MANAGING EXTREMES Willis Re

REINSURANCE MARKET REPORT

Results for Half-Year 2015

September 2015

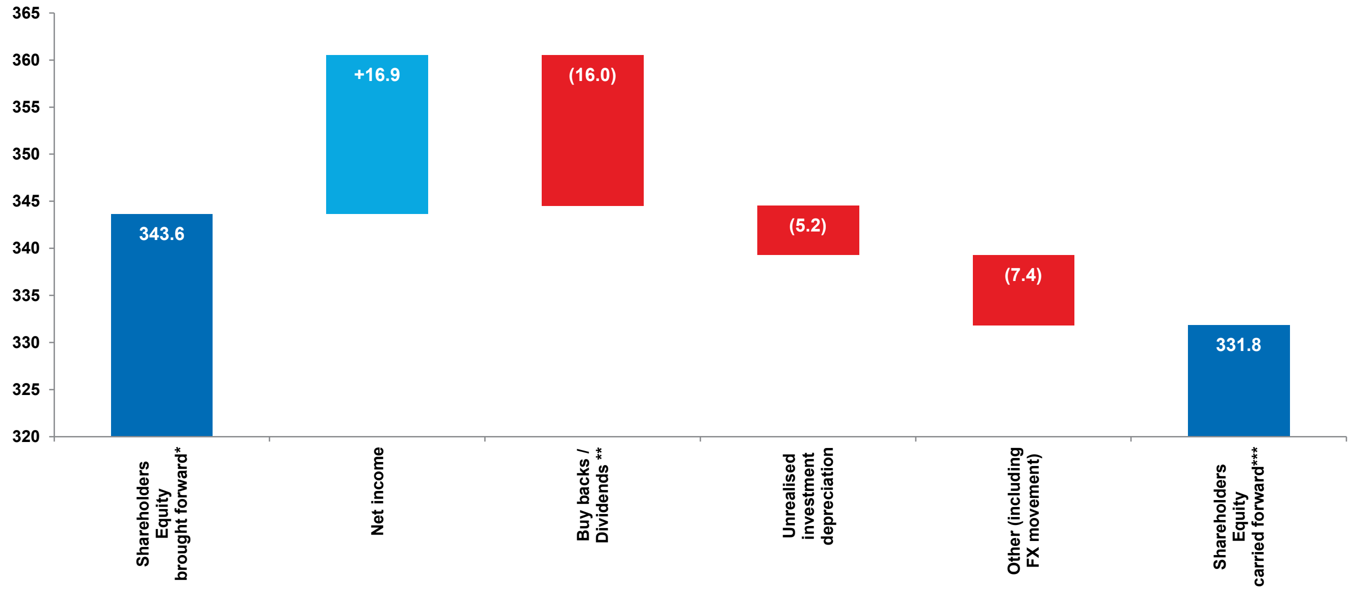
Contents

Summary

Capital

- Aggregate shareholders' equity for the constituents of the Willis Reinsurance Index totalled USD332B per their latest reported accounts. This represents a 3.4% decrease since our 2014 year end summary.
- The main drivers of change in shareholders' equity in the latest statements are the dividends (USD 13.7B) – both special and ordinary – and buybacks (USD 2.3B) discussed in our previous report and unrealised investment losses caused by increased interest rates and widening credit spreads (-USD 5.2B) alongside the effects of a strengthening of the US Dollar against the Euro. These effects more than offset the net income (USD16.9B) generated since our previous summary.

Movement in shareholders funds of Willis Reinsurance Index, USD B



* - As per latest financial statements issued by date of previous Willis Re report, generally as at year end Dec 31, 2014

** - Of this total, USD 13.7 B were dividends and USD 2.3 B were buybacks.

*** - As per latest financial statements issued by Aug 24, 2015, generally as at June 30, 2015

- 10.5% of the shareholders' equity reported within the Willis Reinsurance Index is involved in major merger activity and further capital has been taken out through purchases of target companies which is reflected under 'other' in the chart above, along with foreign exchange movements.
- Including other major regional and local reinsurers, and a pro-rated portion of capital within major groups whose reinsurance portfolio is <10% of their total premium, we derive an estimate of USD 360B of aggregate shareholders' equity for the traditional reinsurance market. (If 100% of that capital within these major groups is included the figure is estimated at USD 559B). Including capital from alternative markets, this figure increases to an estimated figure of USD 425B (With 100% capital, USD 624B).

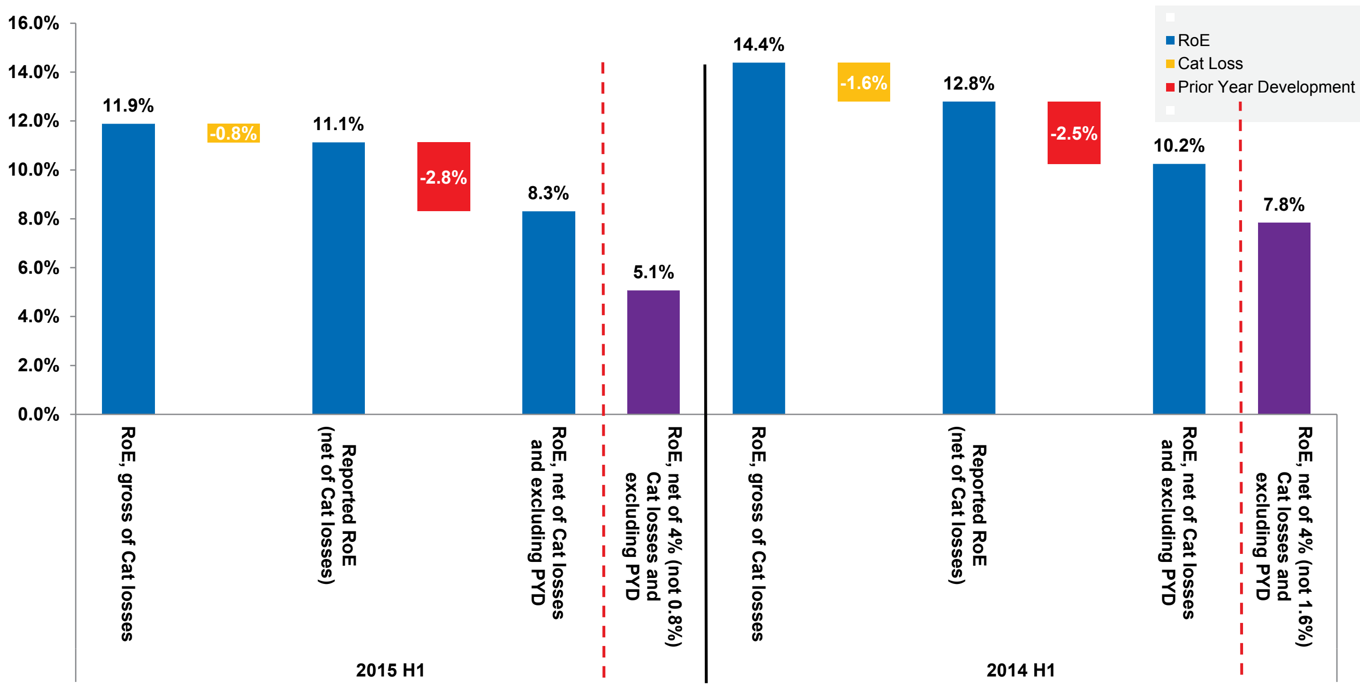
Return of Capital

- The publicly listed companies within the Willis Reinsurance Index returned:
  - USD 2.3B of capital through share buybacks in H1 2015, equivalent to 1.1 % of their aggregate opening shareholders' equity (prior year, USD 3.8B, 1.9%)
  - USD 13.7B through ordinary and special dividends, or 4.0% of opening shareholders' funds (H1 2014 USD 9.5B, c.3%)
- Although there is much evidence of continued strict capital management, including some significant PML reductions in US South East peak zones, announcements of new buy back authorisations and special dividends are relatively few, as is often the case for results posted ahead of the June and July renewals and the Atlantic Hurricane season.

Return on Equity

- The aggregate annualised RoE for those within the Willis Reinsurance Index reporting their interim results at June 30, 2015 is 10.4% (Prior year: 13.7%).
- Reported RoEs continue to be flattered by continued – in fact accelerating - releases of prior accident year loss reserves. Although most reinsurers are still within their expected target RoE range for the full year 2015, the underlying RoEs - exclusive of both catastrophe loss and reserve releases - have dipped.
- For the subset within the Willis Reinsurance Index that breaks out the relevant disclosure, the annualised RoE excluding natural catastrophe loss and prior year reserve releases has decreased by 1.9 percentage points in the aggregate to 8.3% from 10.2% in H1 2014. Adjusting for a more typical catastrophe load simply increases the year on year fall in profitability to give an underlying ROE of only 5.1% compared to 7.8% in H1 2014.

