

Harbor Point Reinsurance U.S., Inc. 2007 Insurance Regulatory Information System (IRIS) Results

Attached are the IRIS results for Harbor Point Reinsurance U.S., Inc. (Harbor Point Re) for 2007.

As you know, Harbor Point Re was acquired as a shell in January 2007. There was very little activity until September 28, 2007 when we put \$500 million of capital into the Company. Activity on the underwriting side was also limited as our efforts were focused on January 1, 2008 renewals. However, we did write three casualty reinsurance deals at November 1, 2007 that represented approximately \$15 million in gross written premium and \$3 million of net written premium.

I mention this to highlight the fact that the limited activity puts many of our IRIS ratios well below the maximum values set by the NAIC. However, the circumstances described previously have resulted in three of the ratios being outside of range of usual values set by the NAIC. Those are:

Ratio 3 – Net Change in Premiums Written

<i>Normal Range/Value per NAIC</i>	+33% to -33%
<i>Harbor Point Re value</i>	-71%

This ratio is directly related to the limited underwriting activity in 2007.

Ratio 6 – Investment Yield

<i>Normal Range/Value per NAIC</i>	+6.5% to +3.0%
<i>Harbor Point Re value</i>	+2.8%

This ratio compares net investment income to the average of beginning and end of year cash and invested assets. The denominator in this calculation reflects the September 28, 2007 capital infusion in the end of year balance, however, the numerator reflects only 3 months of investment income on that capital. Our annualized fourth quarter 2007 investment yield was 5.0%.

Ratio 7 – Gross Change in Policyholders Surplus

<i>Normal Range/Value per NAIC</i>	+50% to -10%
<i>Harbor Point Re value</i>	+999%

At December 31, 2006, policyholders surplus under the previous ownership was \$21 million. With the capital infusion on September 28, 2007 and other subsequent activity, policyholders surplus at December 31, 2007 was \$508 million resulting in the substantial change reflected in the above ratio.

I hope this information helps you to understand Harbor Point Re's financial picture a little better. If you have any questions concerning our IRIS ratios or any other aspect of Harbor Point Re's financial position, please contact me.

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NAIC PROPERTY AND CASUALTY FINANCIAL RATIO RESULTS FOR 2007

10829 Harbor Point Reins US Inc
Commenced Business On: September 17, 1997

February 25, 2008 SUMMARY

Ratio	Unusual Values Equal To Or Over/Under	Your Results
1. <u>Gross Premiums Written to Policyholders Surplus</u>	900	3.0
2. <u>Net Premiums Written to Policyholders Surplus</u>	300	1.0
3. <u>Change in Net Premiums Written</u>	33 -33	-71.0 *
4. <u>Surplus Aid to Policyholders Surplus</u>	15	0.0
5. <u>Two-Year Overall Operating Ratio</u>	100	94.0
6. <u>Investment Yield</u>	6.5 3	2.8 *
7. <u>Gross Change in Policyholders Surplus</u>	50 -10	999.0 *
8. <u>Change in Adjusted Policyholders Surplus</u>	25 -10	4.0
9. <u>Adjusted Liabilities to Liquid Assets</u>	105	1.0
10. <u>Gross Agents Balances (in collection) to Policyholders Surplus</u>	40	0.0
11. <u>One-Year Reserve Development to Policyholders Surplus</u>	20	0.0
12. <u>Two-Year Reserve Development to Policyholders Surplus</u>	20	-2.0
13. <u>Estimated Current Reserve Deficiency to Policyholders Surplus</u>	25	0.0

* - Indicates an unusual value.

U - Indicates result is automatically considered unusual.

NR - Indicates no result is calculated.

Limit all ratio results to a minimum of -99 and a maximum of 999.

Ratio 1. Gross Premiums Written to Policyholders Surplus

A. Direct Premiums Written (Page 8, Line 34, Column 1)	-3,121.0
B. Reinsurance Assumed - Affiliates (Page 8, Line 34, Column 2)	0.0
C. Reinsurance Assumed - Non-Affiliates (Page 8, Line 34, Column 3)	15,050,000.0
D. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
Result = $100 * (A + B + C) / D$. If D is zero or negative, result is 999.	3.0%
If D is positive and $(A + B + C)$ is negative, result is zero.	

Ratio 2. Net Premiums Written to Policyholders Surplus

A. Net Premiums Written (Page 8, Line 34, Column 6)	3,010,000.0
B. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
Result = $100 * (A / B)$. If B is zero or negative, result is 999.	1.0%
If B is positive and A is negative, result is zero.	

