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# New Capital Raising by Insurers

Jerry M. de St. Paer

## Presenters

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- **John Westby, Group Treasurer, Aviva**
- **Guy Miller, Head, Insurance Finance Advisory Services, RBS Financial Markets**
- **David Anthony, Director, Standard & Poors**

## New Capital Raising by Insurers

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- **Market developments, constraints & future developments**
- **Trends in the markets & in bank regulation - implications for European insurers**
- **The Standard & Poor's perspective**

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## Market Transforming Events Catastrophes

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- **The losses our industry faced in this quarter *alone* make it the most expensive year in insurance history.**
- **Early modeling studies were inconsistent in showing an effect of global warming on hurricanes. A recent comprehensive modeling study indicates stronger hurricanes in a warmer environment. ... We are in an active period for hurricane activity that will likely last another decade or so.**

*James B. Elsner, Florida State University & Climatek, Inc.*

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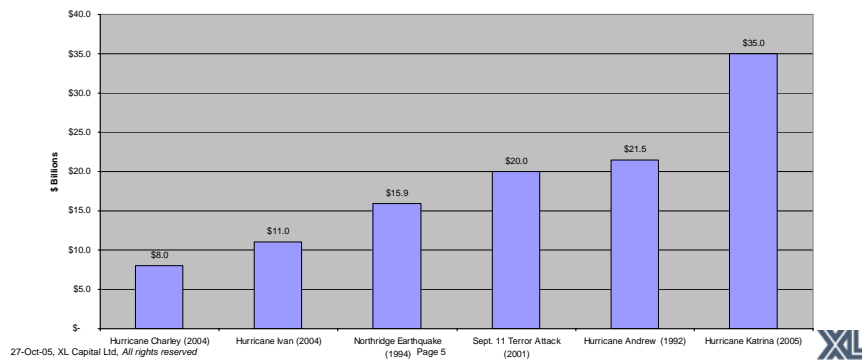
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## Market Transforming Events Catastrophes

### Top Insured Property Losses Worldwide Since 1992

— 5 of the 8 costliest global CAT events in history have occurred in the past 13 months



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## Recapitalizing Insurance/Reinsurance

### Recent Transactions

Date	Issuer	Size	Total Cap.	Size as a % of Total Cap.	Transaction Type
9/13/2005	MNC	\$1,300 <sup>(a)</sup>	\$10,061	12.9%	Senior unsecured
9/14/2005	Genworth	3,127 <sup>(b)</sup>	14,987	20.9	Common / Senior unsecured
9/16/2005	Montpelier Re	620	1,694	36.6	Common stock
9/22/2005	Platinum Underwriters	164	1,650	9.9	Common stock
9/27/2005	AIG	1,500 <sup>(c)</sup>	93,840	1.6	Senior unsecured (144A)
9/28/2005	AXIS Capital	250	3,666	6.8	Preferred
10/3/2005	ACE Limited	1,500	12,355	12.1	Common Stock
10/3/2005	Endurance Specialty	200	2,347	8.5	Common
10/3/2005	PXRE Group	461 <sup>(d)</sup>	937	49.2	Common / Preferred
10/5/2005	Aspen Insurance	404	1,864	21.7	Common Stock
10/6/2005	MGIC	300	4,693	6.4	Senior unsecured
10/6/2005	Odyssey Re	102	2,024	5.0	Common Stock
10/6/2005	Everest Re	481	4,743	10.1	Common Stock
10/6/2005	Endurance Specialty	200	2,347	8.5	Preferred
10/11/2005	Max Re	297	1,129	26.3	Common Stock
10/12/2005	Navigators Group	131	343	38.2	Common Stock
10/12/2005	Endurance Specialty	200	2,347	8.5	Senior Unsecured
10/13/2005	Odyssey Re	100	2,024	4.9	Preferred
10/25/2005	PartnerRe	550 <sup>(e)</sup>	3,722	14.8	Common / Range Forward
10/25/2005	IPCRe	635 <sup>(f)</sup>	1,664	38.2	Common / Mandatory Cvt.
10/31/2005	Selective Insurance Group	100	1,053	9.5	Senior Unsecured
11/1/2005	Met Life	800	38,785	2.1	Floating rate notes
11/2/2005	Pacific Life	400	NA	NA	Floating rate notes
11/2/2005	Amfin Plc <sup>(g)</sup>	£224	£513	36.5	Common
11/2/2005	Amfin Plc <sup>(g)</sup>	£261	£513	42.6	Debt financing
11/2/2005	Kim Pic	£73	£164	44.6	Common
11/3/2005	Principal Life Insurance	\$200	\$7,694	2.6	Senior Unsecured
11/3/2005	Principal Life Insurance	200	7,694	2.6	Floating rate notes
11/7/2005	Allstate Life Global	350	25,055	1.4	Floating rate notes
11/8/2005	Hiscox	£170	£424	40.1	Common
11/9/2005	Wills Group	225	1,861	NM	Common - Secondary (KKR)

(a) Includes 5 year \$550 million senior unsecured and 10 year \$750 million Senior unsecured.

(b) Includes 10 year \$200 million senior unsecured, \$1.9 billion secondary common stock offering and \$555 million Synthetic.

(c) Includes 5 year \$300 million senior unsecured and 10 year \$1 billion Senior unsecured.

(d) Includes \$100 million of equity and \$380.5 million of a private placement of preferred securities.

(e) Includes \$150 million of equity and \$400 million of range forward agreement.

(f) Includes \$399 million of equity and \$236 million of mandatory convertible.

(g) Share sale to fund a new Bermuda-based reinsurer, Amfin Bermuda, which will have at least \$1 billion of capital from existing cash, new debt and equity financ and expected to be operational by December.

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## Reinsurance Start-up Activity

New Venture	Capital	Investor(s)
<b>Harbor Point Limited</b> - Spinoff of Chubb's of reinsurane business to be based in Bermuda	\$1.5 bn	Chubb, Stone Point, Trident, other investors
<b>Validus Holdings</b> - New Bermuda reinsurer being formed by ousted MMC CEO Jeff Greenberg	\$1.05 bn	Jeff Greenberg, Aquiline, other investors
<b>XL's Quota Share Underwriting Vehicle</b>	\$500 mm - \$1.0 bn	Outside investors
<b>Unnamed Reinsurer</b> - Planned company being formed by former ACE Ltd. executive; renewal rights of Rosemont Re	\$750 mm	Don Kramer, outside investors
<b>Amlin Bermuda</b> - Funding of New Bermuda based reinsurer from E224mm rigths offering, £261mm debt financing and £90mm from Amlin	\$1.0 bn	Amlin PLC, public offering
<b>K-5 Quota Share Underwriting Vehicle</b>	Unknown	Hanover Re, outside investors
<b>Unnamed Reinsurer</b> - Based on rumor that Berkley is putting together a new vehicle	Unknown	WR Berkley
<b>Arrow Capital Reinsurance Co., Ltd.</b> - Goldman Sachs has recently won the license for its new venture	Unknown	Goldman Sachs
<b>Hiscox Insurance Co. (Bermuda) Ltd.</b> - Funding of a Bermuda-based unit. \$295 mm rights issue, \$225 mm bank borrowings and existing group resources	\$500 mm	
<b>Lancashire Insurance Co.</b> - Lancashire business is expected to follow the style of syndicate 488 and its successors	\$750 mm - \$1.0bn	Richard Brindley, Cypress Group, Capital Z, other investors
<b>New Castle Reinsurance Co., Ltd.</b> - Unclear if licensed at this time	Unknown	Citadel Investment Group