPCl Program

Multi Peril Crop Insurance provides an essential product to American farmers

- Multi Peril Crop Insurance (MPCI) is an insurance product regulated by the USDA that provides farmers with yield or revenue protection
  - Offered by 16 licensed companies
  - Pricing is set by the government - no pricing cycle exists
  - Commissions payable to independent agents are capped
  
- Premiums are directly linked to commodity prices for the underlying crops
  - As commodity prices increase or decline – margins stay flat but volume of profits will increase or decrease
  - For crop year 2012, commodity base prices mainly declined after posting strong increases in 2011
    - Cotton declined 24.4%
    - Corn declined 5.5%
    - Wheat (fall) grew by 20.7%
    - Soybeans declined 7.0%
  
- In recent years the MPCI program has undergone several changes:
  - Expense reimbursement has been reduced
  - Reinsurance under the standard reinsurance agreement has been simplified into two categories
  - Allowable agent commissions have been capped
  - Underserved states such as Texas have been granted rate increases
  
- In 2011 rates for corn and soybeans were reduced approximately 7%
  - Based on actuarial studies to recognize the favorable impact of technology improvements
  - Reductions varied by state with largest reductions being in the mid west
  - All other crops are being reviewed in 2012

## Other Miscellaneous Information

# Probable Maximum Loss by Zone and Peril

Largest 1 in 100 year PML as of July 1, 2012 is equal to 16.6% of Shareholders' Equity as of September 30, 2012

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Zone	Peril	Estimated Occurrence Net Loss as of July 1, 2012					July 1, 2011	July 1, 2010
		1-in-10 Year Return	1-in-25 Year Return	1-in-50 Year Return	1-in-100 Year Return	1-in-250 Year Return	1-in-100 Year Return	1-in-100 Year Return
United States	Hurricane	\$238	\$340	\$407	\$468	\$571	\$564	\$510
Europe	Windstorm	104	187	260	344	456	445	399
California	Earthquake	51	228	350	412	547	442	435
Japan	Windstorm	20	104	173	247	290	268	349
Northwest U.S.	Earthquake	1	9	57	184	356	241	236
Japan	Earthquake	11	66	99	138	201	185	133
United States	Tornado/Hail	40	59	76	96	123	98	72
Australia	Earthquake	-	5	27	83	175	95	52
New Zealand	Earthquake	-	1	6	22	53	34	37
Australia	Windstorm	1	6	18	37	75	39	27
New Madrid	Earthquake	-	-	1	11	100	14	12

Values in \$ Millions

The net loss estimates by zone above represent estimated losses related to our property, catastrophe and aerospace and marine lines of business, based upon our catastrophe models and assumptions regarding the location, size, magnitude, and frequency of the catastrophe events utilized to determine the above estimates. The net loss estimates are presented on an occurrence basis, before income tax and net of reinsurance recoveries and reinstatement premiums, if applicable. Return period refers to the frequency with which the related size of a catastrophic event is expected to occur.

**Actual realized catastrophic losses could differ materially from our net loss estimates and our net loss estimates should not be considered as representative of the actual losses that we may incur in connection with any particular catastrophic event.** The net loss estimates above rely significantly on computer models created to simulate the effect of catastrophes on insured properties based upon data emanating from past catastrophic events. Since comprehensive data collection regarding insured losses from catastrophe events is a relatively recent development in the insurance industry, the data upon which catastrophe models is based is limited, which has the potential to introduce inaccuracies into estimates of losses from catastrophic events, in particular those that occur infrequently. In addition, catastrophe models are significantly influenced by management's assumptions regarding event characteristics, construction of insured property and the cost and duration of rebuilding after the catastrophe. Lastly, changes in Endurance's underwriting portfolio risk control mechanisms and other factors, either before or after the date of the above net loss estimates, may also cause actual results to vary considerably from the net loss estimates above. For a listing of risks related to Endurance and its future performance, please see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011.

\* United States Windstorm estimated net losses as of July 1, 2012 are based on RMS version 11.0 and include reinstatement premiums, if applicable.



