



**NAME:** Transatlantic Holdings Inc **DOMICILE:** USA

**Key Shareholders:** American International Group

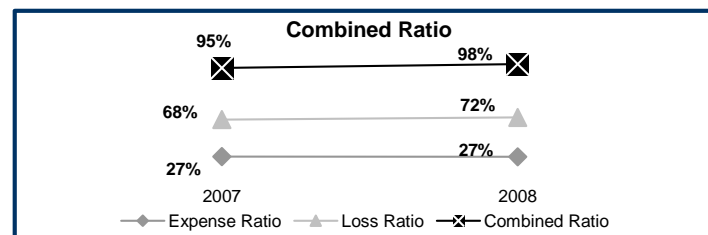
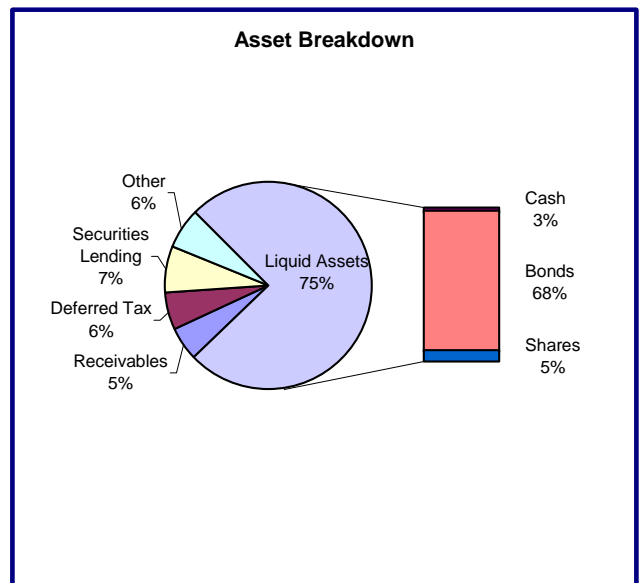
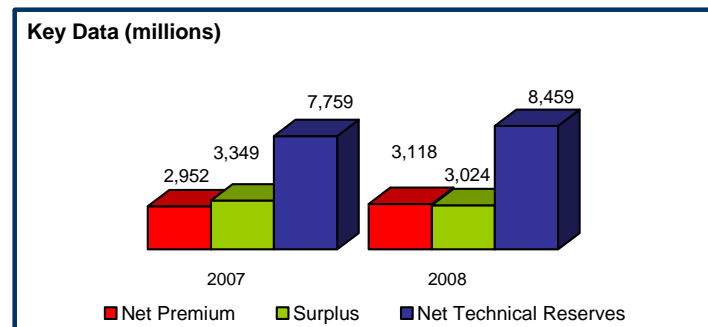
**Standard & Poor's Rating:** Subsidiaries variously rated

**A.M.Best's Rating:** Subsidiaries variously rated

**Exchange Rate:** £1 : \$1.5

KEY FINANCIAL DATA	30-Sep-08 9-months	30-Sep-07 9-months
<b>Income Statement Data</b>		
	\$ (millions)	\$ (millions)
Gross Premium Written	3,378	3,215
Net Premium Written	3,118	2,952
Underwriting Result	34	130
Net Investment Income	348	348
Other Gains/Losses	(284)	(15)
Pre-tax Profit	98	463
Comprehensive Profit	(306)	350
<b>Balance Sheet Data</b>		
	30-Sep-08	31-Dec-07
Surplus	3,024	3,349
Net Technical Reserves	8,459	7,759
Liquid Assets	10,107	10,390
Total Assets	13,420	14,090

KEY RATIOS:	30-Sep-08	30-Sep-07	S&P Standard *
Net Premium/Surplus			<330%
Change in Net Premium Written	5.6		-10/30%
Net Premium/Gross Premium	92.3	91.8	>50%
Net Technical Reserves/Liquid Assets	83.7	74.7	<100%
Two Year Avg U/W Profit/Net Investment Income			>-25%
Pre-tax Profit/Avg Surplus			>5%
Net Technical Reserves + Surplus/Net Premium			>150%
Net Technical Reserves/Surplus	279.7	231.7	<350%
Unusual Values	0/4	0/3	
Change in Surplus	-9.7		



JLT has access to publicly available financial data only. Whilst the information on which we rely is obtained from sources considered to be reliable, we give no assurance about nor accept any responsibility for the financial standing or performance of any (re)insurer. We do not accept any liability for financial loss or damage, howsoever caused, arising from reliance on the review process or this document.