Ratio 3. Change in Net Premiums Written

A. Net Premiums Written (Page 8, Line 34, Column 6)	3,010,000.0
B. Net Premiums Written - Prior Year (PY: Page 8, Line 34, Column 6)	10,487,312.0
Result = $100 * (A - B) / B$. If A and B are both zero or negative, result is zero.	-71.0%
If A is positive and B is zero or negative, result is 999.	

Ratio 4. Surplus Aid to Policyholders Surplus

A. Reinsurance Ceded Commissions (Page 11, Line 2.3, Column 2)	3,367,190.0
B. Reinsurance Ceded Contingent Commissions (Page 11, Line 2.6, Column 2)	0.0
C. Reinsurance Ceded - Affiliates (Page 8, Line 34, Column 4)	12,040,000.0
D. Reinsurance Ceded - Non-Affiliates (Page 8, Line 34, Column 5)	-3,121.0
E. Unearned Premiums - Total Authorized and Unauthorized Other US Unaffiliated Insurers (Page 36,	0.0

Lines (0599999 + 1499999) * 1000, Column 13)	
F. Unearned Premiums - Total Authorized and Unauthorized Mandatory and Voluntary Pools (Page 36, Lines (0699999 + 0799999 + 1599999 + 1699999) * 1000, Column 13)	0.0
G. Unearned Premiums - Total Authorized and Unauthorized Other Non-US Insurers (Page 36, Lines (0899999 + 1799999) * 1000, Column 13)	0.0
H. Sum of Unearned Premiums (E + F + G)	0.0
I. Surplus Aid = $[(A + B) / (C + D)] * H$	0.0
J. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
Result = $100 * (I / J)$. If either (C + D) or I is zero or negative, result is zero. If I is positive and J is zero or negative, result is 999.	0.0%

Ratio 5. Two-Year Overall Operating Ratio

A. Losses and LAE Incurred (Page 4, Lines 2 + 3, Column 1)	23,205.0
B. Losses and LAE Incurred - Prior Year (PY: Page 4, Lines 2 + 3, Column 1)	19,953,822.0
C. Dividends to Policyholders (Page 4, Line 17, Column 1)	0.0
D. Dividends to Policyholders - Prior Year (PY: Page 4, Line 17, Column 1)	114,904.0
E. Premiums Earned (Page 4, Line 1, Column 1)	41,806.0
F. Premiums Earned - Prior Year (PY: Page 4, Line 1, Column 1)	35,484,354.0
G. Other Underwriting Expense & Write-ins (Page 4, Lines 4 + 5, Column 1)	6,367,402.0
H. Other Underwriting Exp & Write-ins - Prior Year (PY: Page 4, Lines 4 + 5, Column 1)	3,840,390.0
I. Total Other Income (Page 4, Line 15, Column 1)	0.0
J. Total Other Income - Prior Year (PY: Page 4, Line 15, Column 1)	-9,507.0
K. Net Premiums Written (Page 8, Line 34, Column 6)	3,010,000.0
L. Net Premiums Written - Prior Year (PY: Page 8, Line 34, Column 6)	10,487,312.0
M. Net Investment Income Earned (Page 4, Line 9, Column 1)	7,331,281.0
N. Net Investment Income Earned - Prior Year (PY: Page 4, Line 9, Column 1)	6,599,535.0
O. Loss Ratio = $100 * [(A + B + C + D) / (E + F)]$	57.0
P. Expense Ratio = $100 * [(G + H - I - J) / (K + L)]$	76.0
Q. Investment Income Ratio = $100 * [(M + N) / (E + F)]$	39.0
Result = (O + P - Q). If (A + B + C + D + G + H - I - J - M - N) is zero or negative, result is zero. If (E + F) or (K + L) is zero or negative, result is 999.	94.0%

Ratio 6. Investment Yield

A. Total Cash and Invested Assets (Page 2, Line 10, Column 3)	509,088,225.0
B. Total Cash and Invested Assets - Prior Year (PY: Page 2, Line 10, Column 3)	21,246,701.0
C. Investment Income Due & Accrued (Page 2, Line 12, Column 3)	2,571,596.0
D. Investment Income Due & Accrued - Prior Year (PY: Page 2, Line 12, Column 3)	133,658.0
E. Borrowed Money (Page 3, Line 8, Column 1)	0.0
F. Borrowed Money - Prior Year (PY: Page 3, Line 8, Column 1)	0.0
G. Net Investment Income Earned (Page 4, Line 9, Column 1)	7,331,281.0
Result = $200 * [G / (A + B + C + D - E - F - G)]$. Limit result to a minimum of zero.	2.8%

Ratio 7. Gross Change in Policyholders Surplus

A. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
B. Policyholders Surplus - Prior Year (PY: Page 3, Line 35, Column 1)	21,059,727.0
Result = $100 * [(A - B) / B]$. If A is zero or negative, result is -99. If A is positive and B is zero or negative, result is 999.	999.0%