## Third Quarter 2012 Highlights

### Strong results offset drought impact on agriculture insurance business

- Book value per common share, adjusted for dividends, increased 3.3% during third quarter 2012
  - Net income available to common shareholders of \$31.9 million
    - Includes catastrophe losses of \$13.2 million related to Hurricane Isaac and other small loss events
    - Net investment income was \$45.9million, improved results on alternatives was partially offset by lower book yield on fixed income investments
    - Agriculture insurance losses were \$62.8 million in the quarter
- Net written premiums of \$514.1 million declined 6.8% over third quarter 2011
  - Insurance net written premiums of \$221.3 million declined 27.0% from third quarter 2011
    - Decline in agriculture premiums driven by lower premium adjustments, decreases in commodity prices for spring crops and greater cessions of premiums
    - Reductions in property insurance premiums as we reduced our all risk insurance business line exposures to reallocate capital to lines with greater profit potential
  - Reinsurance net written premiums of \$292.8 million increased 18.0% over third quarter 2011
    - Growth in property was driven by higher renewal premiums and multiple new contracts generated by the U.S., Zurich and Singapore offices
    - Casualty grew due to higher levels of both new business and premium adjustments

## Financial Results for Third Quarter 2012

### Financial highlights

\$MM (except per share data and %)	Sep 30, 2012	Sep. 30, 2011	\$ Change	% Change
Net premiums written	514.1	551.3	(37.2)	-6.7%
Net premiums earned	551.9	561.5	(9.6)	-1.7%
Net investment income	45.9	14.1	31.8	225.5%
Net underwriting income (loss)	1.5	(28.2)	29.7	105.3%
Net income (loss)	40.1	(20.0)	60.1	300.5%
Operating income (loss)	34.3	(24.7)	59.0	238.9%
Fully diluted net income (loss) EPS	0.74	(0.71)	1.45	204.2%
Fully diluted operating income (loss) EPS	0.60	(0.83)	1.43	172.3%

### Key operating ratios

	Sep. 30, 2012	Sep. 30, 2011
Operating ROE	4.5%	-5.9%
Net loss ratio	73.8%	81.3%
Acquisition expense ratio	16.1%	12.9%
General and administrative expense ratio	9.6%	10.4%
Combined ratio	99.5%	104.6%
Diluted book value per share	\$54.95	\$51.63
Investment leverage	2.68	2.80



## Third Quarter 2012 Net Written Premiums

### Insurance Segment

In \$MM	Sep. 30, 2012	Sep. 30, 2011	\$ Change	% Change
Property	13.6	17.7	-4.1	-23.2%
Casualty	32.4	37.7	-5.3	-14.1%
Healthcare liability	32.2	32.0	0.2	0.6%
Surety and other specialty	2.1	0.0	2.1	NM
Agriculture	106.2	185.0	-78.8	-42.6%
Professional lines	34.8	30.8	4.0	13.0%
<b>Total insurance</b>	<b>221.3</b>	<b>303.2</b>	<b>-81.9</b>	<b>-27.0%</b>

### Reinsurance Segment

In \$MM	Sep. 30, 2012	Sep. 30, 2011	\$ Change	% Change
Casualty	77.8	56.3	21.5	38.2%
Property	157.7	129.2	28.5	22.1%
Catastrophe	36.5	43.9	-7.4	-16.9%
Aerospace and marine	9.9	6.0	3.9	65.0%
Surety and other specialty	10.9	12.7	-1.8	-14.2%
<b>Total reinsurance</b>	<b>292.8</b>	<b>248.1</b>	<b>44.7</b>	<b>18.0%</b>

## Financial Overview: 10 Year Financial Performance

Financial highlights from 2002 through September 30, 2012

In \$MM	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002 through 3Q 2012
Net premiums written	765	1,598	1,697	1,619	1,586	1,575	1,784	1,606	1,764	1,980	17,815
Net premiums earned	369	1,174	1,633	1,724	1,639	1,595	1,766	1,633	1,741	1,931	16,688
Net underwriting income (loss)	51	179	232	-410	304	322	111	265	195	-252	1,060
Net investment income	43	71	122	180	257	281	130	284	200	147	1,853
Net income (loss) before preferred dividend	102	263	356	-220	498	521	100	555	365	-94	2,640
Net income (loss) available to common shareholders	102	263	356	-223	483	506	85	539	349	-118	2,512
Diluted EPS	<b>\$1.73</b>	<b>\$4.00</b>	<b>\$5.28</b>	<b>(\$3.60)</b>	<b>\$6.73</b>	<b>\$7.17</b>	<b>\$1.33</b>	<b>\$9.00</b>	<b>\$6.38</b>	<b>(\$2.95)</b>	<b>\$39.01</b>

Key Operating Ratios	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Inception-to-date
Combined ratio	86.2%	84.7%	85.8%	123.5%	81.5%	79.9%	93.5%	84.0%	88.7%	112.9%	93.6%
Operating ROE	7.8%	17.3%	19.9%	(11.9%)	25.7%	23.8%	8.5%	22.0%	12.6%	(6.3%)	11.6%
Book value per share	\$21.73	\$24.03	\$27.91	\$23.17	\$28.87	\$35.05	\$33.06	\$44.61	\$52.74	\$50.56	