PARTNERRE LTD
Form 10-Q
August 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 1-14536

PartnerRe Ltd.

(Exact name of registrant as specified in its charter)

Bermuda	**Not Applicable**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

90 Pitts Bay Road, Pembroke, HM08, Bermuda

(Address of principal executive offices) (Zip Code)

(441) 292-0888

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of the registrant s common shares (par value $1.00 per share) outstanding, net of treasury shares, as of August 1, 2011 was 67,739,564.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of PartnerRe Ltd. and subsidiaries (the Company) as of June 30, 2011, and the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2011 and 2010, and of shareholders equity, and of cash flows for the six-month periods ended June 30, 2011 and 2010. These interim condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of December 31, 2010 and the related consolidated statements of operations and comprehensive income, shareholders equity, and of cash flows for the year then ended (not presented herein); and in our report dated February 28, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche Ltd.
Deloitte & Touche Ltd.
Hamilton, Bermuda

August 4, 2011

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PartnerRe Ltd.

Unaudited Condensed Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars, except parenthetical share and per share data)

	June 30, 2011	December 31, 2010
Assets		
Investments:		
Fixed maturities, trading securities, at fair value (amortized cost: 2011, $13,984,225; 2010, $12,394,797)	**$ 14,406,945**	$ 12,824,389
Short-term investments, trading securities, at fair value (amortized cost: 2011, $216,881; 2010, $49,132)	**215,692**	49,397
Equities, trading securities, at fair value (cost: 2011, $880,222; 2010, $942,745)	**994,913**	1,071,676
Other invested assets	**338,373**	352,405
Total investments	**15,955,923**	14,297,867
Funds held directly managed (cost: 2011, $1,362,997; 2010, $1,751,276)	**1,379,513**	1,772,118
Cash and cash equivalents, at fair value, which approximates amortized cost	**1,606,842**	2,111,084
Accrued investment income	**181,806**	201,928
Reinsurance balances receivable	**2,517,586**	2,076,884
Reinsurance recoverable on paid and unpaid losses	**489,415**	382,878
Funds held by reinsured companies	**846,466**	937,032
Deferred acquisition costs	**661,564**	595,557
Deposit assets	**233,187**	256,702
Net tax assets	**32,358**	14,960
Goodwill	**455,533**	455,533
Intangible assets	**154,194**	178,715
Other assets	**85,535**	83,113
Total assets	**$ 24,599,922**	$ 23,364,371
Liabilities		
Unpaid losses and loss expenses	**$ 12,016,271**	$ 10,666,604
Policy benefits for life and annuity contracts	**1,726,180**	1,750,410
Unearned premiums	**2,067,996**	1,599,139
Other reinsurance balances payable	**554,386**	491,194
Deposit liabilities	**243,033**	268,239
Net tax liabilities	**325,285**	316,325
Accounts payable, accrued expenses and other	**213,738**	244,552
Debt related to senior notes	**750,000**	750,000
Debt related to capital efficient notes	**70,989**	70,989
Total liabilities	**17,967,878**	16,157,452
Shareholders Equity		
Common shares (par value $1.00; issued: 2011, 84,569,310 shares; 2010, 84,033,089 shares)	**84,569**	84,033
Preferred shares (par value $1.00; issued and outstanding: 2011, 35,750,000 shares; 2010, 20,800,000 shares; aggregate liquidation value: 2011, $893,750; 2010, $520,000)	**35,750**	20,800
Additional paid-in capital	**3,792,057**	3,419,864
Accumulated other comprehensive income:		
Currency translation adjustment	**60,185**	16,101
Other accumulated comprehensive loss (net of tax of: 2011, $5,838; 2010, $4,872)	**(14,200)**	(12,045)
Retained earnings	**3,983,398**	4,761,178
Common shares held in treasury, at cost (2011, 16,831,534 shares; 2010, 14,046,895 shares)	**(1,309,715)**	(1,083,012)

Total shareholders equity	**6,632,044**	7,206,919
Total liabilities and shareholders equity	**$ 24,599,922**	$ 23,364,371

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of U.S. dollars, except share and per share data)

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Revenues				
Gross premiums written	**$ 1,082,205**	$ 1,140,175	**$ 2,639,766**	$ 3,049,501
Net premiums written	**$ 1,056,467**	$ 1,112,735	**$ 2,526,887**	$ 2,896,899
Decrease (increase) in unearned premiums	**50,978**	(8,104)	**(354,853)**	(638,489)
Net premiums earned	**1,107,445**	1,104,631	**2,172,034**	2,258,410
Net investment income	**158,328**	174,454	**309,962**	347,576
Net realized and unrealized investment gains (losses)	**78,199**	46,046	**(34,000)**	191,519
Other income	**1,596**	753	**3,408**	2,028
Total revenues	**1,345,568**	1,325,884	**2,451,404**	2,799,533
Expenses				
Losses and loss expenses and life policy benefits	**814,523**	704,631	**2,421,740**	1,716,967
Acquisition costs	**229,251**	244,144	**437,100**	464,251
Other operating expenses	**113,694**	160,151	**217,991**	288,286
Interest expense	**12,214**	12,803	**24,514**	19,935
Amortization of intangible assets	**9,165**	7,833	**17,992**	12,636
Net foreign exchange gains	**(8,737)**	(11,021)	**(9,433)**	(14,648)
Total expenses	**1,170,110**	1,118,541	**3,109,904**	2,487,427
Income (loss) before taxes and interest in (losses) earnings of equity investments	**175,458**	207,343	**(658,500)**	312,106
Income tax expense	**50,085**	17,762	**23,828**	45,316
Interest in (losses) earnings of equity investments	**(1,188)**	1,346	**(443)**	3,791
Net income (loss)	**124,185**	190,927	**(682,771)**	270,581
Preferred dividends	**8,631**	8,631	**17,263**	17,263
Net income (loss) available to common shareholders	**$ 115,554**	$ 182,296	**$ (700,034)**	$ 253,318
Comprehensive income (loss)				
Net income (loss)	**$ 124,185**	$ 190,927	**$ (682,771)**	$ 270,581
Change in currency translation adjustment	**6,303**	(105,335)	**44,084**	(174,078)
Change in other accumulated comprehensive loss, net of tax	**(1,920)**	(1,321)	**(2,155)**	(5,254)
Comprehensive income (loss)	**$ 128,568**	$ 84,271	**$ (640,842)**	$ 91,249
Per share data				
Net income (loss) per common share:				
Basic net income (loss)	**$ 1.71**	$ 2.36	**$ (10.32)**	$ 3.19
Diluted net income (loss)	**$ 1.69**	$ 2.31	**$ (10.32)**	$ 3.13
Weighted average number of common shares outstanding	**67,628,052**	77,365,445	**67,811,366**	79,519,198

Weighted average number of common shares and common share equivalents outstanding	**68,442,300**	78,796,431	**67,811,366**	81,050,662
Dividends declared per common share	**$ 0.60**	$ 0.50	**$ 1.15**	$ 1.00

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Shareholders Equity

(Expressed in thousands of U.S. dollars)

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Common shares		
Balance at beginning of period	**$ 84,033**	$ 82,586
Issuance of common shares	**536**	629
Balance at end of period	**84,569**	83,215
Preferred shares		
Balance at beginning of period	**20,800**	20,800
Issuance of preferred shares	**14,950**	
Balance at end of period	**35,750**	20,800
Additional paid-in capital		
Balance at beginning of period	**3,419,864**	3,357,004
Issuance of preferred shares	**346,772**	
Issuance of common shares	**25,421**	30,331
Balance at end of period	**3,792,057**	3,387,335
Accumulated other comprehensive income (loss)		
Balance at beginning of period	**4,056**	84,927
Change in currency translation adjustment	**44,084**	(174,078)
Change in other accumulated comprehensive loss, net of tax	**(2,155)**	(5,254)
Balance at end of period	**45,985**	(94,405)
Retained earnings		
Balance at beginning of period	**4,761,178**	4,100,782
Net (loss) income	**(682,771)**	270,581
Dividends on common shares	**(77,746)**	(79,345)
Dividends on preferred shares	**(17,263)**	(17,263)
Balance at end of period	**3,983,398**	4,274,755
Common shares held in treasury		
Balance at beginning of period	**(1,083,012)**	(372)
Repurchase of common shares	**(226,703)**	(600,086)
Balance at end of period	**(1,309,715)**	(600,458)
Total shareholders equity	**$ 6,632,044**	$ 7,071,242

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Cash flows from operating activities		
Net (loss) income	**$ (682,771)**	$ 270,581
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Amortization of net premium on investments	**37,494**	37,518
Amortization of intangible assets	**17,992**	12,636
Net realized and unrealized investment losses (gains)	**34,000**	(191,519)
Changes in:		
Reinsurance balances, net	**(361,501)**	(443,469)
Reinsurance recoverable on paid and unpaid losses, net of ceded premiums payable	**11,481**	7,542
Funds held by reinsured companies and funds held directly managed	**552,361**	189,635
Deferred acquisition costs	**(31,484)**	(80,901)
Net tax assets and liabilities	**(32,493)**	(66,175)
Unpaid losses and loss expenses including life policy benefits	**853,057**	194,878
Unearned premiums	**354,853**	638,489
Other net changes in operating assets and liabilities	**(10,651)**	(8,671)
Net cash provided by operating activities	**742,338**	560,544
Cash flows from investing activities		
Sales of fixed maturities	**2,713,137**	4,003,008
Redemptions of fixed maturities	**801,285**	561,593
Purchases of fixed maturities	**(4,766,381)**	(4,248,444)
Sales and redemptions of short-term investments	**76,061**	94,045
Purchases of short-term investments	**(240,207)**	(69,056)
Sales of equities	**457,170**	171,643
Purchases of equities	**(330,323)**	(341,427)
Other, net	**(17,820)**	(138,272)
Net cash (used in) provided by investing activities	**(1,307,078)**	33,090
Cash flows from financing activities		
Cash dividends paid to shareholders	**(95,009)**	(96,608)
Net proceeds from issuance of preferred shares	**361,722**	
Repurchase of common shares	**(244,222)**	(600,086)
Issuance of common shares	**13,125**	15,013
Proceeds from issuance of senior notes		500,000
Contract fees on forward sale agreement		(2,638)
Net cash provided by (used in) financing activities	**35,616**	(184,319)
Effect of foreign exchange rate changes on cash	**24,882**	(62,299)
(Decrease) increase in cash and cash equivalents	**(504,242)**	347,016
Cash and cash equivalents beginning of period	**2,111,084**	738,309
Cash and cash equivalents end of period	**$ 1,606,842**	$ 1,085,325
Supplemental cash flow information:		

Taxes paid	**$**	**103,965**	$	109,841
Interest paid	**$**	**24,630**	$	17,866

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization

PartnerRe Ltd. (the Company) provides reinsurance on a worldwide basis through its principal wholly-owned subsidiaries, including Partner Reinsurance Company Ltd., Partner Reinsurance Europe Limited and Partner Reinsurance Company of the U.S. Risks reinsured include, but are not limited to, property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, specialty property, specialty casualty, multiline and other lines, mortality, longevity and health and alternative risk products. The Company s alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis.

2. Significant Accounting Policies

The Company s Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. The Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated. To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While Management believes that the amounts included in the Unaudited Condensed Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company s principal estimates include:

- Unpaid losses and loss expenses;
- Policy benefits for life and annuity contracts;
- Gross and net premiums written and net premiums earned;
- Recoverability of deferred acquisition costs;
- Recoverability of deferred tax assets;
- Valuation of goodwill and intangible assets; and
- Valuation of certain assets and derivative financial instruments that are measured using significant unobservable inputs.

In the opinion of Management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. As the Company s reinsurance operations are exposed to low-frequency, high-severity risk events, some of which are seasonal, results for certain interim periods may include unusually low loss experience, while results for other interim periods may include significant catastrophic losses. Consequently, the Company s results for interim periods are not necessarily indicative of results for the full year. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

3. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance, which updates the existing guidance, related to fair value measurement and disclosures. The amendments clarify or change the application of certain existing requirements and also require some additional disclosures. The guidance is effective for interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the impact of the adoption of this guidance on its disclosures.

4. Fair Value

(a) Fair Value of Financial Instrument Assets

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement.

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The Company determines the appropriate level in the hierarchy for each financial instrument that it measures at fair value. In determining fair value, the Company uses various valuation approaches, including market, income and cost approaches. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 inputs Unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. The Company s financial instruments that it measures at fair value using Level 1 inputs generally include: equities listed on a major exchange, exchange traded funds and exchange traded derivatives, such as futures and certain weather derivatives that are actively traded.

Level 2 inputs Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and directly or indirectly observable inputs, other than quoted prices, used in industry accepted models.
The Company s financial instruments that it measures at fair value using Level 2 inputs generally include: U.S. Treasury bonds; U.S. Government Sponsored Entities bonds; Organization for Economic Co-operation and Development Sovereign Treasury bonds; investment grade and high yield corporate bonds; catastrophe bonds; mortality bonds; mortgage-backed securities; asset-backed securities; certain fixed income mutual funds; foreign exchange forward contracts and over-the-counter derivatives such as foreign currency option contracts, equity put and call options, credit default swaps, non-exchange traded futures and interest rate swaps.

Level 3 inputs Unobservable inputs.
The Company s financial instruments that it measures at fair value using Level 3 inputs generally include: unlisted equities; inactively traded fixed maturities including bonds issued by U.S. domiciled state and municipal entities, privately issued corporate securities and special purpose financing asset-backed bonds; real estate mutual fund investments; inactively traded weather derivatives; notes receivable and total return swaps.

The Company s financial instruments measured at fair value include investments classified as trading securities, certain other invested assets and the segregated investment portfolio underlying the funds held directly managed account. At June 30, 2011 and December 31, 2010, the Company s financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows (in thousands of U.S. dollars):

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June 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and agencies	$	$ 1,486,790	$ 86,782	$ 1,573,572
Non-U.S. sovereign government, supranational and government related		3,258,355		3,258,355
Corporate		5,713,985	116,428	5,830,413
Asset-backed securities		394,046	261,843	655,889
Residential mortgage-backed securities		2,999,005		2,999,005
Other mortgage-backed securities		89,710	1	89,711
Fixed maturities	$	$ 13,941,891	$ 465,054	$ 14,406,945
Short-term investments	$	$ 212,769	$ 2,923	$ 215,692
Equities				
Consumer noncyclical	$ 138,638	$ 178	$	$ 138,816
Energy	96,782	1,051		97,833
Finance	89,054	617	163	89,834
Technology	78,939			78,939
Communications	76,188	33		76,221
Industrials	71,405			71,405
Consumer cyclical	57,087	86		57,173
Insurance	38,447			38,447
Other	70,343	408		70,751
Mutual funds and exchange traded funds	58,736	210,216	6,542	275,494
Equities	$ 775,619	$ 212,589	$ 6,705	$ 994,913
Other invested assets				
Derivative assets				
Foreign exchange forward contracts	$	$ 11,634	$	$ 11,634
Foreign currency option contracts		2,921		2,921
Futures contracts	6,179	219		6,398
Credit default swaps (protection purchased)		4		4
Credit default swaps (assumed risks)		906		906
Insurance-linked securities	23		251	274
Total return swaps		379	4,306	4,685
Interest rate swaps		52		52
Other assets			74,018	74,018
Derivative liabilities				
Foreign exchange forward contracts		(4,512)		(4,512)
Foreign currency option contracts		(470)		(470)
Futures contracts	(19,126)	(487)		(19,613)
Credit default swaps (protection purchased)		(2,162)		(2,162)
Insurance-linked securities	(493)		(14,633)	(15,126)
Total return swaps			(11,459)	(11,459)
Interest rate swaps		(5,203)		(5,203)
Other liabilities		(1,570)		(1,570)
Other invested assets	$ (13,417)	$ 1,711	$ 52,483	$ 40,777
Funds held directly managed				
U.S. government and agencies	$	$ 230,481	$ 355	$ 230,836
Non-U.S. sovereign government, supranational and government related		313,284		313,284
Corporate		550,644		550,644

Short-term investments		**42,330**		**42,330**
Other invested assets			**21,720**	**21,720**
Funds held directly managed	**$**	**$ 1,136,739**	**$ 22,075**	**$ 1,158,814**
Total	**$ 762,202**	**$ 15,505,699**	**$ 549,240**	**$ 16,817,141**

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December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and agencies	$	$ 917,600	$ 55,124	$ 972,724
Non-U.S. sovereign government, supranational and government related		2,819,193		2,819,193
Corporate		6,066,865	76,982	6,143,847
Asset-backed securities		343,518	213,139	556,657
Residential mortgage-backed securities		2,305,525		2,305,525
Other mortgage-backed securities		26,153	290	26,443
Fixed maturities	$	$ 12,478,854	$ 345,535	$ 12,824,389
Short-term investments	$	$ 49,397	$	$ 49,397
Equities				
Consumer noncyclical	$ 186,016	$	$	$ 186,016
Technology	119,214			119,214
Energy	118,372			118,372
Finance	112,309		2,486	114,795
Communications	110,982			110,982
Industrials	100,572			100,572
Consumer cyclical	81,595			81,595
Insurance	48,611			48,611
Other	90,220			90,220
Mutual funds and exchange traded funds	60,372		40,927	101,299
Equities	$ 1,028,263	$	$ 43,413	$ 1,071,676
Other invested assets				
Derivative assets				
Foreign exchange forward contracts	$	$ 27,880	$	$ 27,880
Foreign currency option contracts		3,516		3,516
Futures contracts	30,593			30,593
Credit default swaps (protection purchased)		93		93
Credit default swaps (assumed risks)		533		533
Insurance-linked securities	1,320			1,320
Total return swaps		449	5,592	6,041
Interest rate swaps		246		246
Other assets			86,278	86,278
Derivative liabilities				
Foreign exchange forward contracts		(13,647)		(13,647)
Futures contracts	(7,956)			(7,956)
Credit default swaps (protection purchased)		(2,407)		(2,407)
Credit default swaps (assumed risks)		(401)		(401)
Insurance-linked securities	(695)		(698)	(1,393)
Total return swaps			(12,848)	(12,848)
Interest rate swaps		(6,033)		(6,033)
Other liabilities		(441)		(441)
Other invested assets	$ 23,262	$ 9,788	$ 78,324	$ 111,374
Funds held directly managed				
U.S. government and agencies	$	$ 288,164	$ 368	$ 288,532
Non-U.S. sovereign government, supranational and government related		384,553		384,553
Corporate		798,587		798,587
Mortgage/asset-backed securities			12,118	12,118

Short-term investments		38,613		38,613
Other invested assets			20,528	20,528
Funds held directly managed	$	$ 1,509,917	$ 33,014	$ 1,542,931
Total	$ 1,051,525	$ 14,047,956	$ 500,286	$ 15,599,767

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At June 30, 2011 and December 31, 2010, the aggregate carrying amounts of items included in Other invested assets that the Company did not measure at fair value were $297.6 million and $241.0 million, respectively, which related to the Company s investments that are accounted for using the cost method of accounting, equity method of accounting or investment company accounting.