RoE analysis of subset of Willis Reinsurance Index providing catastrophe loss disclosure



Underwriting

- The aggregate reported NWP (excluding NICO for comparability purposes) for the first half of the year fell by 6.6% to USD 117B (H1 2014, USD 125B) although this is essentially attributable to the conversion of EUR to US Dollar within our summary. Adjusting for foreign exchange conversion, we believe that NWP has actually modestly increased in US Dollar terms at constant exchange rates. Whilst a modest growth is apparently counterintuitive in a softening market, a switch out of excess of loss and into pro rata is likely to be a contributing factor, as is an expansion of specialty insurance platforms. A modest amount is attributable to acquisitions made since the start of 2014.
- The aggregate reported combined ratio of the companies within the Willis Reinsurance Index was 91.6% in the half year (Prior year: 92.1%). For the subset within the Willis Reinsurance Index that breaks out Cat losses and prior year reserve releases the combined ratio for H1 2015 is 90.4% (H1 2014 90.4%).
- For those within the Willis Reinsurance Index that made the relevant disclosure, the favourable contribution from reserve releases accounted for around USD 3.1B or 5.2 % of NEP in H1 2015 (H1 2014: USD 2.7B or 4.5%). Although an acceleration on previous reporting periods, the most recent commentaries suggest that a tailing off of these releases is more likely in future periods.

	Weighted Average	
	H1 2015	H1 2014
Reported Combined Ratio for Subset	90.4%	90.4%
Favourable Development of Prior Years	5.2%	4.5%
Accident Year Combined Ratio	95.6%	94.9%
Catastrophe Loss	1.2%	2.5%
Ex-Cat Accident Year Combined Ratio	94.4%	92.4%

Catastrophe Loss*

- First half year global insured Cat losses of USD 16.5B are at lowest level since H1 2006;
- Natural catastrophe losses of USD 12.9B down 35% on H1 2014 (USD 19.7B) running at just over half the mean H1 loss from 2005-2014;
- For those within the Willis Reinsurance Index that made the relevant disclosure, reported catastrophe loss fell by 49% to USD 0.7B. This equates to 1.2% of relevant aggregate NEP (H1 2014: USD 1.5B, 2.5%) or approximately a 0.8 percentage point impact on the aggregate annualised RoE (H1 2014: 1.6 percentage points).

* - For the purposes of this report the term catastrophe loss reflects generally large single event claims as reported by the companies themselves. A catastrophe related loss may therefore not appear in our numbers as 'Cat Loss' unless it reaches a value that exceeds the company's own threshold for disclosure. On occasion we are unable to determine whether the large loss is 'Nat Cat' or 'Man-made Cat' or a large single risk loss. Where possible we have utilised 'Nat Cat' loss numbers where identifiable.

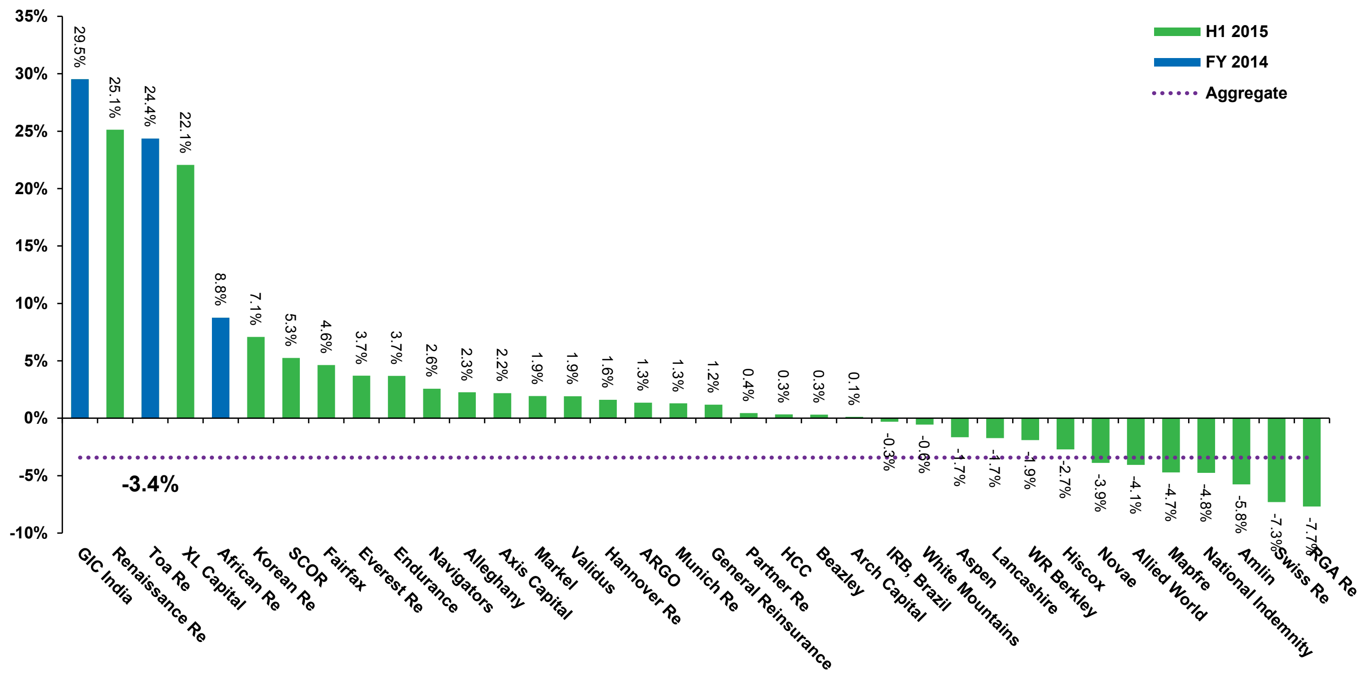
Capital

Highlights

- Modest decrease in shareholders' equity of 3.4% on an aggregate basis, having increased by 5% in the previous full-year financial statements. (See Chart 1)
- For those that report half year figures, the Willis Reinsurance Index aggregate Return on Equity of 10.4% is over 3 percentage points lower than that reported in H1 2014 of 13.7%.
- Markets continue to manage excess capacity through active capital management strategies
- Consolidation continues as markets seek scale and product diversification

The Willis Reinsurance Index of reinsurers reported an aggregate decrease in shareholders' equity of 3.4% represented by the dotted line in Chart 1 below.

Chart 1: Movement in consolidated shareholders' equity, reported as at 30th June 2015



Note: China Re, Asia Capital Re and CCR have not published updated financials since our previous, year end report and are thus not shown separately above.

The overall decrease of 3.4% in shareholders' equity in chart 1 largely reflects the impact of on-going active capital management strategies, and an increase in unrealised investment losses as well as the effects of a strengthening of the US Dollar against the Euro. We also saw an uptick in the impact of non-Cat large losses, most notable of which is the Pemex oil platform fire, reportedly estimated at USD 780M. This modest decrease in shareholders' equity is from a position of significant over capacity at year-end 2014. Managing this excess capital remains a key challenge for reinsurers for the remainder of 2015 and further ahead.

Looking on the right hand side of Chart 1 above we can see the impact of active capital management and unrealised investment losses. For example, the 7.7% reduction in shareholders' equity reported by RGA Re reflected a 12% dividend increase and share repurchases in the first half of the year. Similarly, the 7.3% decrease in shareholders' funds reported by Swiss Re reflected a USD 2.6B dividend and a net increase in unrealised investment losses of USD 1.6B.

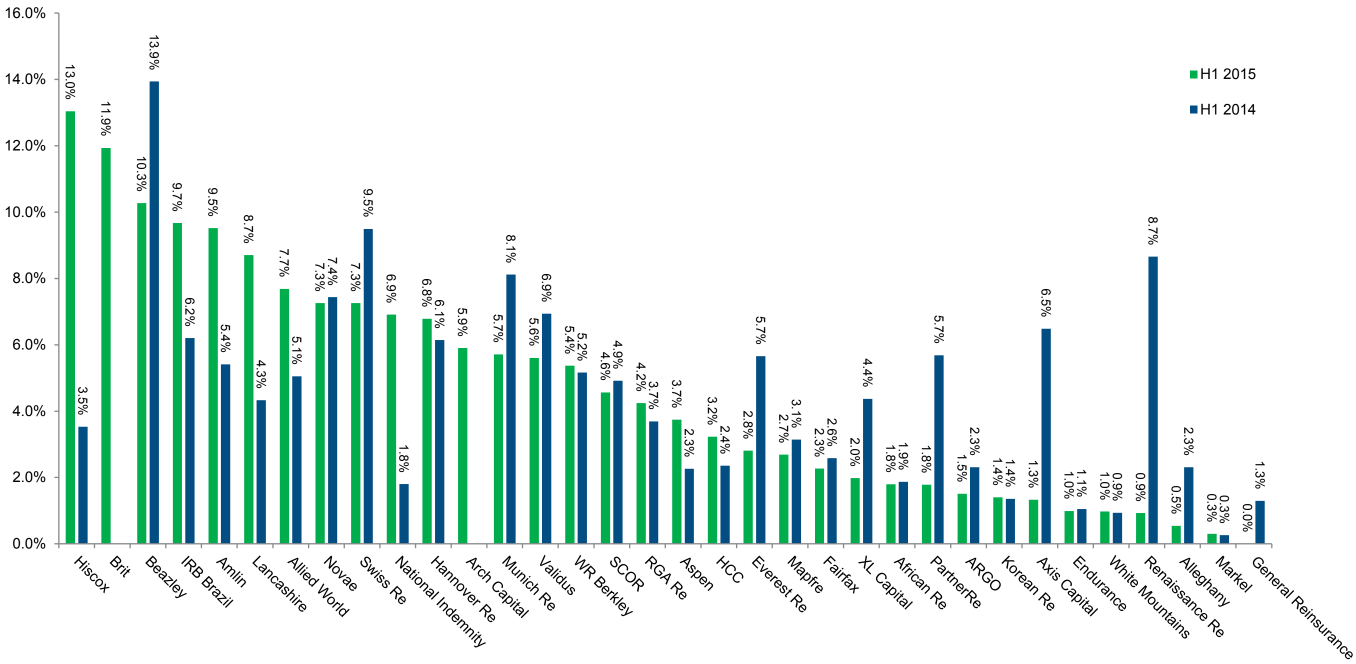
High capital levels continued to be supported by solid reported earnings, albeit with greater variation by individual reinsurer than we observed in full-year results. We believe these reported earnings continue to mask the pressure on underlying underwriting results, heavily reliant as they are on significant reserve releases and a further period of modest catastrophe losses.

