

HARDY

Hardy Underwriting Bermuda Limited

Interim results

Six months ended 30 June 2011



Bermuda

London

Bahrain

Singapore

Agenda

- Overview
- Underwriting
- Financial
- Outlook

Overview

- Unparalleled level of catastrophe and large losses, likely to be the costliest year on record
- Our exposure to catastrophes this year has been within risk tolerance levels
- Comprehensive reinsurance cover in place for the remainder of the year
- Ongoing re-balancing of the underwriting portfolio to optimise returns
- Rate change is improving in loss affected areas, but remains challenging in some sectors
- Interim dividend maintained at 4.4p

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UNDERWRITING



Combined ratio

	6 months to June 2011	6 months to June 2010	Full year December 2010	Full year December 2009
Total claims ratio	81%	62%	55%	45%
Major cat events	30%	28%	19%	-
Prior year releases	-	13%	9%	6%
Underlying attritional claims ratio	51%	47%	45%	51%
Expense ratio	38%	40%	40%	33%
Underlying combined ratio	89%	87%	85%	84%
Overall combined ratio	119%	102%	95%	78%

Major catastrophe losses

Catastrophe	Hardy's best estimate of net loss £m	Impact on the claims ratio %
New Zealand earthquake	16.3	15%
Japanese earthquake	10.8	10%
Australian floods / Cyclone Yasi	2.2	2%
Total 2011 Q1 losses	29.3	27%
US Tornadoes	3.0	3%
Total 2011 losses	32.3	30%

- General IBNR and additional margin booked at Q2 to reflect level of uncertainty
- Catastrophe risk tolerance levels for 2011 were set at £30m for any single event
- Risk appetite has been reviewed and reduced to £20m per event

Rating environment and market conditions

	2011 £m	2010 £m	Change £m	Renewal rate change
Marine & Aviation	47.0	41.1	5.9	(0.3)%
Non-Marine Property	61.4	49.3	12.1	4.5%
Specialty Lines	38.2	44.8	(6.6)	(0.9)%
Property Treaty	98.1	93.8	4.3	7.8%
Total	244.7	229.0	15.7	4.1%

The above table shows the comparison of 2010 with 2011 written premium, gross of commission, incepting between 1 January and 1 July 2011 and an indication of the rate change.

Underwriting portfolio management

- Actively managing and re-balancing the portfolio to optimise returns
- Risk and exposure management reviews in H1 have prompted the decision to temper the catastrophe risk appetite of the group
- Additional reinsurance purchased to cover the remainder of 2011
- Treaty account continues to be underwritten with extensive proportional reinsurance protection

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FINANCIAL



Results

	H1 2011	H1 2010	FY 2010	FY 2009
Gross premium written (£m)	167.3	155.9	279.4	242.0
Net insurance premium revenue (£m)	109.9	97.8	192.7	176.6
(Loss)/profit before tax (£m)	(20.7)	0.8	10.0	20.1
Combined ratio (%)	119%	102%	95%	78%
Return on equity (%)	(11.1%)	1.3%	6.3%	13.4%
Earnings per share (p)	(34.2)	3.8	18.6	36.8
Dividend per share (p)	4.4	4.4	14.6	13.3
Net tangible assets per share (p)	223	257	270	266

Analysis of performance

(£m)	H1 2011	H1 2010	FY 2010	FY 2009
Underwriting result	(19.8)	(2.7)	9.3	34.4
Investment return	2.7	1.6	3.1	5.6
Other Income	-	0.1	0.1	0.3
Other operating expenses	2.4	5.0	11.3	12.0
Finance charges	1.0	1.2	2.3	1.6
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(Loss)/profit before tax and foreign exchange	(20.5)	(7.2)	(1.1)	26.7
Foreign exchange (losses)/gains	(0.2)	8.0	11.1	(6.6)
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(Loss)/profit before tax	(20.7)	0.8	10.0	20.1

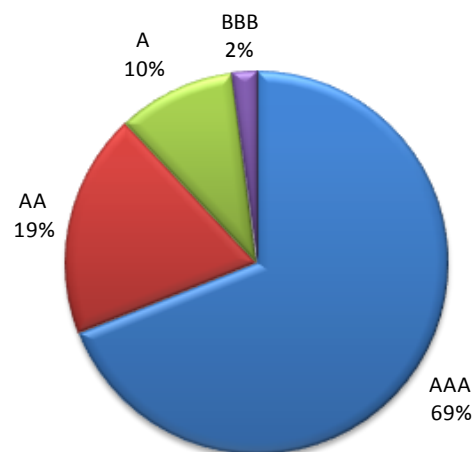
Investment return

Performance	Six months to June 2011	
	£m	%
Fixed income securities	1.9	1.0%
Cash and deposits	0.8	0.8%
Total	2.7	0.9%

Six months to June 2010	
£m	%
1.2	0.7%
0.4	0.4%
1.6	0.6%

Asset allocation as at 30 June 2011	Holding	
	£m	%
Government	70.5	44%
Government agency	12.3	8%
Supranationals	9.9	6%
Corporate	68.0	42%
Fixed income securities	160.7	100%
Cash	124.6	
Total Assets	285.3	

Credit rating of fixed income securities



Capital

	£m
Total 2011 syndicate capacity	300.0
Third party (limited tenure) syndicate participation	(22.5)
Group syndicate participation/share of capacity	277.5
Capital required for 2011 underwriting year	157.6
Satisfied by:	
Investments	124.8
Letter of credit facility (\$65m)	41.4
Solvency credits	7.4
Total FAL provided	173.6

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OUTLOOK



Outlook

- 2012 business plan
 - Risk appetite
 - Rating environment
 - Active portfolio management
 - New business
- Capital requirements
- Future strategy