In addition to the investments underlying the funds held directly managed account held at fair value of $1,158.8 million and $1,542.9 million at June 30, 2011 and December 31, 2010, respectively, the funds held directly managed account also included cash and cash equivalents, carried at fair value, of $149.3 million and $129.2 million, respectively, and accrued investment income of $14.9 million and $19.9 million, respectively. At June 30, 2011 and December 31, 2010, the aggregate carrying amounts of items included in the funds held directly managed account that the Company did not measure at fair value were $56.5 million and $80.1 million, respectively, which primarily related to other assets and liabilities held by Colisée Re related to the underlying business, which are carried at cost (see Note 5 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010).

At June 30, 2011 and December 31, 2010, substantially all of the accrued investment income in the Unaudited Condensed Consolidated Balance Sheets related to the Company s investments and the investments underlying the funds held directly managed account for which the fair value option was elected.

During the three months and six months ended June 30, 2011, there were no significant transfers between Levels 1 and 2.

Disclosures about the fair value of financial instruments that the Company does not measure at fair value exclude insurance contracts and certain other financial instruments. At June 30, 2011 and December 31, 2010, the fair values of financial instrument assets recorded in the Unaudited Condensed Consolidated Balance Sheets not described above, approximate their carrying values.

The following tables are reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the three months ended June 30, 2011 and 2010 (in thousands of U.S. dollars):

For the three months ended June 30, 2011	Balance at beginning of period	Realized and unrealized investment gains (losses) included in net income	Purchases	Sales	Net transfers (out of)/into Level 3 (a)	Balance at end of period	Change in unrealized investment gains (losses) relating to assets held at end of period
Fixed maturities							
U.S. government and agencies	$ 55,929	$ 819	$ 30,064	$ (30)	$	$ 86,782	$ 819
Corporate	115,107	2,049	84	(812)		116,428	2,049
Asset-backed securities	262,408	7,707	47,130	(55,402)		261,843	(2,660)
Residential mortgage-backed securities	4,301	846		(5,147)			
Other mortgage-backed securities	576	(191)		(384)		1	(166)
Fixed maturities	$ 438,321	$ 11,230	$ 77,278	$ (61,775)	$	$ 465,054	$ 42
Short-term investments	$ 1,204	$ (730)	$ 2,449	$	$	$ 2,923	$ (730)
Equities							
Finance	$ 161	$ 2	$	$	$	$ 163	$ 2
Mutual funds and exchange traded funds	41,451	594		(35,503)		6,542	(804)
Equities	$ 41,612	$ 596	$	$ (35,503)	$	$ 6,705	$ (802)
Other invested assets							
Derivatives, net	$ (17,042)	$ 322	$ (4,815)	$	$	$ (21,535)	$ 234
Other	84,662	(1,303)	3,568	(12,909)		74,018	(1,016)

Other invested assets	$ 67,620	$ (981)	$ (1,247)	$ (12,909)	$	$ 52,483	$ (782)
Funds held directly managed							
U.S. government and agencies	$ 366	$ (11)	$	$	$	$ 355	$ (11)
Other invested assets	22,456	(736)				21,720	(736)
Funds held directly managed	$ 22,822	$ (747)	$	$	$	$ 22,075	$ (747)
Total	$ 571,579	$ 9,368	$ 78,480	$ (110,187)	$	$ 549,240	$ (3,019)

(a) The Company s policy is to recognize the transfers between the hierarchy levels at the beginning of the period.

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For the three months ended June 30, 2010	Balance at beginning of period	Realized and unrealized investment gains (losses) included in net income	Net purchases, sales and settlements	Net transfers (out of)/into Level 3 [(a)]	Balance at end of period	Change in unrealized investment gains (losses) relating to assets held at end of period
Fixed maturities						
U.S. government and agencies	$ 9,720	$ 272	$ 7	$	$ 9,999	$ 272
Corporate	10,057	300	5,080		15,437	300
Asset-backed securities	84,984	7,359	133,615		225,958	7,359
Residential mortgage-backed securities	95,029		(95,029)			
Other mortgage-backed securities	811	123	(80)		854	123
Fixed maturities	$ 200,601	$ 8,054	$ 43,593	$	$ 252,248	$ 8,054
Equities						
Finance	$ 2,459	$ (1,039)	$ 695	$	$ 2,115	$ (1,039)
Mutual funds and exchange traded funds	35,670	(1,058)	5,000		39,612	(1,058)
Equities	$ 38,129	$ (2,097)	$ 5,695	$	$ 41,727	$ (2,097)
Other invested assets						
Derivatives, net	$ (7,998)	$ 1,772	$ (8,353)	$	$ (14,579)	$ 1,772
Other	25,918	(253)	24,624		50,289	(253)
Other invested assets	$ 17,920	$ 1,519	$ 16,271	$	$ 35,710	$ 1,519
Funds held directly managed						
U.S. government and agencies	$ 204	$ 153	$	$	$ 357	$ 153
Mortgage/asset-backed securities	13,260	(683)			12,577	(683)
Other invested assets	30,348	(3,523)			26,825	(3,523)
Funds held directly managed	$ 43,812	$ (4,053)	$	$	$ 39,759	$ (4,053)
Total	$ 300,462	$ 3,423	$ 65,559	$	$ 369,444	$ 3,423

During the three months ended June 30, 2011 and 2010, there were no transfers into or out of Level 3.

The following tables are reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the six months ended June 30, 2011 and 2010 (in thousands of U.S. dollars):

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For the six months ended June 30, 2011	Balance at beginning of period	Realized and unrealized investment gains (losses) included in net loss	Purchases	Sales	Net transfers into Level 3 [(a)]	Balance at end of period	Change in unrealized investment gains (losses) relating to assets held at end of period
Fixed maturities							
U.S. government and agencies	$ 55,124	$ 1,624	$ 30,064	$ (30)	$	$ 86,782	$ 1,624
Corporate	76,982	(37,066)	40,878	(4,546)	40,180	116,428	2,368
Asset-backed securities	213,139	10,678	101,644	(63,618)		261,843	4,257
Residential mortgage-backed securities		1,385	4,212	(5,597)			
Other mortgage-backed securities	290	(224)	408	(473)		1	(203)
Fixed maturities	$ 345,535	$ (23,603)	$ 177,206	$ (74,264)	$ 40,180	$ 465,054	$ 8,046
Short-term investments	$	$ (1,069)	$ 3,992	$	$	$ 2,923	$ (1,069)
Equities							
Finance	$ 2,486	$ 239	$	$ (2,562)	$	$ 163	$ 13
Mutual funds and exchange traded funds	40,927	1,242		(35,627)		6,542	(382)
Equities	$ 43,413	$ 1,481	$	$ (38,189)	$	$ 6,705	$ (369)
Other invested assets							
Derivatives, net	$ (7,954)	$ (8,803)	$ (4,778)	$	$	$ (21,535)	$ (8,893)
Other	86,278	(3,207)	6,548	(15,601)		74,018	(2,497)
Other invested assets	$ 78,324	$ (12,010)	$ 1,770	$ (15,601)	$	$ 52,483	$ (11,390)
Funds held directly managed							
U.S. government and agencies	$ 368	$ (13)	$	$	$	$ 355	$ (13)
Mortgage/asset-backed securities	12,118	(150)		(11,968)			
Other invested assets	20,528	1,192				21,720	1,192
Funds held directly managed	$ 33,014	$ 1,029	$	$ (11,968)	$	$ 22,075	$ 1,179
Total	$ 500,286	$ (34,172)	$ 182,968	$ (140,022)	$ 40,180	$ 549,240	$ (3,603)

For the six months ended June 30, 2010	Balance at beginning of period	Realized and unrealized investment gains (losses) included in net income	Net purchases, sales and settlements	Net transfers (out of)/ into Level 3 [(a)]	Balance at end of period	Change in unrealized investment gains (losses) relating to assets held at end of period
Fixed maturities						
U.S. government and agencies	$ 4,286	$ 272	$ 9,727	$ (4,286)	$ 9,999	$ 272
Corporate	15,041	423	10,900	(10,927)	15,437	423
Asset-backed securities	99,952	4,601	124,305	(2,900)	225,958	4,576
Residential mortgage-backed securities	77,440	191	(77,631)			
Other mortgage-backed securities	874	153	(173)		854	153
Fixed maturities	$ 197,593	$ 5,640	$ 67,128	$ (18,113)	$ 252,248	$ 5,424
Equities						
Finance	$ 2,488	$ (1,068)	$ 695	$	$ 2,115	$ (1,068)
Industrials	805	(84)	(721)			
Mutual funds and exchange traded funds	34,810	(198)	5,000		39,612	(198)
Equities	$ 38,103	$ (1,350)	$ 4,974	$	$ 41,727	$ (1,266)
Other invested assets						
Derivatives, net	$ (9,361)	$ 4,315	$ (17,699)	$ 8,166	$ (14,579)	$ 2,490
Other	25,815	(169)	24,643		50,289	(169)
Other invested assets	$ 16,454	$ 4,146	$ 6,944	$ 8,166	$ 35,710	$ 2,321
Funds held directly managed						
U.S. government and agencies	$ 375	$ (18)	$	$	$ 357	$ (18)
Non-U.S. sovereign government, supranational and government related	3,417	(13)	(3,404)			
Mortgage/asset-backed securities	142	(4,431)		16,866	12,577	(4,426)
Other invested assets	35,685	(8,860)			26,825	(8,860)
Funds held directly managed	$ 39,619	$ (13,322)	$ (3,404)	$ 16,866	$ 39,759	$ (13,304)
Total	$ 291,769	$ (4,886)	$ 75,642	$ 6,919	$ 369,444	$ (6,825)

During the six months ended June 30, 2011, a catastrophe bond (included within corporate fixed maturities) with a fair value of $40.2 million was transferred from Level 2 into Level 3. The transfer into Level 3 was due to the lack of observable market inputs at March 31, 2011, leading the Company to apply inputs that were not directly observable. The catastrophe bond matured during the three months ended June 30, 2011.

During the six months ended June 30, 2010, certain fixed maturities with a fair value of $18.1 million were transferred from Level 3 into Level 2. The reclassifications to Level 2 consisted of municipal (included within U.S. government and agencies), corporate and student loans (included within asset-backed securities) fixed maturities. The transfers into Level 2 were due to the availability of quoted prices for similar assets in active markets used for valuation as of June 30, 2010, resulting from the continued recovery of the financial markets. In addition, during the six months ended June 30, 2010, certain derivatives with a fair value in a net liability position of $8.2 million were transferred out of Level 3 into Level 2 due to the availability of observable inputs.

During the six months ended June 30, 2010, certain fixed maturities within the investments underlying the funds held directly managed account with a fair value of $16.9 million were transferred from Level 2 into Level 3. The reclassification into Level 3 consisted of asset-backed securities and residential and commercial mortgage-backed securities. The transfers into Level 3 were the result of the lack of observable market inputs, leading the Company to apply inputs that were not directly observable.

Changes in the fair value of the Company s financial instruments subject to the fair value option during the three months and six months ended June 30, 2011 and 2010, respectively, were as follows (in thousands of U.S. dollars):

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	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Fixed maturities	**$ 130,907**	$ 165,665	**$ (9,321)**	$ 264,762
Short-term investments	**194**	7	**(446)**	(2,418)
Equities	**(30,197)**	(126,610)	**(14,079)**	(101,198)
Other invested assets	**(3,689)**	(226)	**(3,333)**	(142)
Funds held directly managed	**10,756**	19,988	**(1,494)**	31,167
Total	**$ 107,971**	$ 58,824	**$ (28,673)**	$ 192,171

All of the above changes in fair value are included in the Unaudited Condensed Consolidated Statements of Operations under the caption Net realized and unrealized investment gains (losses).

The following methods and assumptions were used by the Company in estimating the fair value of each class of financial instrument recorded in the Unaudited Condensed Consolidated Balance Sheets. There have been no material changes in the Company s valuation techniques during the periods presented.

Fixed maturities and short-term investments

U.S. government and agencies U.S. government and agencies securities consist primarily of bonds issued by the U.S. Treasury, corporate debt securities issued by the Federal National Mortgage Association, the Federal Home Loan Bank and other U.S. agencies as well as bonds issued by U.S. domiciled state and municipal entities. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate option adjusted spreads (OAS), interest rate data and market news. The Company generally classifies these securities in Level 2. Certain of the U.S. domiciled states and municipal investments issued by municipal housing authorities are not actively traded and are priced based on internal models using unobservable inputs. Accordingly, the Company classifies these securities in Level 3.

Non-U.S. sovereign government, supranational and government related Non-U.S. sovereign government, supranational and government related securities consist primarily of bonds issued by non-U.S. national governments and their agencies, non-U.S. regional governments and supranational organizations. These securities are generally priced by independent pricing services using the techniques described for U.S. government and agencies above. The Company generally classifies these securities in Level 2.

Corporate Corporate securities consist primarily of U.S. and foreign corporations covering a variety of industries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. The Company generally classifies these securities in Level 2. When a corporate security is inactively traded or the valuation model uses unobservable inputs, the Company classifies the security in Level 3.

Asset-backed securities Asset-backed securities primarily consist of student loans, automobile loans, credit card receivables, equipment leases, and special purpose financing. With the exception of special purpose financing, these asset-backed securities are generally priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. The Company generally classifies these securities in Level 2. Special purpose financing securities are generally inactively traded and are priced based on valuation models using unobservable inputs, including cash flow assumptions and credit spreads. The Company generally classifies these securities in Level 3.

Residential mortgage-backed securities Residential mortgage-backed securities primarily consist of bonds issued by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, as well as private, non-agency issuers. With the exception of private, non-agency issuers, these residential mortgage-backed securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider will employ proprietary models with observable inputs including other trade information, prepayment speeds, yield curves and credit spreads. The Company generally classifies these securities in Level 2. Bonds issued by private, non-agency issuers are generally inactively traded and are priced based on valuation models using unobservable inputs, including cash flow assumptions and credit spreads. The Company generally classifies these securities in Level 3.

Other mortgage-backed securities Other mortgage-backed securities primarily consist of commercial mortgage-backed securities. These securities are generally priced by independent pricing services and brokers. The pricing provider applies

dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. The Company generally classifies these securities in Level 2. When a commercial mortgage-backed security is inactively traded or the valuation model uses unobservable inputs, the Company classifies the security in Level 3.

In general, the methods employed by the independent pricing services to determine the fair value of the securities that have not actively traded involve the use of matrix pricing in which the independent pricing source applies the credit spread for a comparable security that has traded recently to the current yield curve to determine a reasonable fair value. The Company uses a pricing service ranking to consistently select the most appropriate pricing service in instances where it receives multiple quotes on the same security. When fair values are unavailable from these independent pricing sources, quotes are obtained directly from broker-dealers who are active in the corresponding markets. Most of the Company s fixed maturities are priced from the pricing services or dealer quotes. The Company will typically not make adjustments to prices received from pricing services or dealer quotes; however, in instances where the quoted external price for a security uses significant unobservable inputs, the Company will categorize that security as Level 3. The Company s inactively traded fixed maturities are classified as Level 3. For all fixed maturity investments, the bid price is used for estimating fair value.

To validate prices, the Company compares the fair value estimates to its knowledge of the current market and will investigate prices that it considers not to be representative of fair value. The Company also reviews an internally generated fixed maturity price validation report which converts prices received for fixed maturity investments from the independent pricing sources and from broker-dealers quotes and plots OAS and duration on a sector and rating basis. The OAS is calculated using established algorithms developed by an independent risk analytics platform vendor. The OAS on the fixed maturity price validation report are compared for securities in a similar sector and having a similar rating, and outliers are identified and investigated for price reasonableness. In addition, the Company completes quantitative analyses to compare the performance of each fixed maturity investment portfolio to the performance of an appropriate benchmark, with significant differences identified and investigated.

Short term investments

Short term investments are valued in a manner similar to the Company s fixed maturity investments and are generally classified in Level 2. Special purpose financing securities purchased with less than 12 months to maturity are generally inactively traded and are priced based on valuation models using unobservable inputs, including cash flow assumptions and credit spreads. The Company generally classifies these securities in Level 3.

Equities

Equity securities include U.S. and foreign common and preferred stocks, exchange traded funds and mutual funds. Equities and exchange traded funds are generally classified in Level 1 as the Company uses prices received from independent pricing sources based on quoted prices in active markets. Equities categorized as Level 2 are generally mutual funds invested in fixed income securities, where the net asset value of the fund is provided on a daily basis and common stocks traded in inactive markets. Equities categorized as Level 3 are generally mutual funds invested in securities other than the common stock of publicly traded companies, where the net asset value is not provided on a daily basis.

To validate prices, the Company completes quantitative analyses to compare the performance of each equity investment portfolio to the performance of an appropriate benchmark, with significant differences identified and investigated.