Active Capital Management

The pressures on profitably deploying excess capital have continued the recent trend of share buybacks and special dividends. The continued focus on portfolio optimisation was also a widely reported theme as reinsurers seek to quickly re-deploy their capital to lines of business and regions which meet profitability requirements. A number of reinsurers have also committed to returning earnings to shareholders at year-end if they believe additional retained capital could not be deployed profitably.

In Chart 2 below we show that the percentage of opening shareholders' equity used to repurchase shares and pay out dividends in the first-half of 2015 reduced compared to the same period in 2014.

Chart 2: Capital returned through share buybacks and ordinary and special dividends in H1



Share buybacks by listed companies within the Willis Reinsurance Index returned a total of USD 2.3B of capital to shareholders (in addition to normal dividends) compared to USD 3.8B in the first half of 2014. In addition to these share repurchases, capital return by way of dividends in the first half of 2015 was USD 13.7B or 4.0% of aggregate opening shareholders' equity (H1 2014 9.5B, c.3%).

We expect active capital management to continue given the excess capacity that persists; a number of reinsurers report significant outstanding capacity on existing authorisations. In summary, reinsurers have signposted significant ability to manage their capital positions through the remainder of 2015 and into 2016, either through further substantial share repurchases from existing authorisations or special dividends, if opportunity to deploy capital at acceptable profitability is not possible. Importantly, greater clarity is now also starting to emerge over the use of internal capital models and thus the required capital levels for Solvency II which, alongside the rating agencies' capital requirements, are a key benchmark constraint against which desired capital headroom is measured. Certainty on this requirement should allow reinsurers to manage and deploy capital more efficiently.

Table 3: Recent announcements of share repurchase programmes

Company	Date	Action	Capacity outstanding as % of Shareholders' Equity, Jun 30, 2015
Allied World	May 1, 2014	Approved a new repurchase program for up to USD 500M. Buybacks were suspended in Q3, but repurchases resumed late in Q4. (USD 327M utilised).	4.8%
PartnerRe	Sep 4 2014	Approved a new share repurchase authorization of up to 5 million shares (2.1 million utilised).	5.6%
Everest Re	Nov 19, 2014	Approved an increase in the share repurchase authorization by a further 5 million shares	12.7%
Axis	Dec 5, 2014	Announced an increased repurchase programme of up to USD 750M, effective Jan 1, 2015 through Dec 31, 2016. (Repurchase programme suspended until the closing date of the PartnerRe merger).	12.6%
Validus Re	Feb 3, 2015	Announced a USD 750M repurchase authorization (USD 100M utilised).	17.8%
Aspen	Feb 5, 2015	Announced a new repurchase authorisation of USD 500M.	12.4%
Munich Re	Mar 11, 2015	Announced a resolution to buy back up to 11 million shares for a maximum total of EUR 1B, between 24 April 2015 and the 2016 AGM .	3.3%
Swiss Re	Mar 18, 2015	Announced proposal to return CHF 2.5B to shareholders via dividends (paid in H1 2015) and up to CHF 1.0B in a share buy-back programme	3.2%
SCOR	Apr 28, 2015	SCOR's AGM set a 2015-16 buyback programme of up to 6.11% of its shares, such that its holding in treasury does not exceed 10% of its share capital. Market repurchases commenced on Jun 2.	6.1%
Lancashire	Apr 30, 2015	Approved the renewal of the Repurchase Programme authorising the repurchase of a maximum of 20 million shares, to expire no later than 2016 AGM.	14.5%
RenaissanceRe	May 20, 2015	Renewed its USD 500M share repurchase programme	10.9%
WR Berkley	Jun 2, 2015	Increased its share repurchase authorization to 10 million shares (0.65 million utilised).	11.0%
RGA Re	Jul 23, 2015	Increased its Jan 2015 authorisation from USD 300M to USD 450M, with no stated expiration date (USD 254M utilised).	3.2%
XL	Aug 6, 2015	Announced a new USD 1B share buyback programme.	8.7%
White Mountains	Aug 27, 2015	Announced a new share buyback programme for up to 500,000 shares	8.4%

Note: A number of other reinsurers have significant authorisations with capacity still remaining including: Alleghany (USD 251M, 3.3%); Argo (USD 68M, 4.1%); Arch (USD 525M, 8.6%) and Endurance (5 million shares, 11.2%)

As can be seen above, a number of new authorisations have been announced recently, as well as increases in capacity to existing agreements. The utilisation of this buyback capacity in the remainder of 2015 remains uncertain, and will depend in large part on losses experienced from the peak US catastrophe season.

Challenging Outlook

The outlook remains challenging for the remainder of 2015 as markets continue to face significant over-capacity and competitive pricing conditions. Overall, underwriting margins remain under substantial pressure as evidenced by the on-going drive towards ever greater balance sheet scale and product diversification in order to remain competitive and relevant to clients.

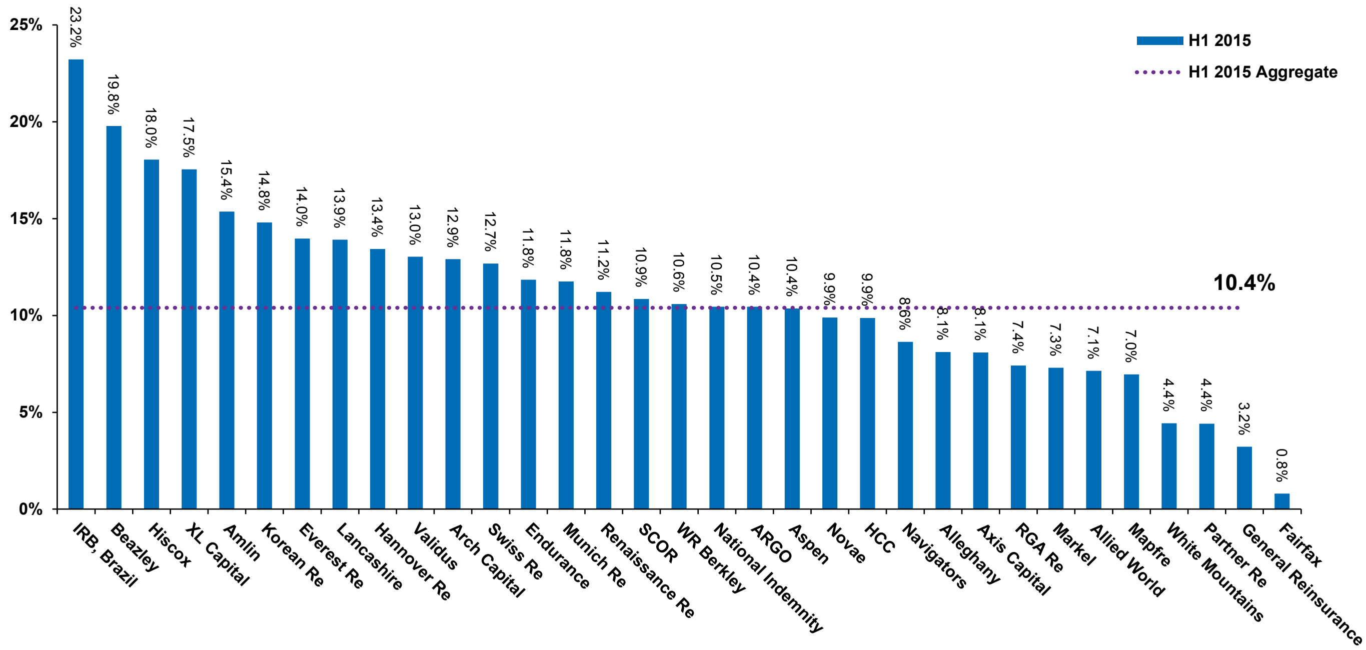
In spite of these headwinds, reported earnings continue to be flattered by a further period of low Cat loss activity and significant reserve releases. The half-year results have increased concerns around the sustainability of reserve releases, partly due to increased incidence of casualty reserve strengthening. Going forward, those who have reserved most conservatively during the soft market will reap the benefits of their approach.

