

Best's Rating Report



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ODYSSEY RE[®]

ODYSSEY REINSURANCE GROUP

A

HUDSON INSURANCE COMPANY

A

Wilmington, Delaware



A

Best's Rating Report

Associated With: Fairfax Financial Holdings Limited ODYSSEY REINSURANCE GROUP

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AMB#: 018514

Associated Ultimate Parent#: 058364

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Financial Strength Rating of A (Excellent). The group's Financial Size Category is Class XV.

RATING UNIT MEMBERS

Odyssey Reinsurance Group (AMB# 018514):

| AMB# | COMPANY | BEST'S FSR | |
|--------|-------------------------------|---------------|---|
| 003081 | Hudson Insurance Company | A | g |
| 012631 | Hudson Specialty Ins Co | A | g |
| 000539 | Odyssey Reinsurance Company | A | g |
| 078187 | Newline Insurance Company Ltd | A | r |

RATING RATIONALE

Rating Rationale: The rating reflects Odyssey Reinsurance Group's (Odyssey Re) excellent risk-adjusted capitalization, strong financial performance in recent years and sound business position. Odyssey Re is a global underwriter of reinsurance and specialty primary insurance products and ranks among the top 15 global reinsurance groups in terms of premium volume. Odyssey Re's competitive position benefits from its diversified market presence with regard to business mix and geographic reach. These positive attributes are further supported by Odyssey Re's diversified geographic client base, combined with its large line capacity, broad product capability and an opportunistic business strategy. An astute investment management philosophy emphasizing a total return strategy has augmented the group's earnings to the extent that on a total return basis the group has outperformed its reinsurance peers. The rating also recognizes Odyssey Re's strong liquidity and the benefit derived from the access its ultimate parent, Fairfax Financial Holdings Limited, has to public markets. Somewhat offsetting these strengths are the challenging underwriting conditions reflective of price softening in major lines of business and the group's historical reliance on both realized and unrealized capital gains to bolster its overall financial performance. A.M. Best views this source of earnings as more variable and less predictable than earnings sourced from underwriting.

Odyssey Re maintains a manageable exposure to natural catastrophes as measured by its 1-in-250-year probable maximum loss estimates relative to statutory surplus. In A.M. Best's opinion, Odyssey Re has made significant progress in building a holistic enterprise risk management framework.

The rating applies to Odyssey Reinsurance Company (Connecticut) formerly known as Odyssey America Reinsurance Corporation, Hudson Insurance Company (Delaware), Hudson Specialty Insurance Company (New York) and Newline Insurance Company Limited (UK).

Best's Financial Strength Rating: A

Outlook: Stable

FIVE YEAR RATING HISTORY

| Date | Best's FSR | Date | Best's FSR |
|----------|---------------|----------|---------------|
| 02/09/11 | A | 02/15/07 | A |
| 01/12/10 | A | 04/03/06 | A |
| 11/17/08 | A | 03/17/06 | A u |
| 10/15/07 | A | | |

KEY FINANCIAL INDICATORS (\$000)

| Period Ending | Statutory Data | | | | | |
|---------------|-------------------------|----------------------|-------------------------|------------|-----------------------|------------------------|
| | Direct Premiums Written | Net Premiums Written | Pretax Operating Income | Net Income | Total Admitted Assets | Policyholders' Surplus |
| 2006 | 534,073 | 1,980,522 | 306,772 | 608,031 | 7,393,737 | 2,493,800 |
| 2007 | 541,949 | 1,949,323 | 278,874 | 335,783 | 7,873,993 | 2,922,758 |
| 2008 | 553,278 | 1,885,172 | 208,047 | 602,133 | 8,353,536 | 2,951,335 |
| 2009 | 540,277 | 1,774,901 | 344,994 | 374,884 | 8,779,055 | 3,512,819 |
| 2010 | 537,662 | 1,723,968 | 275,863 | 338,205 | 8,921,652 | 3,320,141 |

| Period Ending | Profitability | | | Leverage | | | Liquidity | |
|---------------|---------------|----------------|----------------|------------|------------|----------|------------------|---------------------|
| | Comb. Ratio | Inv. Yield (%) | Pretax ROR (%) | NA Inv Lev | NPW to PHS | Net Lev. | Overall Liq. (%) | Oper. Cash-flow (%) |
| 2006 | 96.0 | 3.9 | 15.1 | 43.2 | 0.8 | 2.7 | 153.0 | 137.3 |
| 2007 | 96.8 | 3.4 | 14.2 | 48.2 | 0.7 | 2.3 | 161.1 | 103.3 |
| 2008 | 101.5 | 3.1 | 10.7 | 70.7 | 0.6 | 2.4 | 156.3 | 102.2 |
| 2009 | 95.8 | 3.7 | 19.0 | 72.9 | 0.5 | 2.0 | 169.0 | 102.2 |
| 2010 | 98.7 | 3.5 | 15.8 | 67.9 | 0.5 | 2.2 | 161.6 | 108.7 |
| 5-Yr | 97.7 | 3.5 | 14.9 | ... | ... | ... | ... | ... |

(* Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Reinsurance Composite.