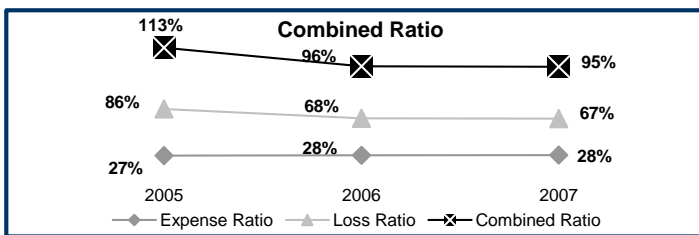
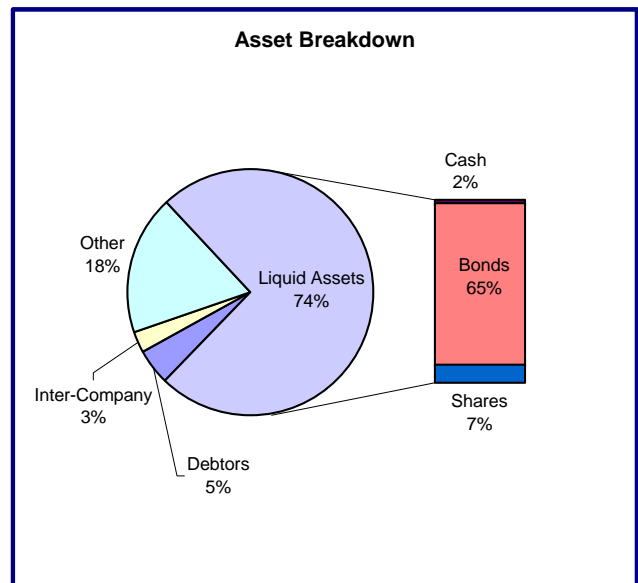
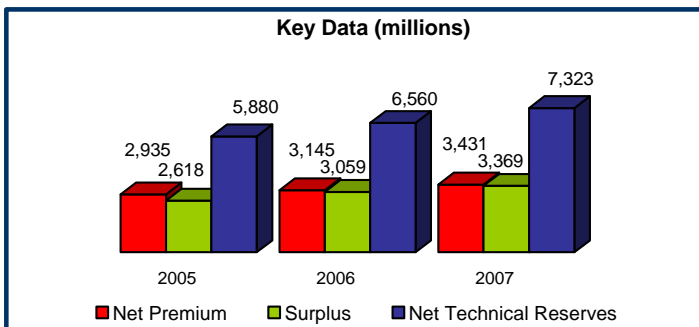
**NAME:** Transatlantic Reinsurance Company **DOMICILE:** USA

**Key Shareholders:** American International Group Inc.

**Standard & Poor's Rating:** A+ 20-Jan-09  
**A.M.Best's Rating:** A 10-Nov-08  
**Exchange Rate:** £1 : \$1.5

KEY FINANCIAL DATA	31-Dec-07	31-Dec-06	31-Dec-05
	\$ (millions)	\$ (millions)	\$ (millions)
Gross Premium Written	3,945	3,659	3,508
Net Premium Written	3,431	3,145	2,935
Underwriting Result	141	114	-387
Net Investment Income	414	371	301
Other Gains/Losses	1	12	37
Pre-tax Profit	556	497	-50
Surplus	3,369	3,059	2,618
Net Technical Reserves	7,323	6,560	5,880
Liquid Assets	9,323	8,298	7,341
Total Assets	12,554	9,993	8,929

KEY RATIOS:	31-Dec-07	31-Dec-06	31-Dec-05	S&P Standard *
Net Premium/Surplus	101.8	102.8	112.1	<330%
Change in Net Premium Written	9.1	7.2	-8.9	-10/30%
Net Premium/Gross Premium	87.0	86.0	83.7	>50%
Net Technical Reserves/Liquid Assets	78.5	79.1	80.1	<100%
Two Year Avg U/W Profit/Net Investment Income	32.4	-40.6	-153.3	>-25%
Pre-tax Profit/Avg Surplus	17.3	17.5	-2.2	>5%
Net Technical Reserves + Surplus/Net Premium	311.7	305.8	289.5	>150%
Net Technical Reserves/Surplus	217.4	214.4	224.6	<350%
Unusual Values	0/8	1/8	2/8	
Change in Surplus	10.1	16.9	34.6	



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## **OWNERSHIP INFORMATION**

Transatlantic Holdings, Inc., was established in 1986, and is a leading international reinsurance organisation headquartered in New York, with operations worldwide. The company's subsidiaries, Transatlantic Reinsurance Company (TRC), Trans Re Zurich (TRZ) and Putnam Reinsurance Company (Putnam), offer reinsurance capacity on both a treaty and facultative basis, structuring programmes for a full range of property and casualty products, with an emphasis on specialty risks.