Earnings

- Reported combined ratios remain broadly unchanged at 91.6% (H1 2014 92.1%) supported by:
  - Modest catastrophe losses which accounted for 1.2 percentage points to the aggregate combined ratio of those that made the disclosure (H1 2014: 2.5 percentage points).
  - Continued substantial reserve releases which totalled 5.2% of net earned premium, broadly unchanged from the 4.5% reported for the half-year 2014 results.
- Continued upwards pressure on underlying accident year combined ratios
  - Accident year combined ratios excluding Cat losses increased to 94.4% compared to 92.4% for half-year 2014.
- Investment yields remained low at 2.3% (H1 2014: 2.3%) – excluding Gen Re for comparability purposes.
- Overall, continued downward pressure on underwriting margins although investment yields may have bottomed out.

Chart 4 below shows that the aggregate RoE for the Willis Reinsurance Index was 10.4% at H1 2015, which is meaningfully lower than the 13.7% reported for H1 2014.

Chart 4: H1 2015 net income as % of average shareholders' equity (RoE)



While Cat pricing remains under pressure overall, many reinsurers reported a slowing in rate declines and indeed that walk-away point had been reached for some programmes. There is also increasing evidence of ILS funds refusing deals where margins have now fallen below their minimum profitability target. In the Willis Reinsurance Index, competition appears to have intensified on certain international and specialty lines, including marine, aviation and energy business. Notably, many markets are reporting significant rate decreases in energy property business. Against this backdrop of widespread pricing pressure, many reinsurers have reported lower than expected top line premium volumes. Currency movements also continue to impact results. As noted above, results have been impacted by strengthening of the US Dollar against the Euro.

Portfolio optimisation has been widely reported as many markets re-allocated their capital towards more favourably rated business, including life, health, and certain specialty lines, such as agriculture. Overall, the reduction in Cat business has resulted in a portfolio mix which has lower margin and may result in higher prospective combined ratios. Some of the larger reinsurers, however, have been better able to withstand price pressures, benefiting from their financial strength and breadth of offerings. Examples of this include being offered larger shares on renewing business, as well as expanding their participation to other lines, as their relationships with cedants deepen.

Growth opportunities continue to be targeted in emerging markets and also in regions where developing solvency regimes are presenting challenges to insurers. New opportunities are also being presented by government initiatives, including USD 4-5B of additional demand for private capacity in Florida, which follows on from other recent developments such as Pool Re and Flood Re in the UK. Reinsurers in many cases are also noting that they are taking advantage of conditions in the Cat Retro market which has provided the opportunity to cede risk at a favourable price.

Modest Cat Losses

Catastrophe losses for the first half of the year were down by approximately half compared to the same period last year. Their impact on certain insurers and reinsurers was higher than expected; US storm losses (e.g. Texas) had greater impact on some regional insurers, which in turn impacted a relatively small number of participating reinsurance markets.

Significant Reserve Releases

Reported RoEs were bolstered by a continuation of the trend of significant releases. We estimate that the aggregate RoE at half-year 2015 was improved by approximately 2.8 percentage points through contribution from releases from prior year reserves (2.5 percentage points at half-year 2014). There is now greater expectation of further strengthening of casualty reserves set during soft market conditions, placing downward pressure on the scale of overall releases going forward.

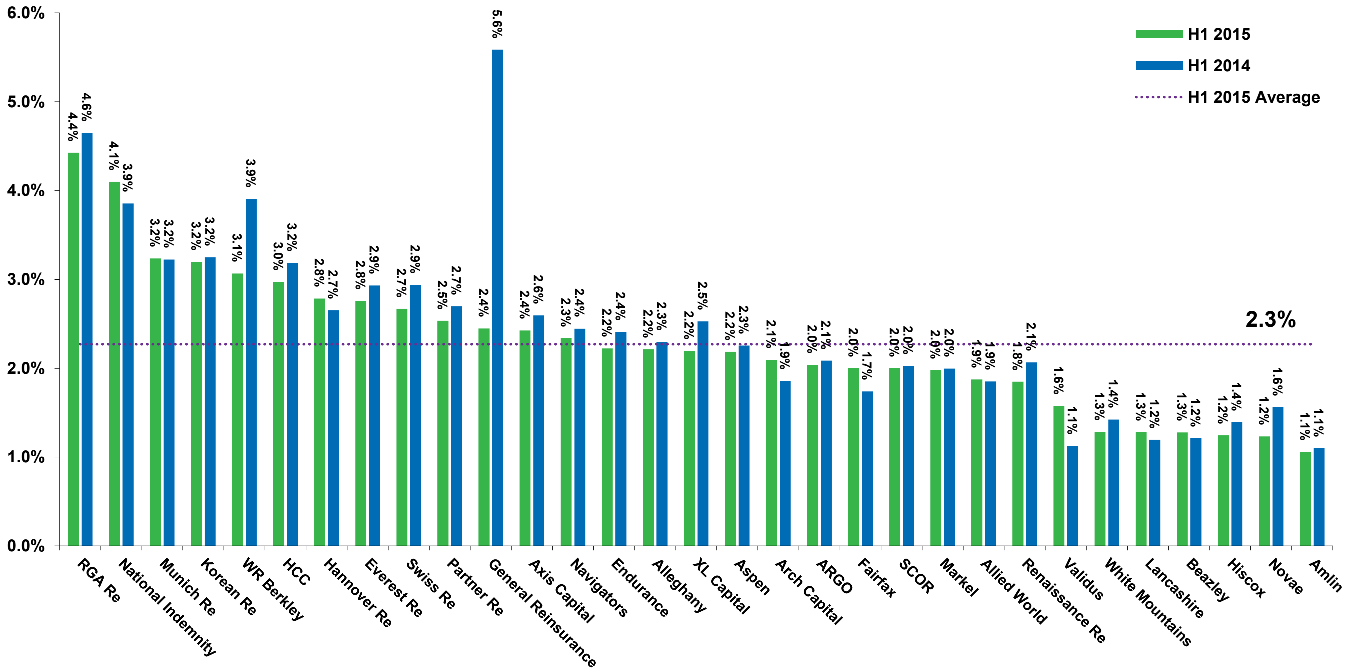
Modest Investment Returns

As Chart 5 below shows, average reported investment yields remained weak at 2.3% (H1 2014: 2.3%) – excluding Gen Re for comparability purposes. Following several periods of record low interest rates, we saw an increase in some key market rates in Q2 2015. With an increase in bond yields, risk free reinvestment rates for some short tail portfolios are modestly higher than the portfolio yields.

Despite a general expectation of some re-risking there appears to be few material changes to investment portfolio composition in pursuit of yield in H1 2015. Yield has however been moderately improved through a slight increase in duration during the first half year.

The aforementioned recent rate rises have also had a meaningful effect on reported capital as several reinsurers have posted significant unrealised losses on fixed income portfolios.

Chart 5: Investment yield (net investment income as % of cash and invested assets)



General Reinsurance: Investment income includes significant dividends upstreamed from subsidiaries in H1 2014, totalling USD 252M (H1 2015 USD15M) representing 3.2 percentage points of yield in H1 2014

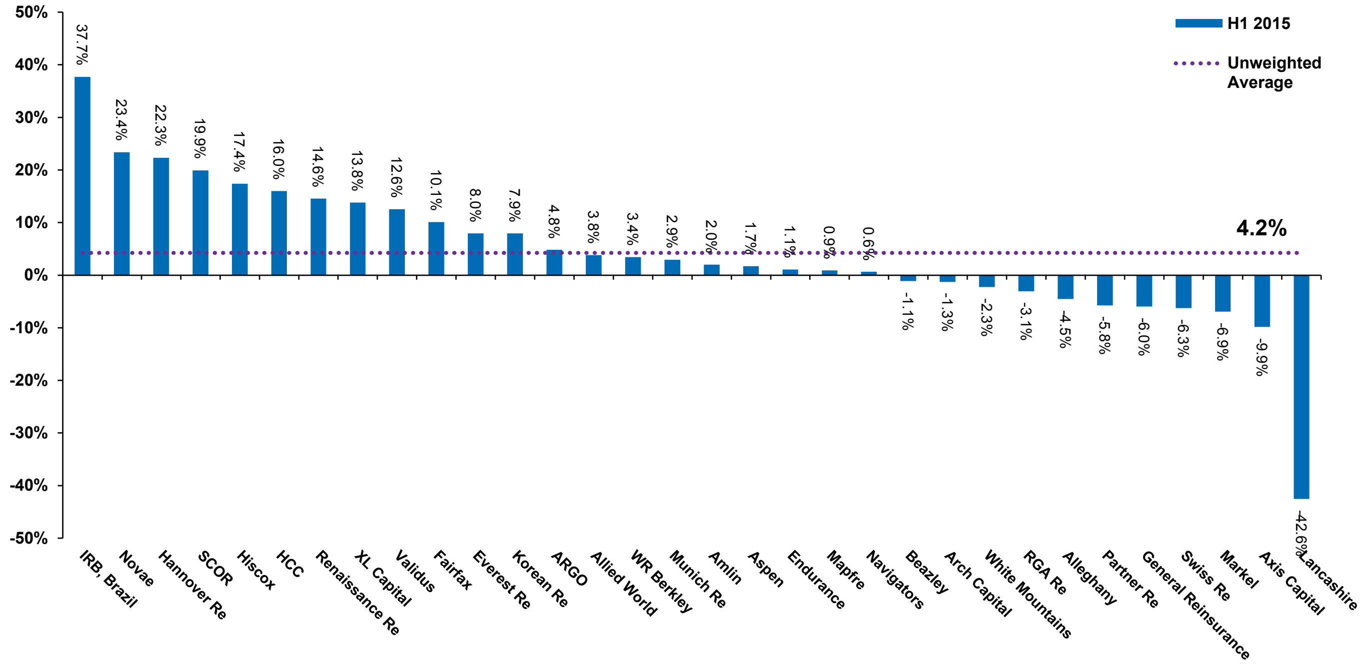
Underwriting Performance

It has been another mixed earnings season for the major reinsurers with perhaps more downside surprises than we have seen for many years. Underwriting results are now increasingly reflecting the earn-through of the price softening that has been a feature of the market for the past two years. This has been visible through an uptick in both attritional loss ratios and ceding commission ratios. Moreover, as a number of reinsurers pare back their exposure to traditionally higher margin Property Cat XL business, their changing business mix is also likely to be a factor for increased underlying combined ratios going forward.