Other invested assets

The Company s exchange traded derivatives, such as futures and certain weather derivatives, are generally categorized as Level 1 as their fair values are quoted prices in active markets. The Company s foreign exchange forward contracts, foreign currency option contracts, equity put and call options, interest rate swaps, non-exchange traded futures and credit default swaps are generally categorized as Level 2 within the fair value hierarchy and are priced by independent pricing services.

Included in the Company s Level 3 categorization, in general, are unlisted equities, credit linked notes, certain inactively traded weather derivatives, notes and loans receivable and total return swaps. For Level 3 instruments, the Company will generally either (i) receive a price based on a manager s or trustee s valuation for the asset; or (ii) develop an internal discounted cash flow model to measure fair value. Where the Company receives prices from the manager or trustee, these prices are based on the manager s or trustee s estimate of fair value for the assets and are generally audited on an annual basis. Where the Company develops its own discounted cash flow models, the inputs will be specific to the asset in question, based on appropriate historical information, adjusted as necessary, and using appropriate discount rates. As part of the Company s modeling to determine the fair value of an investment, the Company considers counterparty credit risk as an input to the model, however, the majority of the Company s counterparties are highly rated institutions and the failure of any one counterparty would not have a significant impact on the Company s financial statements.

To validate prices, the Company will compare them to benchmarks, where appropriate, or to the business results generally within that asset class and specifically to those particular assets. In addition, the fair value measurements of all Level 3 investments are presented to, and peer reviewed by, an internal valuation committee that the Company has established.

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Funds held directly managed

The segregated investment portfolio underlying the funds held directly managed account is comprised of fixed maturities, short-term investments and other invested assets which are fair valued on a basis consistent with the methods described above. Substantially all fixed maturities and short-term investments within the funds held directly managed account are categorized as Level 2 within the fair value hierarchy.

The other invested assets within the segregated investment portfolio underlying the funds held directly managed account, which are categorized as Level 3 investments, are primarily real estate mutual fund investments carried at fair value. For the real estate mutual fund investments, the Company receives a price based on the real estate fund manager s valuation for the asset and further adjusts the price, if necessary, based on appropriate current information on the real estate market.

To validate prices within the segregated investment portfolio underlying the funds held directly managed account, the Company utilizes the methods described above.

(b) Fair Value of Financial Instrument Liabilities

Disclosures about the fair value of financial instrument liabilities exclude insurance contracts and certain other financial instruments. At June 30, 2011 and December 31, 2010, the fair values of financial instrument liabilities recorded in the Unaudited Condensed Consolidated Balance Sheets approximate their carrying values, with the exception of the debt related to senior notes (Senior Notes) and the debt related to capital efficient notes (CENts). The methods and assumptions used by the Company in estimating the fair value of the Senior Notes and CENts did not change from December 31, 2010.

The carrying values and fair values of the Senior Notes and CENts as of June 30, 2011 and December 31, 2010 were as follows (in thousands of U.S. dollars):

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt related to senior notes (1)	**750,000**	**793,773**	750,000	781,950
Debt related to capital efficient notes (2)	**63,384**	**61,133**	63,384	59,261

(1) *PartnerRe Finance A LLC and PartnerRe Finance B LLC, the issuers of the Senior Notes, do not meet consolidation requirements under U.S. GAAP. Accordingly, the Company shows the related intercompany debt of $750 million in its Unaudited Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010.*

(2) *PartnerRe Finance II Inc., the issuer of the CENts, does not meet consolidation requirements under U.S. GAAP. Accordingly, the Company shows the related intercompany debt of $71 million in its Unaudited Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010.*

5. Derivatives

The Company s derivative instruments are recorded in the Unaudited Condensed Consolidated Balance Sheets at fair value, with changes in fair value mainly recognized in either net foreign exchange gains and losses or net realized and unrealized investment gains and losses in the Unaudited Condensed Consolidated Statements of Operations or accumulated other comprehensive income or loss in the Unaudited Condensed Consolidated Balance Sheets, depending on the nature of the derivative instrument. The Company s objectives for holding or issuing these derivatives are as follows:

Foreign Exchange Forward Contracts

The Company utilizes foreign exchange forward contracts as part of its overall currency risk management and investment strategies. From time to time, the Company also utilizes foreign exchange forward contracts to hedge a portion of its net investment exposure resulting from the translation of its foreign subsidiaries and branches whose functional currency is other than the U.S. dollar.

Foreign Currency Option Contracts and Futures Contracts

The Company also utilizes foreign currency option contracts to mitigate foreign currency risk. The Company uses exchange traded treasury note futures contracts to manage portfolio duration and commodity and equity futures to hedge certain investments. The Company also uses commodities futures to replicate the investment return on certain benchmarked commodities.

Credit Default Swaps

The Company purchases protection through credit default swaps to mitigate the risk associated with its underwriting operations, most notably in the credit/surety line, and to manage market exposures.

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The Company also assumes credit risk through credit default swaps to replicate investment positions. The original term of these credit default swaps is generally five years or less and there are no recourse provisions associated with these swaps. While the Company would be required to perform under exposure assumed through credit default swaps in the event of a default on the underlying issuer, no issuer was in default at June 30, 2011. The counterparties on the Company s assumed credit default swaps are all highly rated financial institutions.

Insurance-Linked Securities

The Company has entered into various weather derivatives, weather futures and longevity total return swaps for which the underlying risks reference parametric weather risks for the weather derivatives and weather futures, and longevity risk for the longevity total return swaps.

Total Return and Interest Rate Swaps and Interest Rate Derivatives

The Company has entered into total return swaps referencing various project, investments and principal finance obligations. The Company has also entered into interest rate swaps to mitigate the interest rate risk on certain of the total return swaps. The Company may also use other interest rate derivatives to mitigate exposure to interest rate volatility.

The fair values and the related notional values of derivatives included in the Company s Unaudited Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010 were as follows (in thousands of U.S. dollars):

			Net derivatives	
June 30, 2011	**Asset derivatives at fair value**	**Liability derivatives at fair value**	**Net notional exposure**	**Fair value**
Derivatives not designated as hedges				
Foreign exchange forward contracts	**$ 11,634**	**$ (4,512)**	**$ 2,956,150**	**$ 7,122**
Foreign currency option contracts	**2,921**	**(470)**	**163,304**	**2,451**
Futures contracts	**6,398**	**(19,613)**	**2,334,365**	**(13,215)**
Credit default swaps (protection purchased)	**4**	**(2,162)**	**109,890**	**(2,158)**
Credit default swaps (assumed risks)	**906**		**27,500**	**906**
Insurance-linked securities	**274**	**(15,126)**	**95,848**	**(14,852)**
Total return swaps	**4,685**	**(11,459)**	**159,720**	**(6,774)**
Interest rate swaps[(1)]	**52**	**(5,203)**		**(5,151)**
Total derivatives	**$ 26,874**	**$ (58,545)**		**$ (31,671)**

			Net derivatives	
December 31, 2010	**Asset derivatives at fair value**	**Liability derivatives at fair value**	**Net notional exposure**	**Fair value**
Derivatives designated as hedges				
Foreign exchange forward contracts (net investment hedge)	$	$ (1,160)	$ 198,448	$ (1,160)
Total derivatives designated as hedges	$	$ (1,160)		$ (1,160)
Derivatives not designated as hedges				
Foreign exchange forward contracts	$ 27,880	$ (12,487)	$ 1,770,448	$ 15,393
Foreign currency option contracts	3,516		104,386	3,516
Futures contracts	30,593	(7,956)	1,756,811	22,637
Credit default swaps (protection purchased)	93	(2,407)	113,752	(2,314)
Credit default swaps (assumed risks)	533	(401)	27,500	132
Insurance-linked securities	1,320	(1,393)	88,765	(73)
Total return swaps	6,041	(12,848)	161,408	(6,807)
Interest rate swaps[(1)]	246	(6,033)		(5,787)

Total derivatives not designated as hedges	$ 70,222	$ (43,525)	$ 26,697
Total derivatives	$ 70,222	$ (44,685)	$ 25,537

(*1*) *The Company enters into interest rate swaps to mitigate notional exposures on certain total return swaps. Accordingly, the notional value of interest rate swaps is not presented separately in the table.*

The fair value of all derivatives at June 30, 2011 and December 31, 2010 is recorded in Other invested assets in the Company s Unaudited Condensed Consolidated Balance Sheets. At June 30, 2011, none of the Company s derivatives were designated as hedges.

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The gains and losses in the Unaudited Condensed Consolidated Statements of Operations for derivatives not designated as hedges for the three months and six months ended June 30, 2011 and 2010 were as follows (in thousands of U.S. dollars):

	Amount of gain (loss) on derivatives recognized in income for the three months ended June 30, 2011	Amount of gain (loss) on derivatives recognized in income for the three months ended June 30, 2010	Amount of gain (loss) on derivatives recognized in income for the six months ended June 30, 2011	Amount of gain (loss) on derivatives recognized in income for the six months ended June 30, 2010
Foreign exchange forward contracts	**$ 65,250**	$ 14,557	**$ 48,234**	$ 10,542
Foreign currency option contracts	**2,457**	(1,066)	**2,381**	1,134
Total included in net foreign exchange gains and losses	**$ 67,707**	$ 13,491	**$ 50,615**	$ 11,676
Futures contracts	**$ (66,231)**	$ (55,170)	**$ (86,514)**	$ (76,115)
Credit default swaps (protection purchased)	**(306)**	311	**(551)**	(341)
Credit default swaps (assumed risks)	**770**	(1,400)	**1,607**	(1,379)
Insurance-linked securities	**(2,546)**	2,676	**(9,620)**	3,814
Total return swaps	**(115)**	(212)	**684**	2,409
Interest rate swaps	**(182)**	(104)	**641**	393
Interest rate derivatives				(3,848)
Other		55		(66)
Total included in net realized and unrealized investment gains and losses	**$ (68,610)**	$ (53,844)	**$ (93,753)**	$ (75,133)
Total derivatives	**$ (903)**	$ (40,353)	**$ (43,138)**	$ (63,457)

6. Shareholders Equity

Series E Cumulative Redeemable Preferred Shares

In June 2011, the Company issued 14,950,000 of 7.25% Series E cumulative redeemable preferred shares (Series E preferred shares) for a total consideration of $362 million after underwriting discounts, commissions and other related expenses totaling $12 million. The net proceeds were used for general corporate purposes. On or after June 1, 2016, the Company may redeem the Series E preferred shares, in whole at any time or in part from time to time, at $25.00 per share plus accrued and unpaid dividends, if any, without interest. The Series E preferred shares are also redeemable at any time upon certain changes in tax law. Dividends on the Series E preferred shares are cumulative from the date of issuance and are payable quarterly in arrears, commencing September 1, 2011. In the event of liquidation of the Company, the holders of outstanding Series E preferred shares would have preference over the common shareholders and would receive a distribution of $25.00 per share, or an aggregate value of $374 million, plus accrued and unpaid dividends, if any.

7. Net Income (Loss) per Share

The reconciliation of basic and diluted net income (loss) per share for the three months and six months ended June 30, 2011 and 2010 is as follows (in thousands of U.S. dollars or shares, except per share amounts):

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Numerator:				
Net income (loss)	**$ 124,185**	$ 190,927	**$ (682,771)**	$ 270,581
Less: preferred dividends	**(8,631)**	(8,631)	**(17,263)**	(17,263)

Net income (loss) available to common shareholders	**$ 115,554**	$ 182,296	**$ (700,034)**	$ 253,318
Denominator:				
Weighted number of common shares outstanding - basic	67,628.1	77,365.4	67,811.4	79,519.2
Share options and other [1]	814.2	1,431.0		1,531.5
Weighted average number of common shares and common share equivalents outstanding- diluted	68,442.3	78,796.4	67,811.4	81,050.7
Basic net income (loss) per share	**$ 1.71**	$ 2.36	**$ (10.32)**	$ 3.19
Diluted net income (loss) per share[1]	**$ 1.69**	$ 2.31	**$ (10.32)**	$ 3.13

(1) *Dilutive securities, in the form of share options and other, that could potentially dilute basic net loss per share were not included in the computation of diluted net loss per share because to do so would have been anti-dilutive for the six months ended June 30, 2011. The weighted average number of common and common share equivalents outstanding would have amounted to 68,769.9 thousand shares if these securities had been included for the six months ended June 30, 2011. In addition, at June 30, 2011 and 2010, share based awards to purchase 1,253.6 and 840.4 thousand common shares, respectively, were excluded from the calculation of diluted weighted average number of common shares and common share equivalents outstanding because their exercise prices were greater than the average market price of the common shares.*

8. Commitments and Contingencies

(a) Concentration of Credit Risk

Financing receivables

Included in the Company s Other invested assets are certain notes receivable which meet the definition of financing receivables and are accounted for using the cost method of accounting. Performance of these notes receivable to date has been within expectations. At June 30, 2011 and December 31, 2010, none of the Company s notes receivable are past due or in default and, accordingly, the Company believes that an allowance for credit losses related to these notes receivable is not required at June 30, 2011 and December 31, 2010.

The Company monitors the performance of the notes receivable based on the type of underlying collateral and by assigning a performing or a non-performing indicator of credit quality to each individual receivable. At June 30, 2011, the Company s notes receivable of $101.6 million were all performing and were collateralized by residential property and commercial property of $51.8 million and $49.8 million, respectively.

The Company purchased financing receivables of $66.0 million during the three months and six months ended June 30, 2011. There were no sales of financing receivables during the three months and six months ended June 30, 2011, however, the outstanding balance has been reduced by settlements of the underlying debt.

(b) Legal Proceedings

There has been no significant change in legal proceedings at June 30, 2011 compared to December 31, 2010. See Note 18(e) to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

9. Segment Information

The Company monitors the performance of its operations in three segments, Non-life, Life and Corporate and Other as described in Note 22 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The Non-life segment is further divided into four sub-segments: North America, Global (Non-U.S.) Property and Casualty (Global (Non-U.S.) P&C), Global (Non-U.S.) Specialty and Catastrophe. Following the completion of the Company s integration of PARIS RE Holdings Limited into its other Non-life sub-segments, and to reflect other changes in management responsibilities for certain lines of business and treaties, the Company redefined its financial reporting segments. The comparative data that was previously presented in the Company s Form 10-Q for the three months and six months ended June 30, 2010 has been recast to conform to the current period presentation.

Because the Company does not manage its assets by segment, net investment income is not allocated to the Non-life segment. However, because of the interest-sensitive nature of some of the Company s Life products, net investment income is considered in Management s assessment of the profitability of the Life segment. The following items are not considered in evaluating the results of the Non-life and Life segments: net realized and unrealized investment gains and losses, interest expense, amortization of intangible assets, net foreign exchange gains and losses, income tax expense or benefit and interest in earnings and losses of equity investments. Segment results are shown before consideration of intercompany transactions.

Management measures results for the Non-life segment on the basis of the loss ratio, acquisition ratio, technical ratio, other operating expense ratio and combined ratio (all defined below). Management measures results for the Non-life sub-segments on the basis of the loss ratio, acquisition ratio and technical ratio. Management measures results for the Life segment on the basis of the allocated underwriting result, which includes revenues from net premiums earned, other income or loss and allocated net investment income for Life, and expenses from life policy benefits, acquisition costs and other operating expenses.

The following tables provide a summary of the segment revenues and results for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars, except ratios):

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Segment Information

For the three months ended June 30, 2011

	North America	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 242	$ 122	$ 350	$ 169	$ 883	$ 195	$ 4	$ 1,082
Net premiums written	$ 242	$ 121	$ 333	$ 161	$ 857	$ 195	$ 4	$ 1,056
Decrease (increase) in unearned premiums	19	72	8	(51)	48	6	(3)	51
Net premiums earned	$ 261	$ 193	$ 341	$ 110	$ 905	$ 201	$ 1	$ 1,107
Losses and loss expenses and life policy benefits	(190)	(127)	(206)	(123)	(646)	(166)	(2)	(814)
Acquisition costs	(63)	(53)	(78)	(9)	(203)	(26)		(229)
Technical result	**$ 8**	**$ 13**	**$ 57**	**$ (22)**	**$ 56**	**$ 9**	**$ (1)**	**$ 64**
Other income							1	1
Other operating expenses					(71)	(13)	(30)	(114)
Underwriting result					**$ (15)**	**$ (4)**	**n/a**	**$ (49)**
Net investment income						16	142	158
Allocated underwriting result [(1)]						**$ 12**	**n/a**	**n/a**
Net realized and unrealized investment gains							78	78
Interest expense							(12)	(12)
Amortization of intangible assets							(9)	(9)
Net foreign exchange gains							9	9
Income tax expense							(50)	(50)
Interest in losses of equity investments							(1)	(1)
Net income							**n/a**	**$ 124**
Loss ratio [(2)]	72.8%	65.9%	60.3%	111.7%	71.4%			
Acquisition ratio [(3)]	24.1	27.6	22.9	8.1	22.4			
Technical ratio [(4)]	96.9%	93.5%	83.2%	119.8%	93.8%			
Other operating expense ratio [(5)]					7.9			
Combined ratio [(6)]					101.7%			

(1) Allocated underwriting result is defined as net premiums earned, other income or loss and allocated net investment income less life policy benefits, acquisition costs and other operating expenses.

(2) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(3) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(4) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(5) Other operating expense ratio is obtained by dividing other operating expenses by net premiums earned.

(6) Combined ratio is defined as the sum of the technical ratio and the other operating expense ratio.