Transatlantic Holdings Inc. is quoted on the New York Stock Exchange and as at 21 January 2009 the market capitalisation was \$2.3 billion based on a share price of \$34.41. American International Group, Inc. beneficially owned approximately 59% of the common stock of the Company as of September 30, 2008.

## **BUSINESS PROFILE**

The company's products are offered directly and through brokers, to insurance and reinsurance companies, in both the US domestic and international markets. One or both of TRC and Putnam is licensed, accredited, authorised or can serve as a reinsurer in 50 states and the District of Columbia in the United States and in Puerto Rico and Guam. TRC is licensed in Canada, Japan, the United Kingdom, the Dominican Republic, the Hong Kong Special Administrative Region, People's Republic of China and Australia. In addition, TRC is registered or authorised as a foreign reinsurer in Argentina (where it maintains a representative office in Buenos Aires, Transatlantic Re (Argentina) S.A.), Brazil (where it maintains a representative office in Rio de Janeiro, Transatlantic Re (Brasil) Ltda.), the Republic of Panama (where it maintains a representative office, TRC (PANAMA) S.A.), Bolivia, Chile, Colombia, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay, Venezuela and is authorised to maintain a representative office in Shanghai, People's Republic of China.

TRZ is licensed as a reinsurer in Switzerland and registered in Paraguay, Ecuador, Argentina, Honduras, El Salvador, Dominican Republic, Brazil and Colombia. Transatlantic Polska Sp. z o.o., a subsidiary of TRC, maintains a registered representative office in Warsaw, Poland.

The group's principal lines of reinsurance include other liability (including directors' and officers' liability, errors and omissions liability and general casualty), medical malpractice, ocean marine and aviation, auto liability (including non-standard risks), accident and health and surety and credit in the casualty lines, and fire, allied lines, auto physical damage and homeowners multiple peril lines in the property lines. Reinsurance is provided for most major lines of insurance on both excess-of-loss and pro rata bases.

## **AIG Issues**

The AIG share price has fallen from a yearly high of \$70.13, to as low as \$1.25 in trading on 16 September 2008 and the company has suffered rating downgrades from the main agencies. The company was potentially threatened by further downgrades which could continue to have serious consequences for the business. The current financial issues, as JLT understands it, have mainly arisen out of losses incurred as a consequence of the credit crisis, rather than from insurance underwriting. In particular, write-downs and realised losses within the mortgage related credit default swap portfolio.

In response to the magnitude of the problems that the company was facing, and the potential impact that a failure could have on the wider economy, the US Federal Reserve Bank, with the full support of the Treasury Department, agreed to offer a comprehensive credit facility on 16 September 2008 amounting to \$85 billion, to ensure the financial stability of the firm. As part of the deal, the current CEO of AIG, Robert Willumstad, stepped aside in favour of Edward Liddy the former head of insurer Allstate Corporation, who has also taken on the chairman role. The appointment was confirmed on 18 September 2008.

On 10 November 2008 the Federal Reserve Board announced that the aforementioned deal was to be restructured. The new measures were aimed at establishing a more durable capital structure, resolving liquidity issues, facilitating AIG's execution of its plan to sell certain of its businesses in an orderly manner (see below), promoting market stability, and protecting the interests of the U.S. government and taxpayers. In totality the state aid measures circa \$150 billion.

**RATINGS INFORMATION SUMMARY****STANDARD & POOR'S: A+ 20 January 2008 Outlook: Stable**

On 20 January 2009, Standard & Poor's lowered its counterparty credit rating on Transatlantic Holdings Inc. to 'BBB+' from 'A-'. It also lowered its counterparty credit and financial strength ratings on TRH's core operating companies to 'A+' from 'AA-'. At the same time, Standard & Poor's removed these ratings from CreditWatch, where they had been placed with negative implications on 29 September, 2008. The outlook on all of these companies is stable.

These rating actions reflect TRH's inability to meet operating performance expectations over time and, to a lesser extent, concerns that the uncertainty surrounding the majority ownership stake of AIG could put constraints on the company's financial flexibility in the coming months.

TRH's historical operating returns have been below S&P expectations. It believes the company has been unable to fully leverage its strong position in the market to generate sustainable, strong operating performance over time. Return metrics (return on revenue and return on equity) and combined ratios over five-, 10-, and 15-year periods have failed to meet S&P expectations.