Premium Volumes

The aggregate reported decrease in net written premium (NWP) by the Willis Reinsurance Index companies in the latest reported half-year was approximately 6.6% (at constant exchange rates there would be a modest increase). Chart 6 below, shows that most of the index reported an increase in reported NWP – with the left hand side of the graph inhabited by those that have grown by acquisition, including Validus (Western World), RenRe (Platinim) and XL (Catlin, for a part of the year) and large reinsurers reporting in Euros (SCOR, Hannover Re, Munich Re) whose dollar revenues boosted their reported top line. To the right of the graph, are those markets that report in US Dollars, and whose revenues are affected by the weakening Euro.

Chart 6: Half - year 2015 movement in net written premium



Note: African Re, CCR and Toa Re do not publish H1 NWP. National Indemnity and GIC India is also not included within the results above, due to the lack of comparability of the current vs prior year numbers.

Other patterns are also influencing the development of reported written premiums. The larger players have actively managed their portfolios to differentiate themselves, in some cases successfully attracting new business from existing clients. For example, Hannover Re's results benefited from sizeable individual transactions where they offered specially tailored conditions. For the smaller players this is proving to be more of a challenge. A number of reinsurers have also been considering their business mix, between insurance and reinsurance business; a number have reduced some peak zone Cat exposure and expanded into niche insurance lines and have continued to build out specialty insurance platforms.

We note also that a number of reinsurers are opportunistically or tactically availing themselves of cheaper pricing from the ILS Retro market, much of which is provided by ‘alternative capital’.

At the other end of the scale, multi-year deals were cited as the main reason for the large decrease in Lancashire Re’s net written premium; excluding these deals, which heavily impacted Q1 and Q2 results, the decrease would have been 11%. The same reason was provided for Axis’ 9.9% decline.

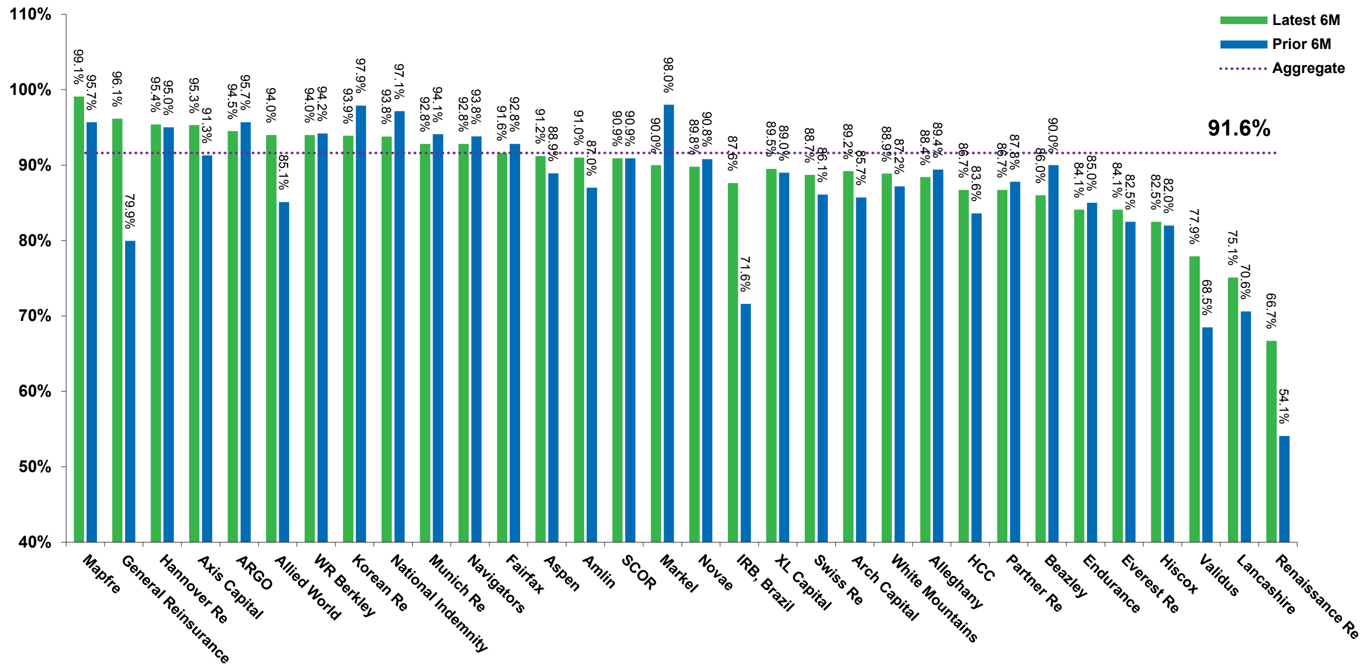
Combined Ratios

As highlighted within Willis’s Year-end 2014 Market Report, despite continued unrelenting pressure on reinsurance pricing, we have still seen stable headline underwriting results reported across the market. Several factors support this: i) Other than some significant large risk loss activity, the general loss environment continues to be relatively benign; ii) Large, insured catastrophe loss activity has been low; iii) Reserve releases continue to be very material to profitability.

We are seeing an accelerated increase in underlying combined ratios (exclusive of Cat loss and prior year reserve development) reflecting the earn through of soft pricing in recent renewals. Reported expense ratios are also increasing, in part due to the high ceding commissions which reinsurers are paying to cedants.

Chart 7 shows that all reinsurers within the Willis Reinsurance Index reported combined ratios of lower than 100%. The Aggregate combined ratio for half year 2015 was 91.6% as shown below. This is slightly better than the 92.1% reported at half year 2014.

Chart 7: Half-year reported combined ratios



Notes: Latest 6M ended June 30, 2015 unless otherwise indicated. Combined ratios for Munich Re and Swiss Re are for P&C Re only. IRB and China Re not included

In the following subsection below, we discuss the key components of the combined ratio for the publicly listed companies within the Willis Reinsurance Index:

i. Impact of prior year loss reserve development

ii. Catastrophe loss component

iii. Underlying accident year combined ratio (i.e. excluding the above two components)

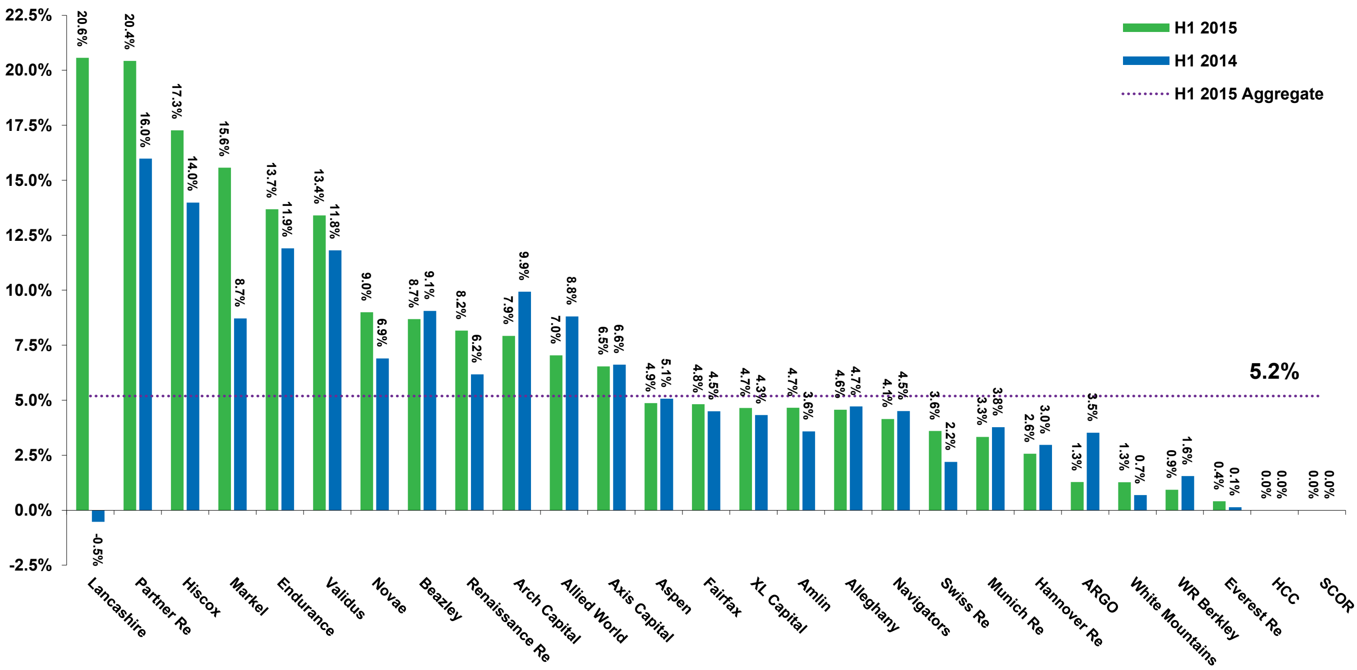
i) Prior Year Loss Development

We expect that the continuing ability of insurers and reinsurers to report substantial reserve releases will be under threat, particularly from years currently at an early stage of development. Releases from reserves established during harder market periods have slowed already.