BUSINESS REVIEW

For the purposes of this report, the financial information and discussion included for Odyssey Re reflects the consolidation of the statutory financials of all U.S.-domiciled insurance and reinsurance companies owned by Odyssey Re Holdings Corp. ("ORH"). The financial information through December 31, 2010, also includes the results of Clearwater Insurance Company ("Clearwater"). Clearwater had been a member of the Odyssey Group until its transfer to TIG Insurance Group Inc. ("TIG") on January 1, 2011, and its results will not be consolidated with Odyssey Re going forward. Individual reports for members of Odyssey Re include the individual member's statutory financial information. Policyholders' surplus as of December 31, 2010 excludes the value of Clearwater as ORC declared a dividend in December 2010, payable in January 2011, of Clearwater common stock as part of the transfer of Clearwater from the Odyssey Group to TIG.

Odyssey Re includes the U.S. reinsurance and insurance operations of ORH as well as a Lloyd's syndicate ("Newline Syndicate 1218") and Newline Insurance Company Limited ("Newline") which is a UK-based insurance company. Reinsurance operations are led by Odyssey Reinsurance Company ("ORC"), which provides treaty casualty and property reinsurance as well as facultative reinsurance for small to medium-sized regional companies and specialized departments of major insurance companies. Products are provided primarily through the broker market in the U.S. and through brokers and directly with insurers and reinsurers internationally. Specific lines of business include specialty casualty and general casualty; commercial and personal property; marine; aviation and space; accident and health; and surety lines. Facultative casualty reinsurance is also provided for general liability; umbrella liability; directors and officers liability; professional liability and commercial automobile.

The U.S. insurance operations of Odyssey Re are conducted through Hudson Insurance Company ("Hudson") and Hudson Specialty Insurance Company ("Hudson Specialty"). The insurance operations provide coverage on both an admitted and non-admitted basis through in-house underwriting facilities and a limited number of program administrators. Lines of business include professional liability; multi-peril crop; directors' and officers' liability; marine and energy; personal umbrella; personal liability; and personal commercial auto and surety. Where program administrator relationships are used, the group seeks organizations that have a long and successful track record in their particular areas of expertise. Odyssey Re's management has established strong control systems to monitor program administrators, including incentives to produce profitable business.

Specialty insurance is offered in London through Newline Syndicate 1218 and Newline. Business is written primarily in non-U.S. liability lines, including professional indemnity, directors' and officers' liability, medical professional liability, motor and financial institutions.



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2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

| Product Line | —Premiums Written— | | % of Total NPW | Pure Loss Ratio | Loss & LAE Res. |
|------------------------|--------------------|-----------|----------------|-----------------|-----------------|
| | Direct | Net | | | |
| Reins-Property | ... | 471,222 | 27.3 | 45.5 | 455,292 |
| Reins-Casualty | ... | 321,206 | 18.6 | 72.6 | 1,691,049 |
| Fire | 72 | 163,941 | 9.5 | 64.0 | 166,345 |
| Oth Liab Occur | 126,669 | 159,506 | 9.3 | 106.1 | 782,431 |
| Allied Lines | 99,046 | 92,468 | 5.4 | 58.6 | 51,283 |
| Inland Marine | 6,626 | 68,147 | 4.0 | 36.9 | 63,371 |
| Oth Liab CM | 111,834 | 60,171 | 3.5 | 60.1 | 280,923 |
| Med Prof Liab CM | 85,405 | 56,037 | 3.3 | 8.9 | 180,684 |
| Surety | 7,834 | 45,891 | 2.7 | 52.5 | 42,887 |
| Com'l MultiPeril | 11,921 | 43,446 | 2.5 | 44.4 | 54,394 |
| Comm'l Auto Liab | 18,629 | 38,074 | 2.2 | 50.7 | 97,939 |
| Reins-Surety etc | ... | 35,600 | 2.1 | 48.2 | 72,763 |
| Homeowners | ... | 35,129 | 2.0 | 62.9 | 19,639 |
| Auto Physical | 22,406 | 27,989 | 1.6 | 60.9 | 12,180 |
| Ocean Marine | 41,267 | 7,937 | 0.5 | 90.0 | 12,230 |
| All Other | 5,954 | 97,204 | 5.6 | 115.6 | 182,870 |
| Totals | 537,662 | 1,723,968 | 100.0 | 63.0 | 4,166,278 |

Geographical breakdown of direct premium writings (\$000): Aggregate Alien, \$202,566 (37.7%); California, \$61,388 (11.4%); Washington, \$24,127 (4.5%); Tennessee, \$22,294 (4.1%); Texas, \$17,783 (3.3%); other jurisdictions, \$209,505 (39.0%).