Segment Information

For the three months ended June 30, 2010

	North America	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 207	$ 189	$ 371	$ 206	$ 973	$ 167	$	$ 1,140
Net premiums written	$ 207	$ 186	$ 355	$ 191	$ 939	$ 167	$ 7	$ 1,113
Decrease (increase) in unearned premiums	16	45	21	(90)	(8)	6	(6)	(8)
Net premiums earned	$ 223	$ 231	$ 376	$ 101	$ 931	$ 173	$ 1	$ 1,105
Losses and loss expenses and life policy benefits	(116)	(141)	(292)	13	(536)	(169)		(705)
Acquisition costs	(69)	(61)	(82)	(7)	(219)	(25)		(244)
Technical result	**$ 38**	**$ 29**	**$ 2**	**$ 107**	**$ 176**	**$ (21)**	**$ 1**	**$ 156**
Other income (loss)					1	1	(1)	1
Other operating expenses					(82)	(13)	(65)	(160)
Underwriting result					**$ 95**	**$ (33)**	**n/a**	**$ (3)**
Net investment income						20	154	174
Allocated underwriting result						**$ (13)**	**n/a**	**n/a**
Net realized and unrealized investment gains							46	46
Interest expense							(13)	(13)
Amortization of intangible assets							(8)	(8)
Net foreign exchange gains							11	11
Income tax expense							(17)	(17)
Interest in earnings of equity investments							1	1
Net income							**n/a**	**$ 191**
Loss ratio	52.2%	61.1%	77.6%	(12.8)%	57.6%			
Acquisition ratio	30.7	26.4	21.9	6.3	23.4			
Technical ratio	82.9%	87.5%	99.5%	(6.5)%	81.0%			
Other operating expense ratio					8.8			
Combined ratio					89.8%			

Segment Information

For the six months ended June 30, 2011

	North America	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 581	$ 440	$ 724	$ 486	$ 2,231	$ 403	$ 6	$ 2,640
Net premiums written	$ 581	$ 437	$ 648	$ 453	$ 2,119	$ 402	$ 6	$ 2,527
(Increase) decrease in unearned premiums	(60)	(63)	10	(220)	(333)	(17)	(5)	(355)
Net premiums earned	$ 521	$ 374	$ 658	$ 233	$ 1,786	$ 385	$ 1	$ 2,172
Losses and loss expenses and life policy benefits	(365)	(277)	(427)	(1,040)	(2,109)	(311)	(2)	(2,422)
Acquisition costs	(129)	(93)	(158)	(1)	(381)	(56)		(437)
Technical result	**$ 27**	**$ 4**	**$ 73**	**$ (808)**	**$ (704)**	**$ 18**	**$ (1)**	**$ (687)**
Other income					2		1	3
Other operating expenses					(137)	(25)	(56)	(218)
Underwriting result					**$ (839)**	**$ (7)**	**n/a**	**$ (902)**
Net investment income						31	279	310
Allocated underwriting result						**$ 24**	**n/a**	**n/a**
Net realized and unrealized investment losses							(34)	(34)
Interest expense							(24)	(24)
Amortization of intangible assets							(18)	(18)
Net foreign exchange gains							9	9
Income tax expense							(24)	(24)
Interest in losses of equity investments								
Net loss							**n/a**	**$ (683)**
Loss ratio	70.0 %	74.0 %	64.9 %	446.3 %	118.0 %			
Acquisition ratio	24.8	25.0	24.0	0.3	21.4			
Technical ratio	94.8 %	99.0 %	88.9 %	446.6 %	139.4 %			
Other operating expense ratio					7.7			
Combined ratio					147.1 %			

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Segment Information

For the six months ended June 30, 2010

	North America	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 564	$ 633	$ 880	$ 615	$ 2,692	$ 354	$ 3	$ 3,049
Net premiums written	$ 564	$ 621	$ 811	$ 550	$ 2,546	$ 349	$ 2	$ 2,897
Increase in unearned premiums	(73)	(160)	(98)	(295)	(626)	(12)	(1)	(639)
Net premiums earned	$ 491	$ 461	$ 713	$ 255	$ 1,920	$ 337	$ 1	$ 2,258
Losses and loss expenses and life policy benefits	(296)	(387)	(595)	(140)	(1,418)	(299)		(1,717)
Acquisition costs	(137)	(114)	(146)	(18)	(415)	(49)		(464)
Technical result	**$ 58**	**$ (40)**	**$ (28)**	**$ 97**	**$ 87**	**$ (11)**	**$ 1**	**$ 77**
Other income (loss)					2	1	(1)	2
Other operating expenses					(160)	(27)	(101)	(288)
Underwriting result					**$ (71)**	**$ (37)**	**n/a**	**$ (209)**
Net investment income						37	311	348
Allocated underwriting result						**$**	**n/a**	**n/a**
Net realized and unrealized investment gains							191	191
Interest expense							(20)	(20)
Amortization of intangible assets							(13)	(13)
Net foreign exchange gains							15	15
Income tax expense							(45)	(45)
Interest in earnings of equity investments							4	4
Net income							**n/a**	**$ 271**
Loss ratio	60.2%	84.0%	83.4%	54.6%	73.9%			
Acquisition ratio	28.0	24.6	20.5	7.3	21.6			
Technical ratio	88.2%	108.6%	103.9%	61.9%	95.5%			
Other operating expense ratio					8.3			
Combined ratio					103.8%			

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Executive Overview

The Company is a leading global reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance risks and capital markets risks.

Successful risk management is the foundation of the Company s value proposition, with diversification of risks at the core of its risk management strategy. The Company s ability to succeed in the risk assumption and management business is dependent on its ability to accurately analyze and quantify risk, to understand volatility and how risks aggregate or correlate, and to establish the appropriate capital requirements and limits for the risks assumed. All risks are managed by the Company within an integrated framework of policies and processes that ensure the intelligent and consistent evaluation and valuation of risk, and ultimately provide an appropriate return to shareholders.

The Company s economic objective is to manage a portfolio of risks that will generate compound annual Diluted Book Value per Share growth of 10% and an average Operating ROE of 13% over a reinsurance cycle. Both of these metrics are defined below in Key Financial Measures. See also Other Key Issues of Management in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Key Financial Measures

In addition to the Unaudited Condensed Consolidated Balance Sheets and Unaudited Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), Management uses certain key measures to evaluate its financial performance and the overall growth in value generated for the Company s common shareholders. The four key measures that Management uses, together with definitions of their calculations, are as follows:

	June 30, 2011	December 31, 2010
Diluted book value per common share and common share equivalents outstanding[1]	**$ 83.71**	$ 93.77

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Operating earnings (loss) available to common shareholders (in millions of U.S. dollars)[2]	**$ 67**	$ 142	**$ (668)**	$ 91
Annualized operating return on beginning diluted book value per common share and common share equivalents outstanding[3]	**4.2 %**	8.5 %	**(21.0)%**	2.7 %
Combined ratio[4]	**101.7 %**	89.8 %	**147.1 %**	103.8 %

(1) *Diluted book value per common share and common share equivalents outstanding is calculated using common shareholders equity (shareholders equity less the aggregate liquidation value of preferred shares) divided by the number of fully diluted common shares and common share equivalents outstanding (assuming exercise of all stock-based awards and other dilutive securities).*

(2) *Operating earnings or loss available to common shareholders (operating earnings or loss) is calculated as net income or loss available to common shareholders excluding net realized and unrealized gains or losses on investments, net of tax, net foreign exchange gains or losses, net of tax, and interest in earnings or losses of equity investments, net of tax, where the Company does not control the investee companies activities, and is calculated after preferred dividends. The presentation of operating earnings or loss is a non-GAAP financial measure within the meaning of Regulation G (see Comment on Non-GAAP Measures below) and is reconciled to the nearest GAAP financial measure below. Effective January 1, 2011, Management redefined its operating earnings or loss calculation, as discussed below.*

(3) *Annualized operating return on beginning diluted book value per common share and common share equivalents outstanding (Operating ROE) is calculated using operating earnings or loss, as defined above, per common share and common share equivalents outstanding, divided by beginning diluted book value per common share and common share equivalents outstanding, as defined above. The presentation of Operating ROE is a non-GAAP financial measure within the meaning of Regulation G (see Comment on Non-GAAP Measures below) and is reconciled to the nearest GAAP financial measure below. Effective January 1, 2011, Management redefined its Operating ROE calculation, as discussed below.*

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(4) The combined ratio of the Non-life segment is calculated as the sum of the technical ratio (losses and loss expenses and acquisition costs divided by net premiums earned) and the other operating expense ratio (other operating expenses divided by net premiums earned).

Effective January 1, 2011, Management redefined its operating earnings or loss available to common shareholders (operating earnings or loss) calculation to additionally exclude net foreign exchange gains or losses. Management believes that net foreign exchange gains or losses are not indicative of the performance of, and distort trends in, the Company s business as they predominantly result from general economic and foreign exchange market conditions. In addition, Management redefined its Annualized operating return on beginning diluted book value per common share and common share equivalents outstanding (Operating ROE, previously referred to as operating return on beginning common shareholders equity) calculation to measure Operating ROE on a diluted per share basis. Management believes that the redefined Operating ROE incorporates capital management activities while remaining based on the concept of deploying available capital on an annual basis. Operating earnings or loss and Operating ROE for the three months and six months ended June 30, 2010 have been recast to reflect the Company s redefined non-GAAP measures.

Diluted book value per common share and common share equivalents outstanding (Diluted Book Value per Share): Management uses growth in Diluted Book Value per Share as a prime measure of the value the Company is generating for its common shareholders, as Management believes that growth in the Company s Diluted Book Value per Share ultimately translates into growth in the Company s stock price. Diluted Book Value per Share is impacted by the Company s net income, capital resources management and external factors such as foreign exchange, interest rates and equity markets, which can drive changes in unrealized gains or losses on its investment portfolio.

The Company s Diluted Book Value per Share decreased by 11% to $83.71 at June 30, 2011 from $93.77 at December 31, 2010, primarily due to the comprehensive loss in the six months ended June 30, 2011, partially offset by the accretive impact of the share repurchases. The comprehensive loss in the six months ended June 30, 2011 was driven by significant catastrophic losses, which are described in Overview and Review of Net Income (Loss) below. Also see Shareholders Equity and Capital Resources Management below.

Operating earnings or loss available to common shareholders (operating earnings or loss): Management uses operating earnings or loss to measure its financial performance as this measure focuses on the underlying fundamentals of the Company s operations by excluding net realized and unrealized gains or losses on investments, interest in earnings or losses of equity investments and net foreign exchange gains or losses. Net realized and unrealized gains or losses on investments in any particular period are not indicative of the performance of, and distort trends in, the Company s business as they predominantly result from general economic and financial market conditions, and the timing of realized gains or losses on investments is largely opportunistic. Interest in earnings or losses of equity investments are also not indicative of the performance of, or trends in, the Company s business as the Company does not control the investee companies activities. Net foreign exchange gains or losses are not indicative of the performance of, and distort trends in, the Company s business as they predominantly result from general economic and foreign exchange market conditions. Management believes that the use of operating earnings or loss enables investors and other users of the Company s financial information to analyze its performance in a manner similar to how Management analyzes performance. Management also believes that this measure follows industry practice and, therefore, allows the users of financial information to compare the Company s performance with its industry peer group, and that the equity analysts and certain rating agencies which follow the Company, and the insurance industry as a whole, generally exclude these items from their analyses for the same reasons.

Operating earnings decreased by $75 million from $142 million in the three months ended June 30, 2010 to $67 million in the same period of 2011 primarily due to a decrease in the Non-life underwriting result of $110 million, which was driven by large catastrophic losses, and was partially offset by an increase in the Life underwriting result and lower charges related to the Company s voluntary termination plan (see Results of Operations Overview in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of the voluntary termination plan). Operating earnings decreased by $759 million from $91 million in the six months ended June 30, 2010 to a loss of $668 million in the same period of 2011 primarily due to the same factors described for the three months ended June 30, 2011. The factors contributing to the increases or decreases in operating earnings or loss in the three months and six months ended June 30, 2011 compared to the same periods in 2010 are further described in Overview and Review of Net Income (Loss) below.

The presentation of operating earnings or loss available to common shareholders is a non-GAAP financial measure within the meaning of Regulation G and should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP (see Comment on Non-GAAP Measures). The table below provides a reconciliation of operating earnings or loss to the most comparable GAAP financial measure (in millions of U.S. dollars):

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	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Net income (loss)	**$ 124**	$ 191	**$ (683)**	$ 271
Less:				
Net realized and unrealized investment gains (losses), net of tax	**41**	29	**(47)**	141
Net foreign exchange gains, net of tax	**9**	10	**16**	19
Interest in (losses) earnings of equity investments, net of tax	**(2)**	1	**(1)**	3
Dividends to preferred shareholders	**9**	9	**17**	17
Operating earnings (loss) available to common shareholders	**$ 67**	$ 142	**$ (668)**	$ 91

Operating ROE: Management uses Operating ROE as a measure of profitability that focuses on the return to common shareholders. Management has set an average 13% Operating ROE target over the reinsurance cycle, which Management believes provides an attractive return to shareholders for the risk assumed. Each business unit and support department throughout the Company is focused on seeking to ensure that the Company meets the 13% return objective. This means that most economic decisions, including capital attribution and underwriting pricing decisions, incorporate an Operating ROE impact analysis. For the purpose of that analysis, an appropriate amount of capital (equity) is attributed to each transaction for determining the transaction s priced return on attributed capital. Subject to an adequate return for the risk level as well as other factors, such as the contribution of each risk to the overall risk level and risk diversification, capital is attributed to the transactions generating the highest priced return on deployed capital. Management s challenge consists of (i) attributing an appropriate amount of capital to each transaction based on the risk created by the transaction, (ii) properly estimating the Company s overall risk level and the impact of each transaction on the overall risk level, (iii) assessing the diversification benefit, if any, of each transaction, and (iv) deploying available capital. The risk for the Company lies in mis-estimating any one of these factors, which are critical in calculating a meaningful priced return on deployed capital, and entering into transactions that do not contribute to the Company s 13% Operating ROE objective.

Operating ROE decreased from 8.5% in the three months ended June 30, 2010 to 4.2% in the same period of 2011 and from 2.7% in the six months ended June 30, 2010 to a loss of 21.0% in the same period of 2011. The decreases in Operating ROE were primarily due to the decrease in operating earnings in the three months and six months ended June 30, 2011, which were driven by large catastrophic losses, and are described further in Overview and Review of Net Income (Loss).

The presentation of Operating ROE is a non-GAAP financial measure within the meaning of Regulation G and should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP (see Comment on Non-GAAP Measures). The table below provides a reconciliation of Operating ROE to the most comparable GAAP financial measure:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Annualized return on beginning diluted book value per common share calculated with net income (loss) per share available to common shareholders	**7.2 %**	11.0 %	**(22.0) %**	7.4 %
Less:				
Annualized net realized and unrealized investment gains (losses), net of tax, on beginning diluted book value per common share	**2.5**	1.8	**(1.5)**	4.1
Annualized net foreign exchange gains, net of tax, on beginning diluted book value per common share	**0.6**	0.6	**0.5**	0.5
Annualized net interest in (losses) earnings of equity investments, net of tax, on beginning diluted book value per common share	**(0.1)**	0.1		0.1

Annualized operating return on beginning diluted book value per common share	**4.2 %**	8.5 %	**(21.0) %**	2.7 %

Combined Ratio: The combined ratio is used industry-wide as a measure of underwriting profitability for Non-life business. A combined ratio under 100% indicates underwriting profitability, as the total losses and loss expenses, acquisition costs and other operating expenses are less than the premiums earned on that business. While an important metric of underwriting profitability, the combined ratio does not reflect all components of profitability, as it does not recognize the impact of interest income earned on

premiums between the time premiums are received and the time loss payments are ultimately made to clients. The key challenges in managing the combined ratio metric consist of (i) focusing on underwriting profitable business even in the weaker part of the reinsurance cycle, as opposed to growing the book of business at the cost of profitability, (ii) diversifying the portfolio to achieve a good balance of business, with the expectation that underwriting losses in certain lines or markets may potentially be offset by underwriting profits in other lines or markets, and (iii) maintaining control over expenses.

The Non-life combined ratio increased from 89.8% and 103.8% in the three months and six months ended June 30, 2010, respectively, to 101.7% and 147.1% in the same periods of 2011, respectively. The increase in the Non-life combined ratio during the three months ended June 30, 2011 compared to the same period in 2010 was primarily due to large catastrophic losses related to a large number of tornadoes, that caused severe destruction to large areas of southern, mid-western and northeastern United States in April and May 2011 (U.S. tornadoes), and a net increase in the Company s loss estimates related to the large catastrophic losses that occurred during the three months ended March 31, 2011, which were primarily associated with the New Zealand earthquake that occurred in February 2011 (New Zealand Earthquake). These events contributed 19.9 points to the combined ratio during the three months ended June 30, 2011, while the Non-life combined ratio included 6.9 points related to the Deepwater Horizon Oil Platform loss (Deepwater Horizon) in the same period of 2010. The increase in the Non-life combined ratio during the six months ended June 30, 2011 compared to the same period in 2010 was primarily due to large catastrophic losses related to the Japan Earthquake and resulting tsunami (Japan Earthquake), the New Zealand Earthquake, U.S. tornadoes, the floods in Queensland, Australia (Australian Floods) and aggregate contracts covering losses in Australia and New Zealand. These events contributed 67.6 points to the combined ratio during the six months ended June 30, 2011, while the Non-life combined ratio included 18.2 points related to the Chile Earthquake and Deepwater Horizon in the same period of 2010.

Comment on Non-GAAP Measures

Throughout this filing, the Company s results of operations have been presented in the way that Management believes will be the most meaningful and useful to investors, analysts, rating agencies and others who use financial information in evaluating the performance of the Company. This presentation includes the use of operating earnings or loss and Operating ROE that are not calculated under standards or rules that comprise U.S. GAAP. These measures are referred to as non-GAAP financial measures within the meaning of Regulation G. Management believes that these non-GAAP financial measures are important to investors, analysts, rating agencies and others who use the Company s financial information and will help provide a consistent basis for comparison between years and for comparison with the Company s peer group, although non-GAAP measures may be defined or calculated differently by other companies. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. A reconciliation of these measures to the most comparable U.S. GAAP financial measures, net income or loss and return on beginning common shareholders equity calculated with net income or loss available to common shareholders, is presented above.