As in 2014, there continue to be some isolated increases in reported adverse reserve development, typically driven by company-specific or event-specific factors. In the US there has been some strengthening of professional lines and healthcare as well as further evidence of asbestos related development.

Looking at Chart 8 below, we see that most companies' combined ratios benefited from positive reserve development, with the half year 2015 aggregate at 5.2%. Reasons quoted for such high releases included a prudent approach to reserving, lower than expected reported losses and releases on net settlement of outstanding losses. At the other end of the scale, some reinsurers strengthened individual reserves. Everest Re had favourable development of Cat losses from the 2013 US storms, but booked additional reserves for umbrella claims on a run off program, being cautious before a reserve study is carried out in Q4 2015.

Chart 8: Prior period development % NEP



Note: Mapfre do not disclose prior year loss development, therefore is not included within the chart above; Munich Re and Swiss Re numbers above are in respect of P&C Re only; we have excluded National Indemnity and General Reinsurance within the above.

ii) Catastrophe Losses

2015 continues to follow the recent trend of below average large catastrophe losses. The approximate total estimated cost of global insured Cat losses for the first half of 2015 totalled USD 16.5B which is just over half of the adjusted average for this period of USD 29B. Table 9 below shows that the contribution from man-made large losses was significant at USD 3B.

Table 9: Major losses H1 2015

Major Losses H1 2015

(USD M)

Large Man-Made Losses		
Date	**Description**	**Amount**
02-Jun-15	Failure of tendons tethering the BigFoot oil platform.	350-500
16-May-15	Malfunction of Mexican communications satellite on a Proton-M rocket.	390
09-May-15	Crash of Airbus A400M on a test flight near Seville airport.	105
05-May-15	Punch through damage to Troll Solution, a semi-submersible drilling maintenance rig in Gulf of Mexico	120
14-Apr-15	Crash landing of Asiana Airlines Airbus A320 at Hiroshima Airport, Japan	60
01-Apr-15	Oil rig explosion and fire from Pemex's Abkatun A Permanente platform in the Gulf of Mexico.	670-780
24-Mar-15	Loss of Germanwings Airbus A320 Flight 9525 over the French Alps.	300
04-Mar-15	Crash landing of Turkish Airlines TK726 Airbus 330 at Kathmandu International Airport.	120
04-Feb-15	Crash of Transasia Airways ATR aircraft Flight 235 into Keelung River, Taiwan	70
11-Feb-15	Cidade de Sao Mateus: Explosion and fire damage to FPSO, Camarupim Field, offshore Brazil.	362
		c.USD 3B

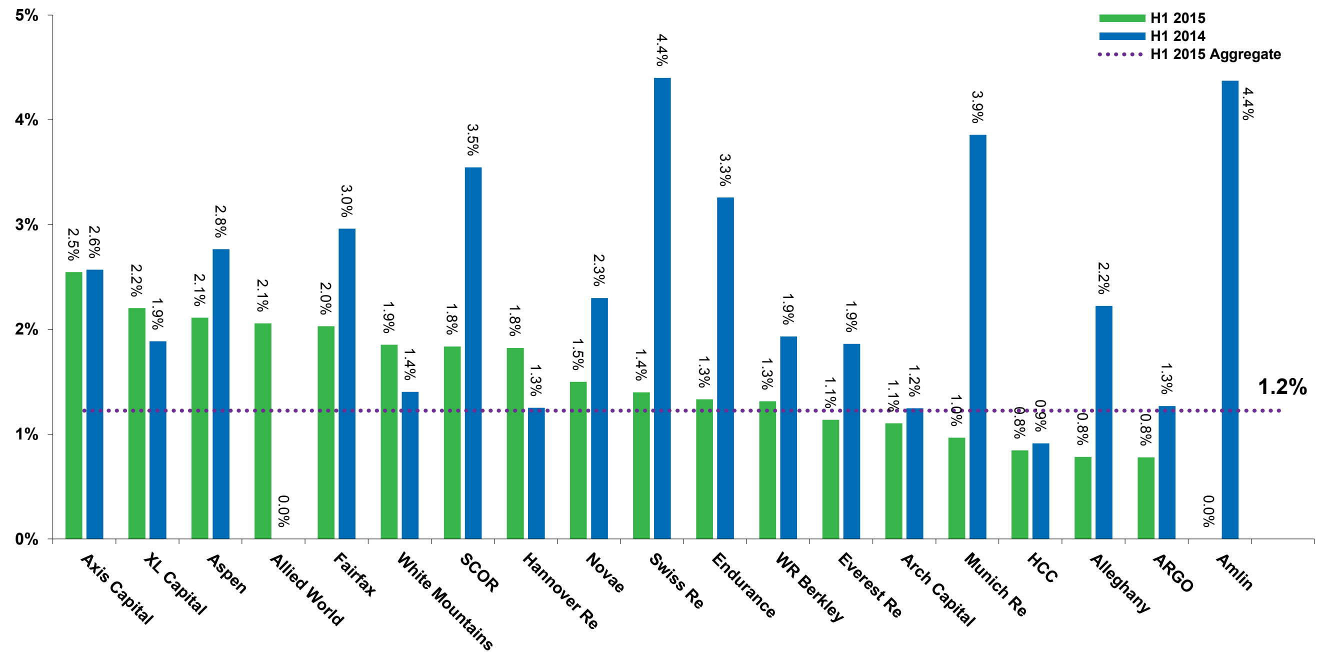
Source: Estimates per public press articles

Natural Catastrophes		
Date	**Description**	**Amount**
23-28 May 2015	Storms, Flooding, USA	700 *
18-21 Apr 2015	Storms, Texas, USA	1,000 *
7-10 Apr 2015	Thunderstorms, USA	1,000 *
30 Mar - 1 Apr 2015	Winter Storm Niklas; Germany, Netherlands, Central Europe	1,000**
16-25 Feb 2015	Winter storms, North East US and Canada	1,800 *

Sources *PCS, **Perils AG

In Chart 10 below we see the impact of catastrophe losses on reported combined ratios for the first half of 2015 was modest at 1.2% in the aggregate. This compares to 2.5% in the aggregate for the prior year. The aggregate Cat loss within this subset was USD 722m, down 49% on half year 2014.

Chart 10: Catastrophe loss component of combined ratio, % NEP



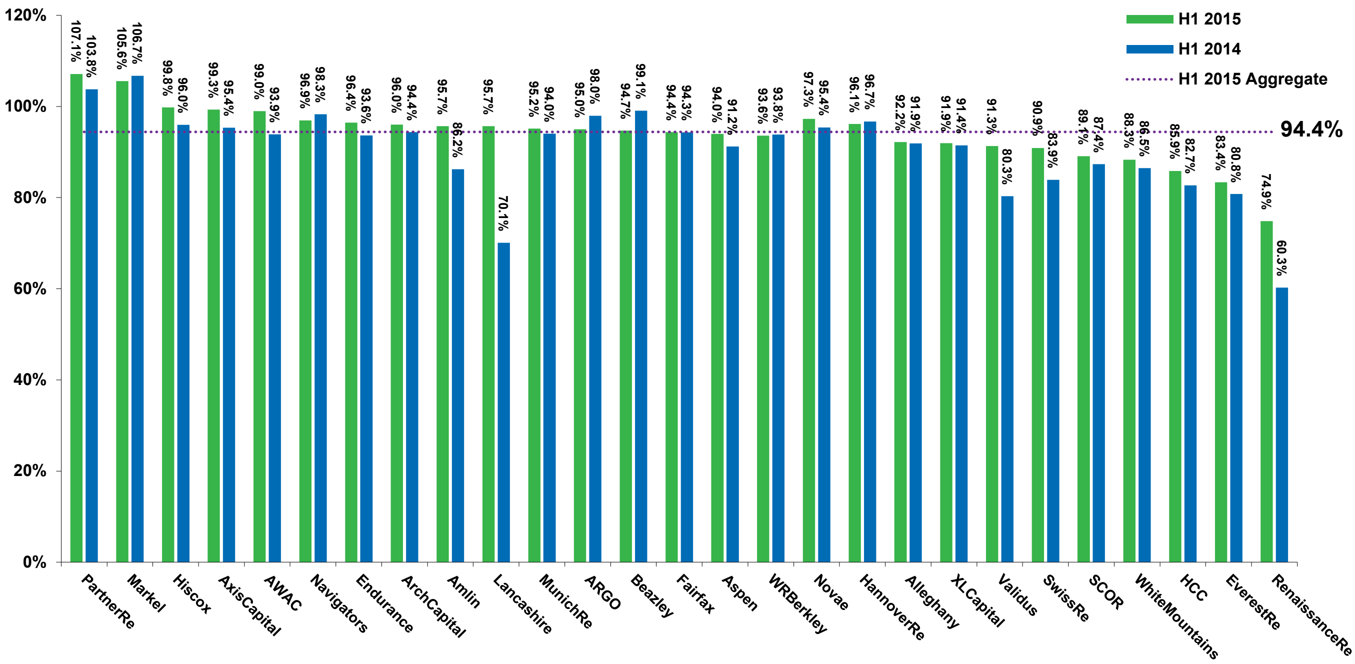
Note: Munich Re and Swiss Re are P/C Reinsurance segments only. We have not been able to identify catastrophe loss disclosure from Mapfre, IRB, and Korean Re and therefore they are not included within the chart above. Generally, the above data points represent Natural Catastrophe losses only, rather than large man-made losses, but some reinsurers' reports do not disclose the breakdown of each.