FINANCIAL PERFORMANCE

Overall Earnings: Odyssey Re has generated favorable operating performance, as evidenced by its five-year average return on surplus, which compares very favorably with its peer industry composite. Driving this favorable result over this period are average underwriting results and strong investment returns earned on an expanding invested asset base.

With its investment portfolio managed by Hamblin Watsa Investment Counsel ("Hamblin Watsa"), which is the investment management subsidiary of Fairfax, the group's ultimate parent, Odyssey Re has benefited from significant realized gains over the past five years, which have served to drive the strong total return measures relative to its peers. A.M. Best expects Odyssey Re to continue to generate profitable total return measures due to strong investment performance, somewhat offset by reduced underwriting margins reflective of soft reinsurance pricing in most markets.

PROFITABILITY ANALYSIS

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|----------------|---------------|-------------|-------------|--------------------|---------------|-------------|-------------|
| | Pretax ROR (%) | Return on PHS | Comb. Ratio | Oper. Ratio | Pretax ROR (%) | Return on PHS | Comb. Ratio | Oper. Ratio |
| 2006 | 15.1 | 21.0 | 96.0 | 85.0 | 52.7 | 21.4 | 91.0 | 48.0 |
| 2007 | 14.2 | 20.0 | 96.8 | 85.4 | 31.6 | 11.3 | 91.6 | 59.0 |
| 2008 | 10.7 | 14.5 | 101.5 | 90.5 | 24.1 | -13.8 | 100.8 | 72.0 |
| 2009 | 19.0 | 20.8 | 95.8 | 81.1 | 39.9 | 20.7 | 92.7 | 59.1 |
| 2010 | 15.8 | 10.6 | 98.7 | 83.8 | 39.3 | 14.8 | 94.5 | 60.3 |
| 5-Yr | 14.9 | 17.0 | 97.7 | 85.3 | 37.6 | 11.1 | 94.1 | 59.6 |

Underwriting Income: Odyssey Re has produced underwriting results in line with its peer group of U.S. statutory reinsurance companies, as evidenced by its five-year average combined ratio of 97.7% based on year-end 2010 results. However, the combined ratio ticked up slightly in 2010 as a result of catastrophe losses, in particular the Chilean earthquake. Odyssey Re has benefited from favorable catastrophe pricing, while casualty rates continued to moderately soften in its reinsurance business with a more pronounced rate softening in its primary insurance markets. The group's expense ratio has fluctuated modestly during the five-year period but is comparable to industry averages. The group's business mix has shifted over the past five years from a predominantly long-tail portfolio of assumed liability reinsurance to a portfolio with a greater weighting of short-tail classes of business. In addition, more than 25% of Odyssey Re's premiums written are now derived from U.S. primary specialty insurance operations, which accounted for a very modest amount of premiums only seven years earlier.

The group generated an underwriting profit in four out of the past five years, reflecting moderate catastrophe seasons and the benefits of otherwise strong underwriting results in non-catastrophe-exposed businesses. In 2008, the group's modest underwriting loss was due to catastrophe losses attributed to hurricanes Ike and Gustav.

UNDERWRITING EXPERIENCE

| Period Ending | Net Undrw Income (\$000) | —Loss Ratios— | | | —Expense Ratios— | | | Div. Pol. | Comb. Ratio |
|---------------|--------------------------|---------------|-----|------------|------------------|------------|------------|-----------|-------------|
| | | Pure Loss | LAE | Loss & LAE | Net Comm. | Other Exp. | Total Exp. | | |
| 2006 | 95,037 | 62.8 | 5.9 | 68.6 | 20.8 | 6.6 | 27.3 | ... | 96.0 |
| 2007 | 66,340 | 60.6 | 6.8 | 67.4 | 21.3 | 8.1 | 29.3 | ... | 96.8 |
| 2008 | -14,786 | 67.3 | 5.8 | 73.1 | 20.0 | 8.4 | 28.4 | ... | 101.5 |
| 2009 | 86,313 | 60.5 | 6.5 | 67.1 | 19.4 | 9.4 | 28.8 | ... | 95.8 |
| 2010 | 29,761 | 63.0 | 7.0 | 70.0 | 18.9 | 9.8 | 28.7 | ... | 98.7 |
| 5-Yr | ... | 62.9 | 6.4 | 69.3 | 20.1 | 8.4 | 28.5 | ... | 97.7 |

Investment Income: The group's investment strategy, while opportunistic, remains highly disciplined and effective over the most recent five-year period, as demonstrated by Odyssey Re's excellent total return measures. The group's invested assets are managed by Hamblin Watsa, which operates with an investment strategy that emphasizes a long-term, value-oriented approach. The overall return on invested assets, including realized and unrealized capital gains has been the cornerstone of the group's strong total overall earnings and has led to consistent growth in shareholders' equity despite operating in a challenging investment environment.