Ratio 8. Change in Adjusted Policyholders Surplus

A. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
B. Change in Surplus Notes (Page 4, Line 29, Column 1)	0.0
C. Capital Paid-in or Transferred (Page 4, Lines 32.1 + 32.2 + 32.3, Column 1)	0.0
D. Surplus Paid-in or Transferred (Page 4, Lines 33.1 + 33.2 + 33.3, Column 1)	485,655,867.0
E. Policyholders Surplus - Prior Year (PY: Page 3, Line 35, Column 1)	21,059,727.0
Result = $100 * [(A - B - C - D - E) / ABS (E)]$. If A is zero or negative, result is -99. If A is positive and E is zero or negative, result is 999.	4.0%

Ratio 9. Adjusted Liabilities to Liquid Assets

A. Total Liabilities (Page 3, Line 26, Column 1)	15,635,235.0
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B. Liabilities Equal to Deferred Agents Bal. (Page 2, Line 13.2, Column 3)	10,821,700.0
C. Adjusted Liabilities = (A - B)	4,813,535.0
D. Bonds (Page 2, Line 1, Column 3)	300,859,048.0
E. Stocks, Preferred & Common (Page 2, Lines 2.1 + 2.2, Column 3)	0.0
F. Cash, Cash Equivalents & Short-Term Investments (Page 2, Line 5, Column 3)	208,147,339.0
G. Receivable for Securities (Page 2, Line 8, Column 3)	81,838.0
H. Investment Income Due & Accrued (Page 2, Line 12, Column 3)	2,571,596.0
I. Investments in Parent, Subsidiaries, & Affiliates (Page 18, Lines 40 + 41 + 42 + 43, Column 1)	0.0
J. Liquid Assets = (D + E + F + G + H - I)	511,659,821.0
Result = 100 * (C / J). If J is zero or negative, result is 999.	1.0%

Ratio 10. Gross Agents Balances (in collection) to Policyholders Surplus

A. Gross Agents Balances in Course of Collection (Page 2, Line 13.1, Column 3)	413.0
B. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
Result = 100 * (A / B). If A is zero or negative, result is zero.	0.0%
If A is positive and B is zero or negative, result is 999.	

Ratio 11. One-Year Reserve Development to Policyholders Surplus

A. One-Year Loss Reserve Development (Page 46, Part 2, Line 12 * 1000, Column 11)	0.0
B. Policyholders Surplus - Prior Year (PY: Page 3, Line 35, Column 1)	21,059,727.0
Result = 100 * (A / B). If A is positive and B is zero or negative, result is 999.	0.0%

Ratio 12. Two-Year Reserve Development to Policyholders Surplus

A. Two-Year Loss Reserve Development (Page 46, Part 2, Line 12 * 1000, Column 12)	-694,000.0
B. Policyholders Surplus - Second Prior Year (2nd PY: Page 3, Line 35, Column 1)	41,607,202.0
Result = 100 * (A / B). If A is positive and B is zero or negative, result is 999.	-2.0%

Ratio 13. Estimated Current Reserve Deficiency to Policyholders Surplus

A. Losses & LAE Reserves - Second Prior Year (2nd PY: Page 3, Lines 1 + 3, Column 1)	75,162,975.0
B. Two-Year Development of Losses & LAE Incurred (Page 46, Part 2, Line 12 * 1000, Column 12)	-694,000.0
C. Premiums Earned - Second Prior Year (2nd PY: Page 4, Line 1, Column 1)	48,925,669.0
D. Ratio Second Prior Year = [(A + B) / C] If C is zero, negative, or less than L/10, D = H.	0.0
E. Losses & LAE Reserves - Prior Year (PY: Page 3, Lines 1 + 3, Column 1)	0.0
F. One-Year Development of Losses & LAE Incurred (Page 46, Part 2, Line 12 * 1000, Column 11)	0.0
G. Premiums Earned - Prior Year (PY: Page 4, Line 1, Column 1)	35,484,354.0
H. Ratio Prior Year = [(E + F) / G]	0.0
I. Premiums Earned (Page 4, Line 1, Column 1)	41,806.0
J. Losses & LAE Reserves Required (Page 3, Lines 1 + 3, Column 1)	23,205.0
K. Deficiency = {[0.5 * (D + H)] * I} - J If G is zero, negative, or less than L/10, K = zero.	0.0
L. Policyholders Surplus (Page 3, Line 35, Column 1)	507,562,685.0
Result = 100 * (K / L). If K is positive and L is zero or negative, result is 999.	0.0%
If K and L are both zero or negative, result is zero.	

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