Reported earnings continue to be heavily reliant on releases from prior year loss reserves which have more than offset the impact of below average global catastrophe losses.

iii) Accident Year Performance, ex Catastrophe

Looking at half year 2015 compared to half year 2014, the increase in the accident year combined ratio excluding Cat was around 2.0 percentage points in the aggregate. In part, this is due in to the impact of large man-made losses as detailed in table 9 above. Expense ratios are also increasing as reinsurers develop alternative underwriting platforms as well as being impacted by high commissions to cedants. There is also downward pressure from continued rate softening and a shift to lower margin portfolios with a lesser Cat element.

Chart 11: Current half year ex Cat accident year combined ratios



Note: Munich Re and Swiss Re are P/C Reinsurance segments only we have taken Natural Cat losses only rather than large man-made losses (which contrasts for example with Hannover Re or Amlin, which includes such losses); Mapfre does not disclose catastrophe losses, therefore is not included within the chart above.

Appendices

1. Half year financial results summary for the Willis Reinsurance Index

WILLIS MARKET SECURITY GROUP

Group Consolidated Half Year 2015 Results Table

Consolidated Data (Millions)	Notes	Ccy	Shareholders' Equity				Net Written Premium					Net Income							Combined Ratio				
			Jun-30 2015	Dec-31 2014	Dec-31 2013	Δ HY	HY 2015	FY 2014	HY 2014	FY 2013	Δ HY	HY 2015	FY 2014	HY 2014	FY 2013	Δ HY	% Sh Equity* H1 2015	% Sh Equity* H1 2014	HY 2015	FY 2014	HY 2014	FY 2013	Δ HY
African Re		USD		737	678			624		569			119		85					88.8%		92.6%	
Alleghany		USD	7,642	7,473	6,924	2.3%	2,237	4,498	2,343	4,287	-4.5%	308	679	354	628	-13.0%	8.1%	9.9%	88.4%	88.8%	89.4%	90.1%	-1.0%
Allied World		USD	3,625	3,778	3,520	-4.1%	1,376	2,322	1,326	2,120	3.8%	134	490	329	418	-59.3%	7.1%	18.2%	94.0%	85.2%	85.1%	86.2%	+8.9%
Amlin		GBP	1,680	1,783	1,678	-5.8%	1,670	2,296	1,637	2,126	2.0%	133	237	136	299	-2.3%	15.4%	16.3%	91.0%	89.0%	87.0%	86.0%	+4.0%
Arch Capital		USD	6,138	6,130	5,647	0.1%	2,011	3,892	2,037	3,351	-1.3%	399	834	391	710	2.2%	12.9%	13.2%	89.2%	87.2%	85.7%	85.9%	+3.5%
ARGO		USD	1,669	1,647	1,563	1.3%	708	1,368	675	1,351	4.8%	87	183	79	143	10.0%	10.4%	9.9%	94.5%	96.2%	95.7%	97.5%	-1.2%
Asia Capital Re	(2)	USD			819					490					24							96.0%	
Aspen		USD	3,363	3,419	3,300	-1.7%	1,408	2,515	1,384	2,300	1.7%	177	356	251	329	-29.5%	10.4%	14.7%	91.2%	91.7%	88.9%	92.6%	+2.3%
Axis Capital		USD	5,949	5,821	5,818	2.2%	2,402	3,907	2,665	3,928	-9.9%	239	811	348	727	-31.3%	8.1%	11.9%	95.3%	91.6%	91.3%	91.0%	+4.0%
Beazley		USD	1,347	1,343	1,339	0.3%	879	1,733	889	1,677	-1.1%	133	218	114	264	16.6%	19.8%	17.5%	86.0%	89.0%	90.0%	84.0%	-4.0%
CCR, France	(1)(4)	EUR		1,969	1,875			1,323		1,256			193		210					82.6%		78.3%	
China Re	(1)	CNY			45,294					63,818					3,396					na		na	
Endurance		USD	3,303	3,185	2,887	3.7%	1,324	1,934	1,310	2,049	1.1%	193	348	188	312	2.7%	11.8%	12.5%	84.1%	86.0%	85.0%	90.2%	-0.9%
Everest Re		USD	7,727	7,451	6,968	3.7%	2,639	5,257	2,445	5,005	8.0%	532	1,199	584	1,259	-8.9%	14.0%	16.4%	84.1%	82.8%	82.5%	84.5%	+1.6%
Fairfax		USD	9,967	9,526	8,353	4.6%	3,586	6,302	3,258	6,036	10.1%	40	1,633	1,148	-573	-96.6%	0.8%	25.8%	91.6%	90.8%	92.8%	92.7%	-1.2%
General Reinsurance**		USD	11,846	11,707	11,562	1.2%	277	593	294	543	-6.0%	189	538	355	931	-46.7%	3.2%	6.0%	96.1%	86.5%	79.9%	75.9%	+16.2%
GIC India	(1)(6)	INR		419,405	323,821			138,570		132,126			26,938		22,532					na		106.5%	
Hannover Re	(1)	EUR	7,673	7,551	5,888	1.6%	7,582	12,581	6,199	12,420	22.3%	532	986	444	895	19.7%	13.4%	14.3%	95.4%	94.7%	95.0%	94.9%	+0.4%
HCC		USD	3,916	3,903	3,674	0.3%	1,435	2,373	1,237	2,255	16.0%	193	458	205	407	-5.7%	9.9%	10.8%	86.7%	82.1%	83.6%	83.4%	+3.1%
Hiscox		GBP	1,414	1,453	1,409	-2.7%	860	1,343	733	1,371	17.4%	129	216	120	238	8.0%	18.0%	17.5%	82.5%	83.9%	82.0%	83.0%	+0.5%
IRB, Brazil	(3)(6)	BRL	2,945	2,954	2,668	-0.3%	1,067	1,946	775	1,508	37.7%	342	602	257	349	33.4%	23.2%	18.9%	87.6%	88.8%	71.6%	89.2%	+16.0%
Korean Re	(1)(7)	KRWbn	1,969	1,839	1,451	7.1%	2,123	3,929	1,967	2,897	7.9%	141	116	78	129	79.7%	14.8%	10.5%	93.9%	99.4%	97.9%	98.4%	-4.0%
Lancashire		USD	1,333	1,357	1,460	-1.7%	284	743	495	558	-42.6%	93	229	105	223	-11.7%	13.9%	14.2%	75.1%	68.7%	70.6%	70.2%	+4.5%
Mapfre	(3)	EUR	8,721	9,153	7,834	-4.7%	9,226	18,458	9,144	18,002	0.9%	316	845	458	791	-31.0%	7.0%	11.2%	99.1%	95.7%	95.7%	96.1%	+3.4%
Markel		USD	7,742	7,595	6,674	1.9%	2,070	3,917	2,224	3,237	-6.9%	282	321	128	281	121.0%	7.3%	3.7%	90.0%	95.0%	98.0%	97.0%	-8.0%
Munich Re	(1)(9)	EUR	30,424	30,033	25,983	1.3%	24,692	47,225	23,987	49,404	2.9%	1,860	3,153	1,684	3,313	10.5%	11.8%	12.5%	92.8%	94.5%	94.1%	94.5%	-1.3%
National Indemnity**		USD	89,526	93,998	97,226	-4.8%	8,706	26,655	18,006	5,650	-51.7%	4,748	8,391	8,391	5,366	-43.4%	10.5%	17.1%	93.8%	92.5%	97.1%	75.5%	-3.4%
Navigators		USD	1,054	1,027	902	2.6%	547	1,000	544	888	0.6%	45	95	45	63	0.6%	8.6%	9.6%	92.8%	92.6%	93.8%	94.8%	-1.0%
Novae		GBP	323	336	313	-3.9%	354	528	287	497	23.4%	16	50	17	32	-6.3%	9.9%	11.3%	89.8%	91.0%	90.8%	90.3%	-1.0%
Partner Re		USD	7,080	7,049	6,710	0.4%	2,976	5,720	3,157	5,397	-5.8%	157	1,055	582	664	-73.0%	4.4%	17.1%	86.7%	86.2%	87.8%	85.3%	-1.1%
Renaissance Re		USD	4,837	3,866	3,904	25.1%	913	1,068	797	1,204	14.6%	252	533	283	691	-10.8%	11.2%	14.8%	66.7%	50.2%	54.1%	43.8%	+12.6%
RGA Re	(1)(3)	USD	6,483	7,023	5,936	-7.7%	4,153	8,670	4,284	8,254	-3.1%	256	684	335	419	-23.7%	7.4%	10.6%					
SCOR		EUR	5,993	5,694	4,940	5.3%	5,825	10,138	4,858	9,130	19.9%	327	512	256	549	27.7%	10.9%	10.1%	90.9%	91.4%	90.9%	93.9%	0.0%
Swiss Re	(10)	USD	33,303	35,930	32,952	-7.3%	16,499	31,640	17,602	30,478	-6.3%	2,260	3,500	2,028	4,444	11.4%	12.7%	12.0%	88.7%	85.4%	86.1%	85.3%	+2.6%
Toa Re	(2)(6)	JPYbn		199	160			209		201			6		9					94.0%		97.7%	0.0%
Validus		USD	3,657	3,588	3,704	1.9%	1,601	2,054	1,422	2,029	12.6%	237	481	316	533	-24.8%	13.0%	17.0%	77.9%	73.7%	68.5%	71.2%	+9.4%
White Mountains	(8)	USD	3,975	3,997	3,906	-0.6%	1,112	2,112	1,138	1,976	-2.3%	89	313	191	322	-53.6%	4.4%	9.5%	88.9%	91.2%	87.2%	88.0%	+1.7%
WR Berkley		USD	4,502	4,590	4,336	-1.9%	3,119	5,997	3,016	5,500	3.4%	241	649	350	500	-31.0%	10.6%	15.7%	94.0%	93.8%	94.2%	95.1%	-0.2%
XL Capital		USD	12,247	10,034	9,998	22.1%	3,970	5,945	3,488	6,199	13.8%	951	188	-24	1,060		17.5%	-0.5%	89.5%	88.2%	89.0%	92.5%	+0.5%
Aggregate***		USD	309,197	328,746	327,446		125,779	256,209	143,366	256,350		16,293	32,788	21,627	30,398		10.4%	13.7%	90.4%	90.5%	90.4%	90.4%	