Risk Management

A key challenge in the reinsurance industry is to create economic value through the intelligent assumption of reinsurance and capital markets and investment risk, but also to limit or mitigate those risks that can destroy tangible as well as intangible value. Management believes that every organization faces numerous risks that could threaten the successful achievement of a company s goals and objectives. These include choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity; all factors which can be viewed as either strategic or operational risks that are common to any industry. See Risk Factors in Item 1A of Part I of the Company s Annual Report on Form 10-K for the year ended December 31, 2010. In addition to these risks, the Company assumes risks and its results are primarily determined by how well the Company understands, prices and manages assumed risk. While many industries and companies start with a return goal and then attempt to shed risks that may derail that goal, the Company starts with a capital-based risk appetite and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Company to balance the cedants need for certainty of claims payment with the shareholders need for an adequate return on their capital. See Executive Overview Other Key Issues of Management Risk Management in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for a complete description of the Company s risks, risk management framework and the related risk management strategies and controls.

The Company manages assumed risk at a strategic level through diversification, risk appetite, and limits. For each key risk, the Board approves a risk appetite that the Company defines as the percentage of economic capital the Company is willing to expose to economic loss with a modeled probability of occurring once every 15 years and once every 75 years. The Company manages its exposure to key risks such that the modeled economic loss at a 1 in 15 year and a 1 in 75 year return period are less than the economic capital the Company is willing to expose to the key risks at those return periods.

The major risks to the Company s balance sheet are typically due to events that Management refers to as shock losses. The Company defines a shock loss as an event that has the potential to materially impact economic value. The Company defines its economic value as the difference

between the net present value of tangible assets and the net present value of liabilities, using appropriate risk discount rates, plus the unrecognized value of the Life portfolio. For traded assets, the calculated net present values are equivalent to market values.

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There are four areas of risk that the Company has currently identified as having the greatest potential for shock losses: catastrophe, reserving for casualty and other long-tail lines, equity and equity-like investment risk and longevity risk. The Company manages the risk of shock losses by setting risk appetite and limits, as described above and below, for each type of shock loss. The Company establishes limits to manage the maximum foreseeable loss from any one event and considers the possibility that several shock losses could occur at one time, for example a major catastrophe event accompanied by a collapse in the equity markets. Management believes that the limits that it has placed on shock losses will allow the Company to continue writing business should such an event occur.

See Other Key Issues of Management Risk Management in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of the Company s exposure to catastrophe risk, casualty reserving risk, equity investment risk and longevity risk.

Other risks such as interest rate risk and credit spread risk have the ability to impact results substantially and may result in volatility in results from period to period. However, Management believes that by themselves, interest rate risk and credit spread risk are unlikely to represent a material threat to the Company s long-term economic value. See Quantitative and Qualitative Disclosures about Market Risk in Item 3 of Part I of this report for additional disclosure on interest rate risk, credit spread risk, foreign currency risk, counterparty credit risk and equity price risk.

The Company seeks to maintain a risk appetite moderately above the average of the reinsurance market because Management believes that this position offers the best potential for creating shareholder value at an acceptable risk level. The most profitable products generally present the most volatility and potential risk. Management believes that the Company s actual risk profile is equal to or less than the average of the reinsurance market because of the level of diversification achieved in the portfolio, the strict adherence to risk appetite and limits, and the risk mitigation strategies employed.

The limits and actual exposures of the Company for its four major risks are as follows:

	Limit at June 30, 2011	Deployed at June 30, 2011	Deployed at December 31, 2010
Catastrophe risk largest zonal limit	**$ 2.8 billion**	**$ 2.1 billion**	$ 2.5 billion
Casualty reserving risk total earned premiums for casualty and other long-tail lines for the four most recent underwriting periods	**6.3 billion**	**2.9 billion**	3.0 billion
Equity investment risk value of equity and equity-like securities	**3.3 billion**	**1.5 billion**	1.5 billion
Longevity risk net present value loss from extreme mortality improvement scenario	**2.0 billion**	**1.0 billion**	1.0 billion

The following table summarizes risk appetite and modeled economic loss for the Company s major risks discussed above:

	Risk Appetite at June 30, 2011(1)	Modeled Economic Loss at June 30, 2011(1)	Modeled Economic Loss at December 31, 2010(1)
Catastrophe risk 1 in 75 year annual aggregate loss	**$ 1.4 billion**	**$ 1.3 billion**	$ 1.3 billion
Casualty reserving risk casualty and other long-tail lines 1 in 15 year prior years reserve development	**0.7 billion**	**0.4 billion**	0.4 billion
Equity investment risk 1 in 75 year decline in value	**1.1 billion**	**0.5 billion**	0.5 billion

(1) The Company has not defined a risk appetite for longevity risk as it believes that establishing a limit is currently the most appropriate risk management metric. In addition, the Company has not relied upon a modeled economic loss for longevity risk.

Critical Accounting Policies and Estimates

Critical Accounting Policies and Estimates of the Company at June 30, 2011 have not changed materially compared to December 31, 2010. See Critical Accounting Policies and Estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The following discussion updates specific information related to the Company s estimates for losses and loss expenses and life policy benefits and valuation of investments and funds held directly managed, including certain derivative financial instruments.

Losses and Loss Expenses and Life Policy Benefits

Losses and Loss Expenses

Because a significant amount of time can elapse between the assumption of risk, occurrence of a loss event, the reporting of the event to an insurance company (the primary company or the cedant), the subsequent reporting to the reinsurance company (the

reinsurer) and the ultimate payment of the claim on the loss event by the reinsurer, the Company s liability for unpaid losses and loss expenses (loss reserves) is based largely upon estimates. The Company categorizes loss reserves into three types of reserves: reported outstanding loss reserves (case reserves), additional case reserves (ACRs) and incurred but not reported (IBNR) reserves. The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants. The Company also estimates the future unallocated loss adjustment expenses (ULAE) associated with the loss reserves and these form part of the Company s loss adjustment expense reserves. The Company s Non-life loss reserves for each category and sub-segment are reported in the table included later in this section.

The amount of time that elapses before a claim is reported to the cedant and then subsequently reported to the reinsurer is commonly referred to in the industry as the reporting tail. For all lines, the Company s objective is to estimate ultimate losses and loss expenses. Total loss reserves are then calculated by subtracting losses paid. Similarly, IBNR reserves are calculated by subtraction of case reserves and ACRs from total loss reserves.

The Company analyzes its ultimate losses and loss expenses after consideration of the loss experience of various reserving cells. The Company assigns treaties to reserving cells and allocates losses from the treaty to the reserving cell. The reserving cells are selected in order to ensure that the underlying treaties have homogeneous loss development characteristics (e.g., reporting tail) but are large enough to make estimation of trends credible. The selection of reserving cells is reviewed annually and changes over time as the business of the Company evolves. For each reserving cell, the Company s estimates of loss reserves are reached after a review of the results of several commonly accepted actuarial projection methodologies. In selecting its best estimate, the Company considers the appropriateness of each methodology to the individual circumstances of the reserving cell and underwriting year for which the projection is made.

See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for additional information on the reserving methodologies employed by the Company, the principal reserving methods used for the reserving lines, the principal parameter assumptions underlying the methods and the main underlying factors upon which the estimates of reserving parameters are predicated.

The Company s best estimate of total loss reserves is typically in excess of the midpoint of the actuarial ultimate liability estimate. The Company believes that there is potentially significant risk in estimating loss reserves for long-tail lines of business and for immature underwriting years that may not be adequately captured through traditional actuarial projection methodologies as these methodologies usually rely heavily on projections of prior year trends into the future. In selecting its best estimate of future liabilities, the Company considers both the results of actuarial point estimates of loss reserves as well as the potential variability of these estimates as captured by a reasonable range of actuarial liability estimates. The selected best estimates of reserves are always within the reasonable range of estimates indicated by the Company s actuaries.

During the three months and six months ended June 30, 2011 and 2010, the Company reviewed its estimate for prior year losses for each sub-segment of the Non-life segment (defined below in Results by Segment) and, in light of developing data, adjusted its ultimate loss ratios for prior accident years. The following table summarizes the net prior year favorable reserve development for each sub-segment of the Company s Non-life segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	**For the six months ended June 30, 2011**	For the six months ended June 30, 2010
Net Non-life prior year favorable reserve development:				
North America	**$ 55**	$ 53	**$ 95**	$ 76
Global (Non-U.S.) P&C	**22**	25	**54**	59
Global (Non-U.S.) Specialty	**58**	32	**93**	48
Catastrophe	**26**	11	**61**	31
Total net Non-life prior year favorable reserve development	**$ 161**	$ 121	**$ 303**	$ 214

The net Non-life favorable reserve development on prior accident years for the three months and six months ended June 30, 2011 and 2010 was driven by the following factors (in millions of U.S. dollars):

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	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Net Non-life prior year favorable (adverse) reserve development:				
Net prior year reserve development due to changes in premiums	**$ 2**	$	**$ (26)**	$ (6)
Net prior year reserve development due to all other factors [(1)]	**159**	121	**329**	220
Total net Non-life prior year favorable reserve development	**$ 161**	$ 121	**$ 303**	$ 214

(1) Net prior year reserve development due to all other factors includes, but is not limited to, loss experience, changes in assumptions and changes in methodology.

For a discussion of net prior year favorable reserve development by Non-life sub-segment, see Results by Segment below. See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for additional information by reserving lines.

The following table shows the gross reserves reported by cedants (case reserves), those estimated by the Company (ACRs and IBNR reserves) and the total gross, ceded and net loss reserves recorded as of June 30, 2011 for each Non-life sub-segment (in millions of U.S. dollars):

	Case reserves	ACRs	IBNR reserves	Total gross loss reserves recorded	Ceded loss reserves	Total net loss reserves recorded
North America	$ 989	$ 138	$ 2,166	$ 3,293	$ (22)	$ 3,271
Global (Non-U.S.) P&C	1,621	7	1,283	2,911	(32)	2,879
Global (Non-U.S.) Specialty	2,109	81	1,780	3,970	(236)	3,734
Catastrophe	374	1,059	409	1,842	(88)	1,754
Total Non-life	$ 5,093	$ 1,285	$ 5,638	$ 12,016	$ (378)	$ 11,638

The net loss reserves represent the Company s best estimate of future losses and loss expense amounts based on the information available at June 30, 2011. Loss reserves rely upon estimates involving actuarial and statistical projections at a given time that reflect the Company s expectations of the costs of the ultimate settlement and administration of claims. These estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, for which any adjustments will be reflected in the period in which the need for an adjustment is determined.

The Company s best estimates are point estimates within a reasonable range of actuarial liability estimates. These ranges are developed using stochastic simulations and techniques and provide an indication as to the degree of variability of the loss reserves. The Company interprets the ranges produced by these techniques as confidence intervals around the point estimates for each Non-life sub-segment. However, due to the inherent volatility in the business written by the Company, there can be no guarantee that the final settlement of the loss reserves will fall within these ranges.

The recorded point estimates related to net loss reserves recorded by the Company, and the range of actuarial estimates at June 30, 2011, were as follows for each sub-segment of the Non-life segment (in millions of U.S. dollars):

	Recorded Point Estimate	High	Low
Net Non-life sub-segment loss reserves:			
North America	$ 3,271	$ 3,494	$ 2,584
Global (Non-U.S.) P&C	2,879	3,115	2,463

Global (Non-U.S.) Specialty	3,734	3,889	3,302
Catastrophe	1,754	1,851	1,637

It is not appropriate to add together the ranges of each sub-segment in an effort to determine a high and low range around the Company s total Non-life carried loss reserves.

Of the Company s $11,638 million of net Non-life loss reserves at June 30, 2011, $1,165 million of net loss reserves for accident years 2005 and prior are guaranteed by Colisée Re, pursuant to the Reserve Agreement, and are not subject to loss reserve variability. See Summary of certain agreements between AXA SA, Colisée Re and Paris Re in Item 1 of Part I of the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Life Policy Benefits

Policy benefits for life and annuity contracts relate to the business in the Company s Life segment, which predominantly includes reinsurance of longevity, subdivided into standard and non-standard annuities, and mortality business, which includes traditional death and disability covers (with various riders), term assurance and critical illness (TCI) written in the UK and Ireland, and guaranteed minimum death benefit (GMDB) written in Continental Europe.

The Company categorizes life reserves into three types of reserves: reported outstanding loss reserves (case reserves), incurred but not reported (IBNR) reserves and reserves for future policy benefits. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Principal assumptions used in the establishment of reserves for future policy benefits have been determined based upon information reported by ceding companies, supplemented by the Company s actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty.

For the traditional life portfolio, case reserves, IBNR reserves and reserves for future policy benefits are mainly calculated at the treaty level. The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants.

For long duration products, a reserve adequacy test is periodically performed based on the latest best estimate assumptions by line of business, including an experience analysis and a review of likely future experience. If such review produces reserves in excess of those currently held, then the locked-in assumptions will be revised and a loss recognized.

See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits Life Policy Benefits in Item 7 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for additional information on the reserving methodologies employed by the Company for its longevity and mortality lines.

The Life segment experienced net adverse prior year loss development of $2 million in the three months ended June 30, 2011, primarily driven by net adverse development on certain short-term disability treaties in the mortality line. The net favorable prior year loss development of $2 million in the six months ended June 30, 2011 was primarily due to favorable development related to the GMDB business, driven by updated cedant information and an improvement in the capital markets, being offset by adverse development on certain short-term treaties and a credit life treaty in the mortality line. The Life segment reported net adverse prior year loss development of $28 million and $17 million during the three months and six months ended June 30, 2010, respectively, primarily driven by adverse development in the longevity line, due to an improvement in the mortality trend related to an impaired life annuity (ILA) treaty. See Results by Segment below.

Valuation of Investments and Funds Held Directly Managed, including certain Derivative Financial Instruments

The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of its financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels.

Under the fair value hierarchy, Management uses certain assumptions and judgments to derive the fair value of its investments, particularly for those assets with significant unobservable inputs, commonly referred to as Level 3 assets. The Company s Level 3 assets totaled $549 million and $500 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, the Level 3 assets of $549 million included fixed maturities and short-term investments of $468 million, equities of $7 million, other invested assets of $52 million and investments underlying the funds held directly managed account of $22 million. For additional information related to the transfers into, and out of, the Company s Level 3 classification during the three months and six months ended June 30, 2011, see Note 4 to Unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

For additional information on the valuation techniques, methods and assumptions that were used by the Company to estimate the fair value of its fixed maturities, short-term investments, equities, other invested assets and investments underlying the funds held directly managed account, see Note 4 to Unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I of this report. For additional information on the Company s use of derivative financial instruments, see Note 5 to Unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Results of Operations for the Three Months and Six Months Ended June 30, 2011 and 2010

The following discussion of Results of Operations contains forward-looking statements based upon assumptions and expectations concerning the potential effect of future events that are subject to uncertainties. See Item 1A of Part I of the Company s Annual Report on Form 10-K for the

year ended December 31, 2010 and Item 1A of Part II of this report for a review of important risk factors. Any of these risk factors could cause actual results to differ materially from those reflected in such forward-looking statements.

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The Company s reporting currency is the U.S. dollar. The Company s significant subsidiaries and branches have one of the following functional currencies: U.S. dollar, euro or Canadian dollar. As a significant portion of the Company s operations is transacted in foreign currencies, fluctuations in foreign exchange rates may affect year over year comparisons. To the extent that fluctuations in foreign exchange rates affect comparisons, their impact has been quantified, when possible, and discussed in each of the relevant sections. See Note 2(m) to Consolidated Financial Statements in Item 8 of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of translation of foreign currencies.

The foreign exchange fluctuations for the principal currencies in which the Company transacts business were as follows:

- the U.S. dollar average exchange rate was weaker against most currencies in the three months ended June 30, 2011 compared to the same period in 2010 and weaker against most currencies, except the euro, in the six months ended June 30, 2011 compared to the same period in 2010; and

- the U.S. dollar exchange rate weakened against most currencies at June 30, 2011 compared to December 31, 2010.

Overview

The Company measures its performance in several ways. Among the performance measures accepted under U.S. GAAP is diluted net income per share, a measure that focuses on the return provided to the Company s common shareholders. Diluted net income per share is obtained by dividing net income available to common shareholders by the weighted average number of common shares and common share equivalents outstanding. Net income available to common shareholders is defined as net income less preferred dividends. See the discussion of the non-GAAP performance measures that the Company uses (operating earnings or loss and Operating ROE) and the reconciliation of those non-GAAP measures to the most comparable GAAP measures in Key Financial Measures above.

The year over year comparison of the Company s results is primarily affected by the losses related to large catastrophic events in the three months and six months ended June 30, 2011 and 2010, the decrease in gross and net premiums written in the Non-life segment due to cancellations and non-renewals of business as a result of decreases in pricing, the repositioning of the Company s portfolio following the integration of PARIS RE Holdings Limited s (Paris Re) business, including a reduction in catastrophe exposures, and continued volatility in the capital and credit markets. To the extent that these events have affected the year over year comparison of the Company s results, their impact has been quantified and discussed in each of the relevant sections. An overview of each of these events is provided below.

As the Company s reinsurance operations are exposed to low-frequency high-severity risk events, some of which are seasonal, results for certain periods may include unusually low loss experience, while results for other periods may include significant catastrophic losses. Consequently, the Company s results for interim periods are not necessarily indicative of results for the full year.

During the three months ended March 31, 2011 the Company incurred losses, net of retrocession, reinstatement premiums and profit commission adjustments, of $1,071 million related to the combined impact of the Japan Earthquake, New Zealand Earthquake, Australian Floods and an aggregate contract covering losses in Australia and New Zealand. Based on information received from cedants, the Company has increased its loss estimates related to these events during the three months ended June 30, 2011 by $59 million, net of retrocession, reinstatement premiums and profit commission adjustments, which primarily related to adverse development on the New Zealand Earthquake of $71 million following the receipt of updated cedant information.

During the three months ended June 30, 2011, the Company incurred losses of $89 million, net of retrocession, reinstatement premiums and profit commission adjustments related to the U.S. tornadoes and $33 million related to an aggregate contract covering losses in Australia and New Zealand.

During the six months ended June 30, 2011, the Company s incurred losses related to these events, net of retrocession, reinstatement premiums and profit commission adjustments, of $1,259 million, with $717 million related to the Japan Earthquake, $323 million related to the New Zealand Earthquake, $93 million related to aggregate contracts covering losses in New Zealand and Australia, $89 million related to the U.S. tornadoes and $37 million related to the Australian Floods (see Results by Segment below for further details).