Historically, S&P has assessed TRH and its operating subsidiaries on a stand-alone basis, meaning the ratings have not incorporated any support related to AIG's majority ownership. However, S&P believes that the uncertainty surrounding AIG's majority ownership stake constrains TRH's financial flexibility in the event of a sudden need for capital replenishment.

S&P believes the uncertainty surrounding AIG's majority ownership has not materially affected TRH's position among clients and brokers in the market. S&P will continue to monitor this situation closely.

The ratings on TRH and its core subsidiaries are based on the group's well-diversified mix of business, strong reputation with brokers and clients, strong and disciplined underwriting culture, and very strong liquidity. Partially offsetting these strengths are the company's inability to translate its strong competitive position into stronger, peer-leading operating performance over various historical periods, as well as potentially constrained financial flexibility as a result of the uncertainty surrounding the AIG ownership stake.

*Outlook*

The outlook is stable. S&P expects Transatlantic's competitive position to remain strong as the company maintains its global diversification and its excellent reputation with brokers and clients. Premium volume likely will decline slightly in 2009, as S&P expect a continued deterioration in foreign exchange rates and a possible reduction in business assumed from AIG affiliates.

Assuming a normal catastrophe season in 2009, S&P would expect TRH to return to a combined ratio of 93%-95% and a return on revenue of 13%-15%. Capital adequacy likely will remain strong in full-year 2008 and 2009, reflecting S&P's expectation for continued strong earnings supporting the capital base. S&P expects financial leverage to remain at 18%-20% and interest coverage to be at least 10x. Although future net reserve additions likely will decline as releases from more recent years emerge, S&P still has concerns about possible continued reserve strengthening for accident years prior to 2002. S&P does not expect a material amount of overall reserve strengthening.

If the company produces operating returns in line with expectations (i.e., combined ratios of 93%-95% and returns on revenue of 15% or better), continues to use and enhance its economic capital modelling capabilities for strategic planning and decision making, and demonstrates an ability to preserve its strong competitive position in the market, S&P could revise the outlook to positive in the next 18 to 24 months. Negative pressure on the rating could result if S&P see a significant departure of staff or clients in the next 12 to 18 months. S&P will continue to monitor the proceedings with AIG's ownership stake, and will review the rating as necessary when the situation becomes more definitive.

Source: Standard & Poor's ClassicDirect

**NAME: Transatlantic Holdings Inc**

**DOMICILE: USA**

**A.M.BEST'S: A 10 November 2008 Outlook: Negative**

The rating applies to Transatlantic Reinsurance Company and its wholly owned subsidiary Putnam Reinsurance Company (Putnam), which operate under an inter-company pooling agreement, as well as Transatlantic's wholly owned European subsidiary, Trans Re Zurich.

*Key factors within the rating include, but are not limited to:*

- Historically strong underwriting and operating performance (normalised for 2005 catastrophe losses)
- Leadership position in the global broker reinsurance market.
- Underwriting results are consistent and relatively stable

*Offsetting these positive rating factors:*

- Group's relatively high reserve leverage as compared to its ratings within its peer group.

Source: © A.M. Best International Ltd – used by permission

## **RECENT NEWS**

### **Other Than Temporary Impairment Write-Downs**

Realised net capital (losses) gains included other-than-temporary impairment write-downs of the amortised cost or cost of certain investments to fair value totalling (\$124.2) million and (\$202.4) million in the third quarter and first nine months of 2008, respectively, and related to fixed maturities, including fixed maturities included in securities lending invested collateral, and equities available for sale. Write-downs in the third quarter and first nine months of 2007 totalled (\$2.9) million and (\$3.4) million, respectively, related to fixed maturities and equities available for sale.

The significant write-downs in the third quarter and first nine months of 2008 related to certain securities which had experienced declines in fair value below cost or amortised cost for which Transatlantic Holdings could not reasonably assert that the recovery period would be temporary. These write-downs relate to severe declines in fair value, issuer-specific credit events and securities which Transatlantic Holdings did not intend to hold until fair value recovered to cost or amortised cost. Such write-downs generally resulted from the downturn in the U.S. economy and the ongoing turmoil in the financial markets.

Source: September 10 SEC Return

## **NOTES TO THE FINANCIALS**

S&P Standard ratios - these have been developed over several years by Standard & Poor's.

The reinsurers' share of technical reserves, deferred acquisition costs and pre-paid reinsurance premiums have been excluded from the balance sheet.

Financial Data Source: SEC 10Q September 2008, 2007 Annual Report and Accounts