Key Notes:

* Half year Net Income as % of Average Shareholders Equity, annualised,

** General Reinsurance and National Indemnity: Numbers are sourced from unconsolidated financial statements

*** Aggregate = Total of numbers reported, converted to USD at exchange rates prevailing at end of reporting period.

The following groups have been excluded from the Summary table and the Aggregate calculations, above:

Platinum: Renaissance Re completed the acquisition of Platinum on March 2, 2015; **Catlin:** XL Capital completed the acquisition of Catlin on May 1, 2015.

Brit: Fairfax completed the acquisition of Brit on June 5, 2015. **Montpelier Re:** Endurance completed the acquisition of Montpelier Re on July 31, 2015.

(1) NWP includes both Life and Non-Life business.

(2) Asia Capital Re, GIC India, Toa Re: Each has a March 31 financial year end. Data for the year ended March 31, 2015 is included in the column headed Dec 31, 2014 (and similar for prior years).

(3) Figures for net premiums are Net Earned Premium, not Net Written Premiums.

(4) CCR: Figures for net premiums are Gross Written Premiums, not Net Written Premiums.

(5) GIC India: Shareholders Equity is subject to reserve adjustment by Willis Market Security, as opposed to stated figure reported by the company.

(6) Combined ratios are Willis Market Security Calculations.

(7) Korean Re: During 2013 the company changed year end from Apr 30 to Dec 31. The 9 month period to Dec 31, 2013 is included in our 2013 columns.

(8) White Mountains: NWP and Combined Ratios are Willis Market Security calculations based on Divisional reporting of OneBeacon, Sirius and HG Global/BAM.

(9) Munich Re: Combined Ratios are in respect of the P&C Reinsurance division only. Shareholders' Equity at Dec 31, 2013 and Dec 31, 2014 are as originally reported.

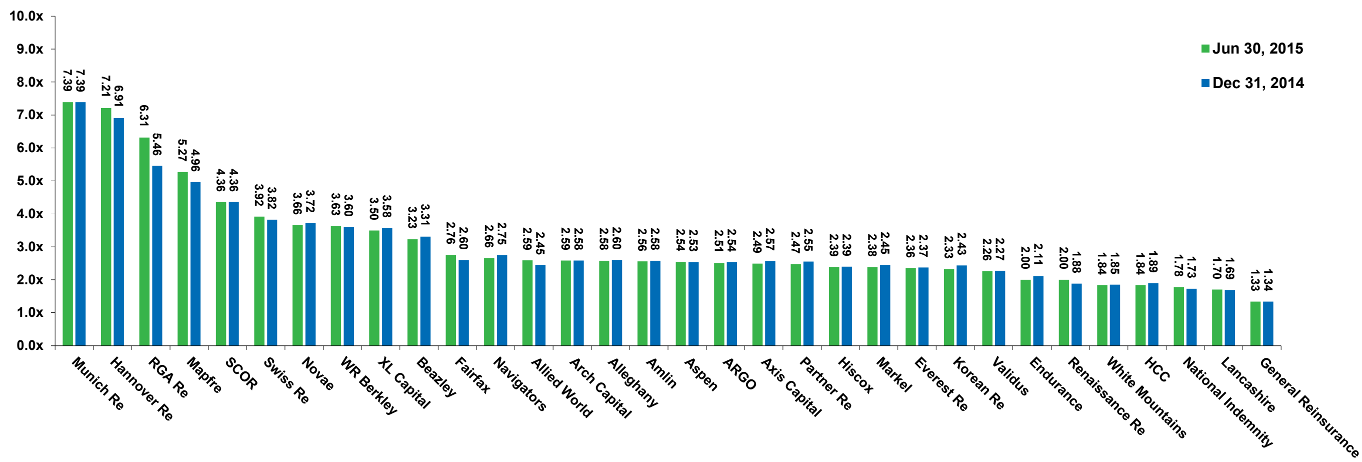
(10) Swiss Re: Combined Ratios are in respect of the P&C Reinsurance division only.

The information compiled in this report by Willis is compiled from third party sources we consider to be reliable

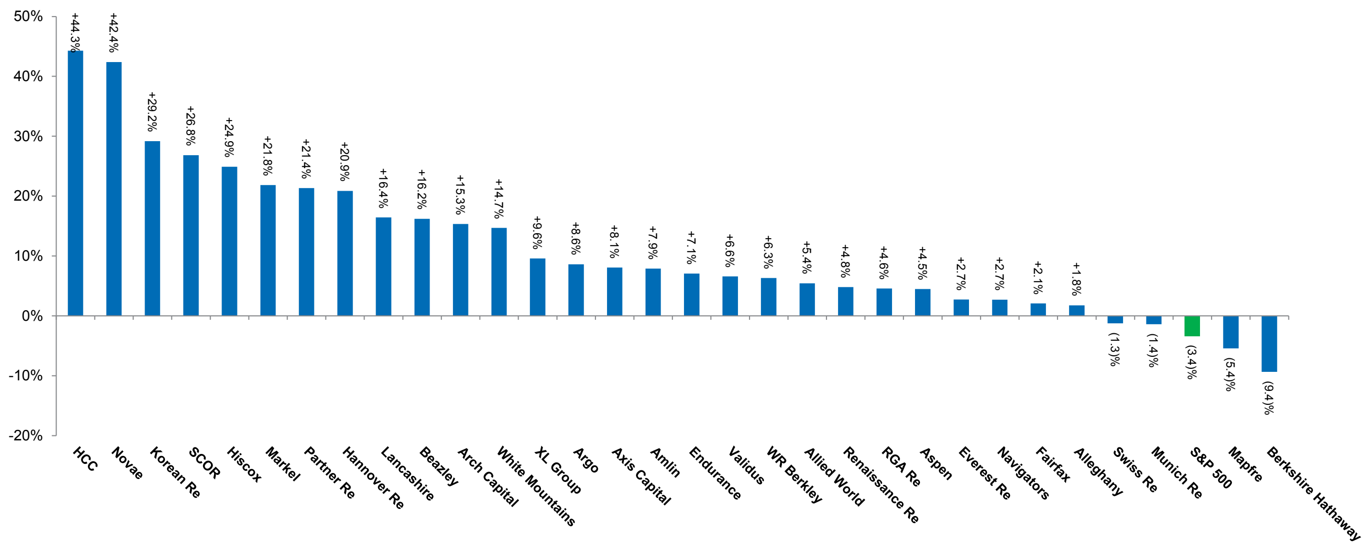
However we do not guarantee and are not responsible for its accuracy or completeness and no warranty or representation of accuracy or completeness is given **August 24, 2015**

Willis Re MANAGING EXTREMES

2. Investment leverage: cash & invested assets / shareholders equity



3. 2015 share price development - % change January 1, 2015 to August 28



Note: Unadjusted for dividends and splits

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Willis Re

MANAGING EXTREMES

How can we help?

To find out how we can offer you an extra depth of service combined with extra flexibility, simply contact us.

Begin by visiting our website at www.willisre.com or calling your local office.

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