During the three months and six months ended June 30, 2010 the Company incurred losses of $55 million and $355 million, net of retrocession, reinstatement premiums and profit commission adjustments, related to the combined impact of the Chile Earthquake and Deepwater Horizon, respectively.

Loss estimates arising from earthquakes are inherently more uncertain than those from other catastrophic events. The Company s actual losses from the New Zealand Earthquake may materially exceed the estimated losses as a result of, among other things, an increase in industry insured loss estimates, the expected lengthy claims development period, in particular for earthquake related losses, and the receipt of additional information from cedants, brokers and loss adjusters.

The Company s loss estimate related to the Japan Earthquake is inherently more uncertain than those from other catastrophic events given it is based on limited and preliminary information that has been received from cedants to date and is also based, to a

lesser extent, on modeled losses. While the Company believes its techniques for modeling the impact of losses related to this event provides a reasonable basis for the estimation of its loss exposure, the Company cautions that estimates based on modeling are subject to a high degree of uncertainty. Additionally, due to the characteristics of the Company s reinsurance portfolio in the region, changes in loss assumptions for specific cedants may have a material impact on the Company s loss estimate related to this event given a significant portion of the losses are concentrated with a few large cedants. The Company believes there remains a high degree of uncertainty related to its loss estimates related to the Japan Earthquake and the ultimate losses arising from this event may be materially in excess of, or less than, the amounts provided for in the Unaudited Condensed Consolidated Balance Sheet at June 30, 2011. Any adjustments to the Company s preliminary estimate of its ultimate losses will be reflected in the periods in which they are determined, which may affect the Company s operating results in future periods.

The following table reflects the combined impact of the above losses and the impact on the Company s technical result, net realized and unrealized investment losses and pre-tax income by segment and sub-segment during the three months and six months ended June 30, 2011 (in millions of U.S. dollars):

Three months ended June 30, 2011	**North America**	**Global (Non-U.S.) P&C**	**Global (Non-U.S.) Specialty**	**Catastrophe**	**Total Non-life Segment**	**Life Segment**	**Corporate and Other**	**Total**
Net losses and loss expenses and life policy benefits	$ 40	$ 6	$ 10	$ 144	$ 200	$	$ 2	$ 202
Reinstatement premiums				(18)	(18)			(18)
Acquisition costs	(6)			2	(4)			(4)
Impact on technical result	$ 34	$ 6	$ 10	$ 128	$ 178	$	$ 2	$ 180
Net realized and unrealized investment losses								
Impact on pre-tax income					$ 178	$	$ 2	$ 180

Six months ended June 30, 2011	**North America**	**Global (Non-U.S.) P&C**	**Global (Non-U.S.) Specialty**	**Catastrophe**	**Total Non-life Segment**	**Life Segment**	**Corporate and Other**	**Total**
Net losses and loss expenses and life policy benefits	$ 53	$ 52	$ 43	$ 1,095	$ 1,243	$ 4	$ 2	$ 1,249
Reinstatement premiums				(23)	(23)			(23)
Acquisition costs	(6)			(10)	(16)			(16)
Impact on technical result	$ 47	$ 52	$ 43	$ 1,062	$ 1,204	$ 4	$ 2	$ 1,210
Net realized and unrealized investment losses							49	49
Impact on pre-tax income					$ 1,204	$ 4	$ 51	$ 1,259

During the three months and six months ended June 30, 2011, gross premiums written in the Company s Non-life segment decreased by 9% and 17%, respectively, compared to the same periods in 2010. The decrease in gross premiums written impacted all of the Company s Non-life sub-segments, except the North America sub-segment, and was most pronounced in the Global (Non-U.S.) P&C sub-segment. The decreases are primarily driven by the effects of the Company s decision to reduce or cancel business, as a result of decreases in pricing in certain competitive markets and the repositioning of its portfolios following the integration of Paris Re s business, including reducing the level of catastrophe-exposed business written.

During the three months ended June 30, 2011, European and U.S. risk-free interest rates decreased, credit spreads widened and equity markets remained relatively flat, while the U.S. dollar weakened against most major currencies. In the six months ended June 30, 2011, European and U.S. risk-free interest rates increased modestly, equity markets improved and credit spreads were flat, while the U.S. dollar weakened against most major currencies. As a result of these movements, the value of the Company s investment portfolio and cash and cash equivalents increased at June 30, 2011 compared to December 31, 2010, primarily due to the impact of foreign exchange and higher equity markets and was partially offset by the impact of increased risk free rates.

These factors affecting the year over year comparison of the Company s results are discussed below in Review of Net Income (Loss), Results by Segment and Financial Condition, Liquidity and Capital Resources, and may continue to affect our results of operations and financial condition in the future.

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Net income (loss), preferred dividends, net income (loss) available to common shareholders and diluted net income (loss) per share for the three months and six months ended June 30, 2011 and 2010 were as follows (in millions of U.S. dollars, except per share data):

	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Net income (loss)	**$ 124**	**(35) %**	$ 191	**$ (683)**	**NM %**	$ 271
Less: preferred dividends	**9**		9	**17**		17
Net income (loss) available to common shareholders	**$ 115**	**(37)**	$ 182	**$ (700)**	**NM**	$ 254
Diluted net income (loss) per share	**$ 1.69**	**(27)**	$ 2.31	**$ (10.32)**	**NM**	$ 3.13

NM: not meaningful

Three-month result

The decrease in net income, net income available to common shareholders and diluted net income per share for the three months ended June 30, 2011 compared to the same period in 2010 resulted primarily from:

- a decrease in the Non-life underwriting result of $110 million, driven by large catastrophic losses related to the U.S. tornadoes and net adverse loss development on the prior quarter primarily related to the New Zealand Earthquake, which were partially offset by an increase in net favorable prior year loss development, compared to a large loss related to Deepwater Horizon in the three months ended June 30, 2010;

- an increase in income tax expense of $33 million, resulting from a change in the geographic distribution of the Company s pre-tax net income; and

- a decrease in net investment income of $16 million; partially offset by

- a decrease in other corporate operating expenses of $35 million, primarily driven by the charges related to the Company s voluntary termination plan in the three months ended June 30, 2010;

- an increase in pre-tax net realized and unrealized investment gains of $32 million; and

- an improvement in the Life underwriting result of $29 million, primarily driven by lower net adverse loss development on prior years.

Six-month result

The decrease in net (loss) income, net (loss) income available to common shareholders and diluted net (loss) income per share for the six months ended June 30, 2011 compared to the same period in 2010 resulted primarily from:

- a decrease in the Non-life underwriting result of $768 million, primarily driven by large catastrophic losses related to the Japan Earthquake, New Zealand Earthquake, U.S. tornadoes, Australian Floods and aggregate contracts covering losses in Australia and New Zealand in 2011, partially offset by an increase in net favorable prior year loss development, compared to large catastrophic losses related to the Chile Earthquake and a large loss related to Deepwater Horizon in 2010;

- a decrease in pre-tax net realized and unrealized investment gains of $225 million; and

- a decrease in net investment income of $38 million; partially offset by

- a decrease in other corporate operating expenses of $45 million, primarily driven by the charges related to the Company s voluntary termination plan in the six months ended June 30, 2010; and

- an improvement in the Life underwriting result of $30 million.

Review of Net Income (Loss)

Management analyzes the Company s net income in three parts: underwriting result, investment result and other components of net income (loss). Underwriting result consists of net premiums earned and other income or loss less losses and loss expenses and life policy benefits, acquisition costs and other operating expenses. Investment result consists of net investment income, net realized and unrealized investment gains or losses and interest in earnings or losses of equity investments. Net investment income includes interest and dividends, net of investment expenses, generated by the Company s investment activities, as well as interest income generated on funds held assets. Net realized and unrealized investment gains or losses include sales of the Company s fixed income, equity and other invested assets and investments underlying the funds held directly managed account and changes in net unrealized gains or losses. Interest in earnings or losses of equity investments includes the Company s strategic investments. Other components of net income or loss include technical result and other income or loss, other operating expenses, interest expense, amortization of intangible assets, net foreign exchange gains or losses and income tax expense or benefit.

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The components of net income (loss) for the three months and six months ended June 30, 2011 and 2010 were as follows (in millions of U.S. dollars):

	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Underwriting result:						
Non-life	**$ (15)**	**NM %**	$ 95	**$ (839)**	**NM %**	$ (71)
Life	**(4)**	**(88)**	(33)	**(7)**	**(80)**	(37)
Investment result:						
Net investment income	**158**	**(9)**	174	**310**	**(11)**	348
Net realized and unrealized investment gains (losses)	**78**	**70**	46	**(34)**	**NM**	191
Interest in (losses) earnings of equity investments[1]	**(1)**	**NM**	1		**NM**	4
Corporate and Other:						
Technical result[2]	**(1)**	**NM**	1	**(1)**	**NM**	1
Other income (loss)[2]	**1**	**NM**	(1)	**1**	**NM**	(1)
Other operating expenses	**(30)**	**(56)**	(65)	**(56)**	**(45)**	(101)
Interest expense	**(12)**	**(5)**	(13)	**(24)**	**23**	(20)
Amortization of intangible assets[3]	**(9)**	**17**	(8)	**(18)**	**42**	(13)
Net foreign exchange gains	**9**	**(21)**	11	**9**	**(36)**	15
Income tax expense	**(50)**	**182**	(17)	**(24)**	**(47)**	(45)
Net income (loss)	**$ 124**	**(35)**	$ 191	**$ (683)**	**NM**	$ 271

(1) Interest in earnings or loss of equity investments represents the Company s aggregate share of earnings or losses related to several private placement investments and limited partnerships within the Corporate and Other segment.

(2) Technical result and other income primarily relate to income on insurance-linked securities and principal finance transactions within the Corporate and Other segment.

(3) Amortization of intangible assets relates to intangible assets acquired in the acquisition of Paris Re in 2009.

Underwriting result is a measurement that the Company uses to manage and evaluate its Non-life and Life segments, as it is a primary measure of underlying profitability for the Company s core reinsurance operations, separate from the investment results. The Company believes that in order to enhance the understanding of its profitability, it is useful for investors to evaluate the components of net income separately and in the aggregate. Underwriting result should not be considered a substitute for net income and does not reflect the overall profitability of the business, which is also impacted by investment results and other items.

Three-month result

The underwriting result for the Non-life segment decreased by $110 million, from $95 million in the three months ended June 30, 2010 to a loss of $15 million in the same period of 2011. The decrease was primarily attributable to:

- an increase in large catastrophic losses and large losses of $119 million, net of retrocession, reinstatement premiums and related profit commissions, related to the U.S. tornadoes and an aggregate contract covering losses in Australia and New Zealand;

- an increase in net adverse loss development on the prior quarter of $93 million, from net favorable loss development of $38 million in the three months ended June 30, 2010 to net adverse loss development of $55 million in the same period of 2011; and

an increase of approximately $12 million resulting from declining profitability of the business, a higher level of mid-sized loss activity and a reduced level of premiums earned, which were reduced by a lower level of loss estimates in the credit/surety line of business; partially offset by

a decrease in losses and loss expenses of $63 million, net of retrocession and reinstatement premiums, related to Deepwater Horizon;

an increase in net favorable loss development on prior accident years of $40 million, from $121 million in the three months ended June 30, 2010 to $161 million in the same period of 2011. The components of the net favorable loss development are described in more detail in the discussion of individual sub-segments in Results by Segment below; and

a decrease in other operating expenses of $11 million, primarily driven by lower personnel costs.

The underwriting result for the Life segment improved from a loss of $33 million in the three months ended June 30, 2010 to a loss of $4 million in the three months ended June 30, 2011. The improvement in the underwriting result was primarily due to a decrease in net adverse prior year loss development. See Results by Segment below.

Net investment income decreased by $16 million to $158 million in the three months ended June 30, 2011 from $174 million in the same period of 2010. The decrease in net investment income of 9% is primarily attributable to a decrease in net investment income from fixed maturities and funds held directly managed due to lower reinvestment rates, which were partially offset by the purchase of higher yielding investments and foreign exchange fluctuations. See Corporate and Other Net Investment Income below for more details.

Net realized and unrealized investment gains increased by $32 million, from $46 million in the three months ended June 30, 2010 to $78 million in the same period of 2011. The net realized and unrealized investment gains of $78 million in the three months ended June 30, 2011 were primarily due to declining European and U.S. risk-free interest rates and were partially offset by widening credit spreads. Net realized and unrealized investment gains of $78 million in the three months ended June 30, 2011 primarily consisted of the change in net unrealized investment gains on fixed maturities and short-term investments of $131 million and net realized investment gains on equities, fixed maturities and short-term investments of $39 million, which were partially offset by net realized investment losses on other invested assets, primarily related to treasury note futures, of $63 million and the change in net unrealized investment losses on equities and other invested assets of $37 million. See Corporate and Other Net Realized and Unrealized Investment Gains (Losses) below for more details on the investment activity.

Other operating expenses included in Corporate and Other decreased by $35 million from $65 million in the three months ended June 30, 2010 to $30 million in the same period of 2011. The decrease was primarily due to the charges related to the Company s voluntary termination plan in the three months ended June 30, 2010.

Interest expense in the three months ended June 30, 2011 was comparable to the same period in 2010.

Net foreign exchange gains decreased from $11 million in the three months ended June 30, 2010 to $9 million in the same period of 2011. The decrease in net foreign exchange gains during the three months ended June 30, 2011 resulted primarily from a lower gain related to currency movements on certain unhedged equity securities, and was partially offset by the timing of the hedging activities. The Company hedges a significant portion of its currency risk exposure as discussed in Quantitative and Qualitative Disclosures about Market Risk in Item 3 of Part I of this report.

Income tax expense increased by $33 million, from $17 million in the three months ended June 30, 2010 to $50 million in the same period of 2011. The increase in the income tax expense was primarily due to a change in the geographic distribution of the Company s pre-tax net income. See Corporate and Other Income Taxes below for more details.

Six-month result

The underwriting result for the Non-life segment decreased by $768 million, from a loss of $71 million in the six months ended June 30, 2010 to a loss of $839 million in the same period of 2011. The decrease was attributable to:

- an increase in large catastrophic losses of $915 million, net of retrocession, reinstatement premiums and profit commissions, related to the Japan Earthquake, New Zealand Earthquake, aggregate contracts covering losses in Australia and New Zealand, U.S. tornadoes and Australian Floods in 2011 compared to the Chile Earthquake in 2010; and

- a decrease of approximately $29 million resulting from the impact of declining profitability of the business and a lower level of net premiums earned, which was reduced by a lower level of loss estimates in the credit/surety line of business; partially offset by

- an increase in net favorable loss development on prior accident years of $89 million, from $214 million in the six months ended June 30, 2010 to $303 million in the same period of 2011. The components of the net favorable loss development are described in more detail in the discussion of individual sub-segments in Results by Segment below;

- a decrease in losses and loss expenses of $63 million, net of retrocession and reinstatement premiums, related to Deepwater Horizon; and
- a decrease in other operating expenses of $23 million, primarily driven by lower personnel costs.

The underwriting result for the Life segment improved from a loss of $37 million in the six months ended June 30, 2010 to a loss of $7 million in the same period of 2011. The improvement in the underwriting result was primarily due to a decrease in net adverse prior year loss development. See Results by Segment below.

Net investment income decreased by $38 million to $310 million in the six months ended June 30, 2011 compared to $348 million in the same period of 2010. The decrease in net investment income of 11% is primarily attributable to a decrease in net investment income from fixed maturities and funds held directly managed due to lower reinvestment rates and a lower level of fixed

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maturities held, on average, in the six months ended June 30, 2011, which were partially offset by the purchase of higher yielding investments. See Corporate and Other Net Investment Income below for more details.

Net realized and unrealized investment gains decreased by $225 million, from $191 million in the six months ended June 30, 2010 to a loss of $34 million in the same period of 2011. The net realized and unrealized investment losses of $34 million in the six months ended June 30, 2011 were primarily due to losses on treasury note futures, losses on insurance-linked securities impacted by the Japan Earthquake and a modest increase in European and U.S. risk-free interest rates, which were partially offset by improvements in worldwide equity markets. Net realized and unrealized investment losses of $34 million in the six months ended June 30, 2011 primarily consisted of net realized investment losses on other invested assets (mainly related to treasury note futures) of $51 million, the change in net unrealized investment losses on other invested assets, equities, fixed maturities and short-term investments of $69 million, which were partially offset by net realized investment gains on equities, fixed maturities and short-term investments of $84 million. See Corporate and Other Net Realized and Unrealized Investment Gains (Losses) below for more details on the investment activity.

Other operating expenses included in Corporate and Other decreased by $45 million from $101 million in the six months ended June 30, 2010 to $56 million in the same period of 2011. The decrease was primarily due to the charges related to the Company s voluntary termination plan in the six months ended June 30, 2010, as well as lower personnel costs in the 2011 period.

Interest expense increased by $4 million in the six months ended June 30, 2011 compared to the same period in 2010 primarily due to interest related to the issuance of $500 million 5.500% Senior Notes in March 2010, which was not outstanding for the entire period during the six months ended June 30, 2010.

Net foreign exchange gains decreased from $15 million in the six months ended June 30, 2010 to $9 million in the same period of 2011. The decrease in net foreign exchange gains during the six months ended June 30, 2011 resulted primarily from the impact of currency movements on certain unhedged equity securities, partially offset by the timing of the hedging activities and the difference in the forward points embedded in the Company s hedges. The Company hedges a significant portion of its currency risk exposure as discussed in Quantitative and Qualitative Disclosures about Market Risk in Item 3 of Part I of this report.

Income tax expense decreased by $21 million, from $45 million in the six months ended June 30, 2010 to $24 million in the same period of 2011. The decrease in the income tax expense was primarily due to the decrease in pre-tax net realized and unrealized investment gains in the six months ended June 30, 2011 compared to the same period of 2010 and the geographic distribution of pre-tax net income. See Corporate and Other Income Taxes below for more details.

Results by Segment

The Company monitors the performance of its operations in three segments, Non-life, Life and Corporate & Other. The Non-life segment is further divided into four sub-segments, North America, Global (Non-U.S.) Property and Casualty (Global (Non-U.S.) P&C), Global (Non-U.S.) Specialty and Catastrophe. Segments and sub-segments represent markets that are reasonably homogeneous in terms of geography, client types, buying patterns, underlying risk patterns and approach to risk management. See Note 22 to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for additional information concerning the Company s segments and sub-segments.

Following the completion of the Company s integration of Paris Re into its other Non-life sub-segments, and to reflect other changes in management responsibilities for certain lines of business and treaties, the Company redefined its financial reporting segments. The comparative data that was previously presented in the Company s Form 10-Q for the three months ended June 30, 2010 has been recast to conform to the current period presentation.

Segment results are shown before intercompany transactions. Business reported in the Global (Non-U.S.) P&C and Global (Non-U.S.) Specialty sub-segments and the Life segment is, to a significant extent, denominated in foreign currencies and is reported in U.S. dollars at the average foreign exchange rates for each period. The U.S. dollar has fluctuated against the euro and other currencies in the three months and six months ended June 30, 2011 compared to the same periods in 2010 and this should be considered when making period to period comparisons.

Non-life Segment

North America

The North America sub-segment is comprised of lines of business that are considered to be either short, medium or long-tail. The short-tail lines consist of agriculture, property and proportional motor business and represented 49% and 43% of net premiums written in this sub-segment in the three months and six months ended June 30, 2011, respectively. Casualty and non-proportional motor business are considered to be long-tail and represented 41% and 43% of net premiums written in the three months and six

months ended June 30, 2011, respectively, while credit/surety and multiline are considered by the Company to have a medium-tail and accounted for the balance of net premiums written in this sub-segment. The casualty line represented approximately 40% and 41% of net premiums written in this sub-segment in the three months and six months ended June 30, 2011, respectively. This line typically tends to have a higher loss ratio and a lower technical result, due to the long-tail nature of the risks involved. Casualty treaties typically provide for investment income on premiums invested over a longer period as losses are typically paid later than for other lines. Investment income, however, is not considered in the calculation of technical result.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Gross premiums written	**$ 242**	**17%**	$ 207	**$ 581**	**3%**	$ 564
Net premiums written	**242**	**17**	207	**581**	**3**	564
Net premiums earned	**$ 261**	**17**	$ 223	**$ 521**	**6**	$ 491
Losses and loss expenses	**(190)**	**64**	(116)	**(365)**	**23**	(296)
Acquisition costs	**(63)**	**(8)**	(69)	**(129)**	**(6)**	(137)
Technical result[1]	**$ 8**	**(79)**	$ 38	**$ 27**	**(53)**	$ 58
Loss ratio[2]	**72.8%**		52.2%	**70.0%**		60.2%
Acquisition ratio[3]	**24.1**		30.7	**24.8**		28.0
Technical ratio[4]	**96.9%**		82.9%	**94.8%**		88.2%

(1) Technical result is defined as net premiums earned less losses and loss expenses and acquisition costs.
(2) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.
(3) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.
(4) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

Premiums

The North America sub-segment represented 23% of total net premiums written in the three months and six months ended June 30, 2011 compared to 19% of total net premiums written during the same periods in 2010. The increase in the North America sub-segment s net premiums written as a percentage of total net premiums written was mainly due to higher net premiums written in this sub-segment, primarily in the agriculture line of business as described below, and the decreases in net premiums written in the Company s other Non-life sub-segments.

Three-month result

Gross and net premiums written and net premiums earned increased by 17% in the three months ended June 30, 2011 compared to the same period in 2010. The increase in gross and net premiums written and net premiums earned was primarily attributable to the agriculture line of business and, to a lesser extent, the casualty line of business. The increase in the agriculture line of business was mainly driven by increased demand and higher agricultural commodity prices in the three months ended June 30, 2011 and significant downward premium adjustments and higher cedant retentions in the three months ended June 30, 2010. The casualty line benefitted from new business written during 2011. These increases in gross and net premiums written and net premiums earned were partially offset by decreases in the structured risk line, due to the expiry of a significant treaty, and in the property line, driven by the cancellation of a large treaty and lower renewals due to increased retentions and reductions in pricing.

Six-month result

Gross and net premiums written increased by 3% and net premiums earned increased by 6% in the six months ended June 30, 2011 compared to the same period in 2010. The increase in gross and net premiums written and net premiums earned was primarily attributable to the agriculture line and, to a lesser extent, the casualty line due to the reasons described in the three-month result. These increases were partially offset by decreases in the property and structured risk lines of business, due to the reasons described in the three-month result, and higher downward

premium adjustments reported by cedants in the six months ended June 30, 2011, primarily in the motor and casualty lines of business. The increase in net premiums earned was higher than the increase in gross and net premiums written due to the favorable impact of the business written in prior years. Notwithstanding the declining market conditions, higher retentions and the competition prevailing in certain lines of business and markets of this sub-segment, the Company was able to write business that met its portfolio objectives.

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Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2011 reflected:

- large catastrophic losses related to the U.S. tornadoes of $45 million, or 17.0 points on the loss ratio;
- net favorable loss development on prior accident years of $55 million, or 20.9 points on the loss ratio;
- net favorable loss development on the prior quarter of $5 million, or 1.8 points on the loss ratio, related to the Japan Earthquake;
- a higher level of mid-sized loss activity; and
- an increase in the book of business and exposure as evidenced by the increase in net premiums earned.

The net favorable loss development of $55 million reported in the three months ended June 30, 2011 included net favorable development for prior accident years in most lines of business, predominantly in the casualty line, while the motor and credit/surety lines experienced combined adverse loss development for prior accident years of $7 million. Loss information provided by cedants in the three months ended June 30, 2011 for prior accident years was lower than the Company expected (higher for motor and credit/surety) and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for most lines of business (increased for motor and credit/surety), which had the net effect of decreasing (increasing for motor and credit/surety) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2010 reflected:

- no large catastrophic losses;
- losses and loss expenses related to Deepwater Horizon of $5 million, or 2.2 points on the loss ratio;
- net favorable loss development on prior accident years of $53 million, or 23.8 points on the loss ratio;
- net favorable loss development on the prior quarter of $19 million, or 8.7 points on the loss ratio, primarily driven by significant downward premium adjustments in the agriculture line of business; and
- a decrease in the book of business and exposure.

The net favorable loss development of $53 million reported in the three months ended June 30, 2010 included net favorable loss development for prior accident years in the agriculture and casualty lines of business, while the motor, credit/surety and property lines experienced combined adverse loss development for prior accident years of $8 million.

The increase of $74 million in losses and loss expenses for the three months ended June 30, 2011 compared to the same period in 2010 included:

- an increase of $45 million in large catastrophic losses;
- a decrease of $14 million in net favorable prior quarter loss development; and
- an increase of $20 million in losses and loss expenses resulting from an increase in the book of business and exposure, a higher level of mid-sized loss activity and the impact of declining pricing on the profitability of the business between periods; partially offset by
- a decrease of $5 million in losses and loss expenses related to Deepwater Horizon.

Six-month result

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2011 reflected:

- large catastrophic losses related to the U.S. tornadoes and the Japan Earthquake of $53 million, or 10.1 points on the loss ratio;
- net favorable loss development on prior accident years of $95 million, or 18.1 points on the loss ratio; and
- an increase in the book of business and exposure.

The net favorable loss development of $95 million reported in the six months ended June 30, 2011 included net favorable development for prior accident years in most lines of business, predominantly in the casualty line, while the motor and credit/surety lines experienced adverse loss development of $7 million. Loss information provided by cedants in the six months ended June 30, 2011 for prior accident years was lower than the Company expected (higher for motor and credit/surety) and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased (increased for motor and credit/surety) its expected ultimate loss ratios for most lines of business, which had the net effect of decreasing (increasing for motor and credit/surety) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2010 reflected:

- large catastrophic losses related to the Chile Earthquake of $6 million, or 1.2 points on the loss ratio;
- losses and loss expenses related to Deepwater Horizon of $5 million, or 1.0 points on the loss ratio;
- net favorable loss development on prior accident years of $76 million, or 15.6 points on the loss ratio; and
- a decrease in the book of business and exposure.

The net favorable loss development of $76 million reported in the six months ended June 30, 2010 included net favorable loss development for prior accident years in most lines of business, predominantly in the casualty and agriculture lines, while the motor and credit/surety lines experienced combined adverse loss development for prior accident years of $8 million.

The increase of $69 million in losses and loss expenses for the six months ended June 30, 2011 compared to the same period in 2010 included:

- an increase of $47 million in large catastrophic losses; and
- an increase of $46 million in losses and loss expenses resulting from an increase in the book of business and exposure and the impact of declining pricing on the profitability of the business between periods; partially offset by
- an increase of $19 million in net favorable prior year loss development; and
- a decrease of $5 million in losses and loss expenses related to Deepwater Horizon.

Acquisition costs and acquisition ratio

Three-month and six-month result

Acquisition costs and the acquisition ratio decreased in the three months and six months ended June 30, 2011 compared to the same periods in 2010 as a result of an increase in net premiums earned in the agriculture line of business, which carries a lower acquisition ratio, and a reduction in profit commissions related to a treaty impacted by the U.S. tornadoes.

Technical result and technical ratio

Three-month result

The decrease of $30 million in the technical result and the corresponding increase in the technical ratio in the three months ended June 30, 2011 was primarily attributable to an increase of $39 million, net of related profit commissions, in large catastrophic losses, a higher level of mid-sized loss activity and a decrease of $14 million in net favorable prior quarter loss development. These decreases in the technical result were partially offset by a decrease in the acquisition ratio as a result of the increase in agriculture net premiums earned, a decrease of $5 million in losses and loss expenses related to Deepwater Horizon and declining profitability of the business between periods.

Six-month result

The decrease of $31 million in the technical result and the corresponding increase in the technical ratio in the six months ended June 30, 2011 was primarily attributable to an increase of $41 million, net of related profit commissions, in large catastrophic losses and declining profitability of the business. These decreases in the technical result were partially offset by an increase of $19 million in net favorable prior year loss development, a decrease in the acquisition ratio as a result of the increase in agriculture net premiums earned, a decrease of $5 million in losses and loss expenses related to Deepwater Horizon and normal fluctuations in net premiums earned between periods.

Global (Non-U.S.) P&C

The Global (Non-U.S.) P&C sub-segment is composed of short-tail business, in the form of property and proportional motor business, that represented approximately 94% and 83% of net premiums written in this sub-segment in the three months and six months ended June 30, 2011, respectively, and long-tail business, in the form of casualty and non-proportional motor business, that represented the balance of net premiums written.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

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	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Gross premiums written	$ 122	(35)%	$ 189	$ 440	(30)%	$ 633
Net premiums written	121	(35)	186	437	(30)	621
Net premiums earned	$ 193	(16)	$ 231	$ 374	(19)	$ 461
Losses and loss expenses	(127)	(10)	(141)	(277)	(29)	(387)
Acquisition costs	(53)	(13)	(61)	(93)	(18)	(114)
Technical result	$ 13	(56)	$ 29	$ 4	NM	$ (40)
Loss ratio	65.9 %		61.1 %	74.0 %		84.0 %
Acquisition ratio	27.6		26.4	25.0		24.6
Technical ratio	93.5 %		87.5 %	99.0 %		108.6 %

Premiums

The Global (Non-U.S.) P&C sub-segment represented 12% and 17% of total net premiums written in the three months and six months ended June 30, 2011, respectively, compared to 17% and 22% of total net premiums written during the same periods in 2010. The decrease in the Global (Non-U.S.) P&C sub-segment s net premiums written as a percentage of total net premiums written was primarily due to the effects of the Company s decision to cancel or reduce business as a result of decreases in pricing and the repositioning of the Company s portfolio, as described below. The decrease in this sub-segment s net premiums written is also due to a significant percentage of this sub-segment s business being written on a proportional basis, with the effects of the decision to reduce or cancel business recognized in premiums written on a quarterly basis over the coverage periods of the underlying treaties.

Three-month result

Gross and net premiums written decreased by 35% and net premiums earned decreased by 16% in the three months ended June 30, 2011 compared to the same period in 2010. The decreases in gross and net premiums written and net premiums earned resulted from all lines of business and were mainly driven by the effects of the Company s decision to cancel or reduce business as a result of reductions in pricing, the repositioning of the Company s portfolio following the integration of Paris Re s business, which included reducing catastrophe-exposed business in the property line, and higher cedant retentions. The decreases in gross and net premiums written and net premiums earned were partially offset by the weaker U.S. dollar in the three months ended June 30, 2011 compared to the same period in 2010, as the premiums denominated in currencies that have appreciated against the U.S. dollar were converted into U.S. dollars at higher average exchange rates. Foreign exchange fluctuations increased gross and net premiums written and net premiums earned by 6%. The decrease in net premiums earned was lower than the decreases in gross and net premiums written primarily due to the earning of business in the three months ended June 30, 2011 that was written in 2010.

Six-month result

Gross and net premiums written decreased by 30% and net premiums earned decreased by 19% in the six months ended June 30, 2011 compared to the same period in 2010. The decreases in gross and net premiums written and net premiums earned resulted from all lines of business due to the reasons described in the three-month result above. The decrease in net premiums earned was lower than the decreases in gross and net premiums written primarily due to the earning of business in the six months ended June 30, 2011 that was written in 2010. Notwithstanding the increased competition and overall declines in pricing prevailing in certain lines of business and markets of this sub-segment, the Company was able to write business that met its portfolio objectives.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2011 reflected:

no large catastrophic losses;

- net favorable loss development on prior accident years of $22 million, or 11.5 points on the loss ratio;

- net adverse loss development on the prior quarter of $4 million, or 2.0 points on the loss ratio, which was driven by adverse development of $6 million, or 3.1 points on the loss ratio, related to the Australian Floods, Japan Earthquake and New Zealand Earthquake; and

- a decrease in the book of business and exposure and declines in pricing.

The net favorable loss development of $22 million reported in the three months ended June 30, 2011 included net favorable development for prior accident years in all lines of business, but was most pronounced in the motor line. Loss information provided by

cedants in the three months ended June 30, 2011 for prior accident years was lower than the Company expected and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines of business, which had the net effect of decreasing prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2010 reflected:

- no large catastrophic losses;
- net favorable loss development on prior accident years of $25 million, or 11.0 points on the loss ratio; and
- net adverse loss development on the prior quarter of $13 million, or 5.6 points on the loss ratio, which was driven by adverse development of $20 million, or 8.7 points on the loss ratio, related to the Chile Earthquake.

The net favorable loss development of $25 million reported in the three months ended June 30, 2010 included net favorable development for prior accident years in all lines of business.

The decrease of $14 million in losses and loss expenses for the three months ended June 30, 2011 compared to the same period in 2010 included:

- a decrease of $9 million in net adverse prior quarter loss development; and
- a decrease of approximately $8 million in losses and loss expenses resulting from a decrease in the book of business and exposure, which was reduced by the impact of declining pricing on the profitability of the business between periods; partially offset by
- a decrease of $3 million in net favorable prior year loss development.

Six-month result

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2011 reflected:

- large catastrophic losses related to the Japan Earthquake, New Zealand Earthquake and Australian Floods of $52 million, or 14.0 points on the loss ratio;
- net favorable loss development on prior accident years of $54 million, or 14.6 points on the loss ratio; and
- a decrease in the book of business and exposure and declines in pricing.

The net favorable loss development of $54 million reported in the six months ended June 30, 2011 included net favorable development for prior accident years in all lines of business, but was most pronounced in the motor line. Loss information provided by cedants in the six months ended June 30, 2011 for prior accident years was lower than the Company expected and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines of business, which had the net effect of decreasing prior year loss estimates.

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2010 reflected:

- large catastrophic losses related to the Chile Earthquake of $124 million, or 26.9 points on the loss ratio; and

- net favorable loss development on prior accident years of $59 million, or 12.8 points on the loss ratio.

The net favorable loss development of $59 million reported in the six months ended June 30, 2010 included net favorable development for prior accident years in all lines of business, particularly in the property line.

The decrease of $110 million in losses and loss expenses for the six months ended June 30, 2011 compared to the same period in 2010 included:

- a decrease of $72 million in large catastrophic losses; and

- a decrease of approximately $43 million in losses and loss expenses resulting from a decrease in the book of business and exposure, which was reduced by the impact of declining pricing on the profitability of the business between periods; partially offset by

- a decrease of $5 million in net favorable prior year loss development.

Acquisition costs and acquisition ratio

Three-month result

Acquisition costs decreased in the three months ended June 30, 2011 compared to the same period in 2010 primarily as a result of lower net premiums earned. The increase in the acquisition ratio in the three months ended June 30, 2011 compared to the same period in 2010 was primarily due to higher profit commission adjustments.

Six-month result

Acquisition costs decreased in the six months ended June 30, 2011 compared to the same period in 2010 primarily as a result of lower net premiums earned. The increase in the acquisition ratio in the six months ended June 30, 2011 compared to the same period in 2010 was primarily due to higher profit commission adjustments.

Technical result and technical ratio

Three-month result

The decrease of $16 million in the technical result and the corresponding increase in the technical ratio in the three months ended June 30, 2011 compared to the same period in 2010 was primarily attributable to declining profitability and net premiums earned between periods, partially offset by a decrease of $6 million in combined net adverse prior quarter and net favorable prior year loss development.

Six-month result

The increase of $44 million in the technical result and the corresponding decrease in the technical ratio in the six months ended June 30, 2011 compared to the same period in 2010 was primarily attributable to a decrease of $71 million, net of reinstatement premiums, in large catastrophic losses, which was partially offset by declining profitability and net premiums earned between periods and a decrease of $5 million in net favorable prior year loss development.

Global (Non-U.S.) Specialty

The Global (Non-U.S.) Specialty sub-segment is primarily comprised of lines of business that are considered to be either short or medium-tail. The short-tail lines consist of agriculture, energy and specialty property and represented 25% and 21% of net premiums written in this sub-segment in the three months and six months ended June 30, 2011, respectively. Aviation/space, credit/surety, engineering and marine are considered by the Company to have a medium-tail and represented 67% and 66%, respectively, of net premiums written, while specialty casualty is considered to be long-tail and accounted for the balance of net premiums written in this sub-segment in the three months and six months ended June 30, 2011.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Gross premiums written	**$ 350**	**(6)%**	$ 371	**$ 724**	**(18)%**	$ 880
Net premiums written	**333**	**(6)**	355	**648**	**(20)**	811
Net premiums earned	**$ 341**	**(9)**	$ 376	**$ 658**	**(8)**	$ 713
Losses and loss expenses	**(206)**	**(29)**	(292)	**(427)**	**(28)**	(595)
Acquisition costs	**(78)**	**(5)**	(82)	**(158)**	**8**	(146)
Technical result	**$ 57**	**NM**	$ 2	**$ 73**	**NM**	$ (28)
Loss ratio	**60.3%**		77.6%	**64.9%**		83.4%
Acquisition ratio	**22.9**		21.9	**24.0**		20.5
Technical ratio	**83.2%**		99.5%	**88.9%**		103.9%

Premiums

The Global (Non-U.S.) Specialty sub-segment represented 31% and 26% of total net premiums written in the three months and six months ended June 30, 2011, respectively, compared to 32% and 28% of total net premiums written during the same periods in 2010. The decrease in the Global (Non-U.S.) Specialty sub-segment s net premiums written as a percentage of total net premiums written was primarily due to the effects of the Company s decision to cancel or reduce business as a result of modestly reduced pricing in certain lines of business and the repositioning

of the Company s portfolio, as described below. The decrease in the sub-segment s net premiums written is also due to a significant percentage of this sub-segment s business being written on a proportional basis, with the effects of the decision to reduce or cancel business recognized in premiums written on a quarterly basis over the coverage periods of the underlying treaties.

Three-month result

Gross and net premiums written decreased by 6% and net premiums earned decreased by 9% in the three months ended June 30, 2011 compared to the same period in 2010. The decrease in gross and net premiums written and net premiums earned resulted from

most lines of business and was primarily driven by the effects of the Company s decision to cancel or reduce business as a result of modest reductions in pricing in certain lines of business and the repositioning of the Company s portfolio following the integration of Paris Re s business. These decreases were partially offset by new business written in the marine and specialty property lines of business, share increases in the credit/surety line of business and the impact of the weaker U.S. dollar in the three months ended June 30, 2011 compared to the same period in 2010. Foreign exchange fluctuations increased gross premiums written by 4% and net premiums written and earned by 5%.

Six-month result

Gross and net premiums written and net premiums earned decreased by 18%, 20% and 8% in the six months ended June 30, 2011 compared to the same period in 2010. The decrease in gross and net premiums written resulted from most lines of business due to reasons described in the three-month result above. The decrease in gross and net premiums written was also due to an increase in the distribution of premiums written towards proportional business, where the Company generally recognizes premiums written over the coverage period compared to generally recognizing premiums written in full at the inception date of the contract for non-proportional business. These decreases were partially offset by an increase in upward premium adjustments reported by cedants in the six months ended June 30, 2011 compared to the same period in 2010, which were primarily driven by the energy and engineering lines of business, new business written in the marine and specialty property lines of business and share increases in the credit/surety line of business. The decrease in net premiums earned was driven by the same factors as the decreases in gross and net premiums written. The decrease in net premiums earned was lower than the decreases in gross and net premiums written primarily due to the earning of business in the six months ended June 30, 2011 that was written in 2010. Notwithstanding the diverse conditions prevailing in various markets within this sub-segment, with terms in most markets soft, the Company was able to write business that met its portfolio objectives.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2011 reflected:

- large catastrophic losses related to the U.S. tornadoes of $15 million, or 4.5 points on the loss ratio;
- net favorable loss development on prior accident years of $58 million, or 16.9 points on the loss ratio; and
- a decrease in the book of business and exposure and modest declines in pricing in certain lines of business.

The net favorable loss development of $58 million reported in the three months ended June 30, 2011 included net favorable development for prior accident years in all lines of business. Loss information provided by cedants in the three months ended June 30, 2011 for prior accident years was lower than the Company expected and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios, which had the net effect of decreasing prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2010 reflected:

- no large catastrophic losses;
- losses and loss expenses related to Deepwater Horizon of $61 million, or 15.8 points on the loss ratio;
- net favorable loss development on prior accident years of $32 million, or 8.5 points on the loss ratio;

- net favorable loss development on the prior quarter of $10 million, or 2.5 points on the loss ratio;
- increasing loss trends in the specialty casualty line of business; and
- an increase in the book of business and exposure.

The net favorable loss development of $32 million reported in the three months ended June 30, 2010 included net favorable development for prior accident years in all lines of business, except specialty casualty, which experienced adverse loss development for prior accident years of $13 million.

The decrease of $86 million in losses and loss expenses for the three months ended June 30, 2011 compared to the same period in 2010 included:

- a decrease in losses and loss expenses of $61 million related to Deepwater Horizon;
- an increase of $26 million in net favorable prior year loss development; and
- a decrease of $24 million in losses and loss expenses resulting from a decrease in the book of business and exposure, which was reduced by the impact of declining profitability of the business in certain lines of business between periods; partially offset by
- an increase of $15 million in large catastrophic losses; and
- a decrease of $10 million in net favorable prior quarter loss development.

Six-month result

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2011 reflected:

- large catastrophic losses related to the Japan Earthquake, U.S. tornadoes, Australian Floods and New Zealand Earthquake of $43 million, or 6.5 points on the loss ratio;
- net favorable loss development on prior accident years of $93 million, or 14.0 points on the loss ratio;
- a higher level of mid-sized loss activity; and
- a decrease in the book of business and exposure and declines in pricing in certain lines of business.

The net favorable loss development of $93 million reported in the six months ended June 30, 2011 included net favorable loss development for prior accident years in most lines of business, except for energy, engineering and agriculture, which experienced combined adverse loss development for prior accident years of $12 million. Loss information provided by cedants in the six months ended June 30, 2011 for prior accident years was lower than the Company expected (higher for energy, engineering and agriculture) and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased (increased for energy, engineering and agriculture) its expected ultimate loss ratios, which had the net effect of decreasing (increasing for energy, engineering and agriculture) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2010 reflected:

- large catastrophic losses related to the Chile Earthquake of $59 million, or 8.4 points on the loss ratio;
- losses and loss expenses related to Deepwater Horizon of $61 million, or 8.3 points on the loss ratio;
- net favorable loss development on prior accident years of $48 million, or 6.7 points on the loss ratio;
- increasing loss trends in the specialty casualty line of business; and
- a decrease in the book of business and exposure.

The net favorable loss development of $48 million reported in the six months ended June 30, 2010 included net favorable development for prior accident years in all lines of business, except specialty casualty, which experienced adverse loss development for prior accident years of $50 million.

The decrease of $168 million in losses and loss expenses for the six months ended June 30, 2011 compared to the same period in 2010 included:

- a decrease in losses and loss expenses of $61 million related to Deepwater Horizon;

a decrease of $46 million in losses and loss expenses resulting from a lower level of loss estimates in the credit/surety line related to the financial crisis and a decrease in the book of business and exposure, which was reduced by the impact of declining profitability of the business in certain lines of business between periods and a higher level of mid-sized loss activity;

an increase of $45 million in net favorable prior year loss development; and

a decrease of $16 million related to large catastrophic losses.

Acquisition costs and acquisition ratio

Three-month result

Acquisition costs decreased in the three months ended June 30, 2011 compared to the same period in 2010 primarily due to lower net premiums earned. The increase in the acquisition ratio in the three months ended June 30, 2011 was driven by a shift towards proportional business and a shift in the mix of business towards the credit/surety line of business, both of which generally carry a relatively higher acquisition ratio compared to non-proportional business and other lines.

Six-month result

Acquisition costs and the acquisition ratio increased in the six months ended June 30, 2011 compared to the same period in 2010. The increases were primarily due to the same reasons as described in the three-month result, as well as higher profit commission adjustments reported by cedants in the six months ended June 30, 2011 in the credit/surety line of business, compared to a release of a premium deficiency in the credit/surety line of business in the six months ended June 30, 2010.

Technical result and technical ratio

Three-month result

The increase of $55 million in the technical result and the corresponding decrease in the technical ratio in the three months ended June 30, 2011 compared to the same period in 2010 was primarily attributable to a decrease in losses and loss expenses of $58 million, net of retrocession and reinstatement premiums, related to Deepwater Horizon, an increase of $26 million in net favorable prior year loss development and a lower level of loss estimates in the credit/surety line of business related to the financial crisis. These increases in the technical result were partially offset by an

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increase of $15 million in large catastrophic losses, a decrease of $10 million in net favorable prior quarter loss development, declining profitability in certain lines of business and net premiums earned between periods.

Six-month result

The increase of $101 million in the technical result and the corresponding decrease in the technical ratio in the six months ended June 30, 2011 compared to the same period in 2010 was primarily attributable to a decrease in losses and loss expenses of $58 million, net of retrocession and reinstatement premiums, related to Deepwater Horizon, an increase of $45 million in net favorable prior year loss development, a decrease of $17 million, net of reinstatement premiums, in large catastrophic losses and a lower level of loss estimates in the credit/surety line of business related to the financial crisis. These increases in the technical result were partially offset by declining profitability in certain lines of business and net premiums earned between periods, a higher level of mid-sized loss activity and higher acquisition costs.

Catastrophe

The Catastrophe sub-segment writes business predominantly on a non-proportional basis and is exposed to volatility resulting from catastrophic losses. Thus, profitability in any one quarter or year is not necessarily predictive of future profitability. The results for the three months and six months ended June 30, 2011 and 2010 demonstrate this volatility. The results for the three months and six months ended June 30, 2011 contained a significantly higher level of catastrophe losses related to the Japan Earthquake, New Zealand Earthquake, U.S. tornadoes, Australian Floods and aggregate contracts covering losses in Australia and New Zealand than the same periods of 2010. The results for the three months ended June 30, 2010 included no large catastrophic losses and the results for the six months ended June 30, 2010 included a large level of catastrophe losses related to the Chile Earthquake. The varying amounts of catastrophic losses significantly impacted the technical result and ratio and affected year over year comparisons as discussed below.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Gross premiums written	**$ 169**	**(18)%**	$ 206	**$ 486**	**(21)%**	$ 615
Net premiums written	**161**	**(16)**	191	**453**	**(18)**	550
Net premiums earned	**$ 110**	**8**	$ 101	**$ 233**	**(9)**	$ 255
Losses and loss expenses	**(123)**	**NM**	13	**(1,040)**	**646**	(140)
Acquisition costs	**(9)**	**40**	(7)	**(1)**	**(97)**	(18)
Technical result	**$ (22)**	**NM**	$ 107	**$ (808)**	**NM**	$ 97
Loss ratio	**111.7%**		(12.8)%	**446.3%**		54.6%
Acquisition ratio	**8.1**		6.3	**0.3**		7.3
Technical ratio	**119.8%**		(6.5)%	**446.6%**		61.9%

Premiums

The Catastrophe sub-segment represented 15% and 18% of total net premiums written in the three months and six months ended June 30, 2011, respectively, compared to 17% and 19% of total net premiums written during the same periods in 2010.

Three-month result

Gross and net premiums written decreased by 18% and 16%, respectively, and net premiums earned increased by 8% in the three months ended June 30, 2011 compared to the same period in 2010. The decreases in gross and net premiums written resulted primarily from a timing difference between periods related to the renewal of certain Japanese treaties and the Company s decision to reduce certain catastrophe exposures and reposition its portfolio following the integration of Paris Re s business. These decreases were partially offset by new business, reinstatement premiums, increases in certain treaty participations and foreign exchange fluctuations. Foreign exchange fluctuations increased gross and net premiums written by 5% and net premiums earned by 8% due to the weaker U.S. dollar in the three months ended June 30, 2011 compared to the same period in 2010. The increase in net premiums earned, while gross and net premiums written decreased, was primarily due to the earning

of business written in prior periods and the timing difference that decreased gross and net premiums written, which had a significantly lower impact on net premiums earned between periods.

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Six-month result

Gross and net premiums written and net premiums earned decreased by 21%, 18% and 9%, respectively, in the six months ended June 30, 2011 compared to the same period in 2010. The decreases in gross and net premiums written and net premiums earned were due to the same reasons described in the three-month result above. The decrease in net premiums earned in the six months ended June 30, 2011 was less pronounced compared to the decrease in gross and net premiums written primarily due to the earning of the business written in prior periods and the timing difference that decreased gross and net premiums written, which had a significantly lower impact on net premiums earned between periods.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2011 reflected:

- large catastrophic losses related to the U.S. tornadoes of $36 million, or 30.2 points on the loss ratio;
- losses related to an aggregate contract covering losses in Australia and New Zealand of $33 million, or 30.1 points on the loss ratio;
- net favorable loss development on prior accident years of $26 million, or 24.1 points on the loss ratio; and
- net adverse loss development on the prior quarter of $56 million, or 51.6 points on the loss ratio, driven by adverse loss development of $69 million, or 63.4 points on the loss ratio, related to the New Zealand Earthquake, which was partially offset by favorable loss development of $9 million, or 8.2 points on the loss ratio, related to the Australian Floods.

The net favorable loss development of $26 million reported in the three months ended June 30, 2011 was primarily due to favorable loss emergence, as losses reported by cedants in the three months ended June 30, 2011 for prior accident years were lower than the Company expected. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratio, which had the effect of decreasing the level of prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended June 30, 2010 reflected:

- no large catastrophic losses;
- net favorable loss development on the prior quarter of $22 million, or 21.6 points on the loss ratio, which was driven by lower loss estimates of $24 million, or 24.0 points on the loss ratio, related to the Chile Earthquake; and
- net favorable loss development on prior accident years of $11 million, or 10.4 points on the loss ratio.

The increase of $136 million in losses and loss expenses in the three months ended June 30, 2011 compared to the same period in 2010 included:

- an increase of $78 million in net adverse prior quarter loss development;

- an increase of $36 million in large catastrophic losses;
- an increase of $33 million in losses related to an aggregate contract; and
- an increase of $4 million in losses and loss expenses resulting from normal fluctuations in profitability between periods; partially offset by
- an increase of $15 million in net favorable prior year loss development.

Six-month result

The losses and loss expenses and loss ratio reported in the six months ended June 30, 2011 reflected:

- large catastrophic losses related to the Japan Earthquake, New Zealand Earthquake, U.S. tornadoes and Australian Floods of $1,002 million, or 428.0 points on the loss ratio;
- losses related to aggregate contracts covering losses in Australia and New Zealand of $93 million, or 40.1 points on the loss ratio;
- net favorable loss development on prior accident years of $61 million, or 26.4 points on the loss ratio;
- a lower level of mid-sized loss activity; and
- a decrease in the book of business and exposure.

The net favorable loss development of $61 million reported in the six months ended June 30, 2011 was primarily due to favorable loss emergence, as losses reported by cedants in the six months ended June 30, 2011 for prior accident years were lower than the Company expected. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratio, which had the effect of decreasing the level of prior year loss estimates.

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The losses and loss expenses and loss ratio reported in the six months ended June 30, 2010 reflected:

- large catastrophic losses related to the Chile Earthquake of $106 million, or 41.1 points on the loss ratio; and
- net favorable loss development on prior accident years of $31 million, or 12.1 points on the loss ratio.

The increase of $900 million in losses and loss expenses for the six months ended June 30, 2011 compared to the same period in 2010 included:

- an increase of $896 million in large catastrophic losses; and
- an increase of $93 million in losses related to aggregate contracts; partially offset by
- an increase of $30 million in net favorable prior year loss development; and
- a decrease of $59 million in losses and loss expenses resulting from a lower level of mid-sized loss activity, a decrease in the book of business and exposure and normal fluctuations in profitability between periods.

Acquisition costs and acquisition ratio

Three-month result

Acquisition costs increased in the three months ended June 30, 2011 compared to the same period in 2010 primarily due to the increase in net premiums earned. The acquisition ratio increased due to higher commissions related to a ceded reinsurance treaty.

Six-month result

Acquisition costs and the acquisition ratio decreased in the six months ended June 30, 2011 compared to the same period in 2010 primarily due to lower profit commissions as a result of the large catastrophic losses in the six months ended June 30, 2011 compared to the same period in 2010.

Technical result and technical ratio

Three-month result

The decrease of $129 million in the technical result and the corresponding increase in the technical ratio in the three months ended June 30, 2011 compared to the same period in 2010 was primarily due to an increase of $78 million in net adverse prior quarter loss development, an increase of $65 million, net of retrocession and reinstatement premiums, in large catastrophic losses and losses related to an aggregate contract, and normal fluctuations in profitability and net premiums earned between periods. These decreases in the technical result were partially offset by an increase of $15 million in net favorable prior year loss development.

Six-month result

The decrease of $905 million in the technical result and the corresponding increase in the technical ratio in the six months ended June 30, 2011 compared to the same period in 2010 was primarily due to an increase of $962 million, net of retrocession, reinstatement premiums and profit commissions, in large catastrophic losses and losses related to an aggregate contract. These decreases in the technical result were partially offset by an increase of $30 million in net favorable prior year loss development, a lower level of mid-sized loss activity and normal fluctuations in profitability and net premiums earned between periods.

Life Segment

The following table provides the components of the allocated underwriting result for this segment for the three months and six months ended June 30, 2011 and 2010 (in millions of U.S. dollars):

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	For the three months ended June 30, 2011	% Change 2011 over 2010	For the three months ended June 30, 2010	For the six months ended June 30, 2011	% Change 2011 over 2010	For the six months ended June 30, 2010
Gross premiums written	**$ 195**	**17%**	$ 167	**$ 403**	**14%**	$ 354