In total, realized capital gains have contributed nearly \$1.5 billion of pre-tax operating income during the five-year period ending December 31, 2010. Including realized capital gains, the group's return on investments significantly outperforms industry composite norms.

The group's fixed income holdings are currently allocated primarily to high quality government securities, municipalities and corporate debt. In 2009, the allocation of government securities moderated while holdings of municipal and corporate debt increased. In 2009, the allocation of government securities moderated while holdings of municipalities and corporate debt increased. In the latter portion of 2008, Odyssey Re shifted its portfolio allocation to include a greater portion of common stock holdings, which coincided with the considerable recovery of the equity markets in 2009. Consequently, the carrying value of Odyssey Re's equity investments has increased to nearly \$2 billion in 2009 from \$886 million at the start of 2008. Included in this carrying value are significant unrealized gains on equities. During the second quarter of 2010, as a result of volatility in the equity markets and the uncertainty caused by credit concerns related to the sovereign debt of certain countries in the European Union, the company determined to increase the level of protection of its equity and equity-related holdings against a potential decline in equity markets by way of additional short positions effected through equity index total return swaps. As a result, beginning in September 2009 and continuing into 2010, the company re-initiated U.S. equity total return swap contracts, which had an aggregate notional value of \$2.3 billion as of December 31, 2010, to protect against potential future broad market downturns.

In 2008, Odyssey Re's total return on invested assets was very strong, driven by gains from credit default swaps and equity total return swaps, which contributed to realized capital gains of \$534 million. In 2007, the group reported realized capital gains that reflected the sale of corporate and government bonds and gains on derivatives, offset slightly by modest realized losses on its common stock portfolio. The large realized capital gain in 2006 included the sale of an affiliate's stock, which accounted for the majority of the annual realized gain.

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INVESTMENT INCOME ANALYSIS (\$000)

| Period Ending | Company | | | | | | Industry Composite | |
|---------------|-----------------|------------------------|--------------------------|----------------------|----------------|------------------|--------------------|----------------|
| | Net Inv. Income | Realized Capital Gains | Unrealized Capital Gains | Inv. Inc. Growth (%) | Inv. Yield (%) | Total Return (%) | Inv. Growth (%) | Inv. Yield (%) |
| 2006 | 221,875 | 482,040 | -128,578 | 41.6 | 3.9 | 10.3 | 17.7 | 6.3 |
| 2007 | 222,170 | 187,420 | 206,190 | 0.1 | 3.4 | 9.7 | -24.7 | 4.4 |
| 2008 | 212,945 | 524,384 | -176,923 | -4.2 | 3.1 | 8.3 | -13.9 | 3.9 |
| 2009 | 266,296 | 147,668 | 298,258 | 25.1 | 3.7 | 10.1 | 21.0 | 4.7 |
| 2010 | 261,513 | 123,382 | 23,797 | -1.8 | 3.5 | 5.5 | -1.0 | 4.0 |
| 5-Yr | ... | ... | ... | 9.7 | 3.5 | 8.7 | -1.8 | 4.6 |

INVESTMENT PORTFOLIO ANALYSIS

| Asset Class | 2010 Inv. Assets (\$000) | | —% of Invested Assets— | | Annual % Change |
|-----------------------------|--------------------------|--------|------------------------|-------|-----------------|
| | Total | to Stm | 2010 | 2009 | |
| Long-term bonds..... | 4,265,539 | | 54.8 | 52.6 | 6.6 |
| Stocks | 1,577,562 | | 20.3 | 27.4 | -24.3 |
| Affiliated Investments..... | 554,310 | | 7.1 | 6.2 | 17.4 |
| Other Inv Assets..... | 1,381,920 | | 17.8 | 13.7 | 32.2 |
| Total..... | 7,779,330 | | 100.0 | 100.0 | 2.3 |

2010 BOND PORTFOLIO ANALYSIS

| Asset Class | Total Bonds | Mkt. Val | to Stm Val (%) | Avg. Maturity (Yrs) | Class | | Struc. Secur. (%) | Struc. Secur. (% of PHS) |
|-----------------------|-------------|----------|----------------|---------------------|---------|---------|-------------------|--------------------------|
| | | | | | 1-2 (%) | 3-6 (%) | | |
| Governments | 40.3 | -2.1 | 13.6 | 91.1 | 8.9 | ... | ... | ... |
| States, terr & poss.. | 12.6 | -1.2 | 24.5 | 100.0 | ... | ... | ... | ... |
| Special Revenue..... | 39.5 | 6.4 | 21.5 | 100.0 | 0.0 | ... | ... | ... |
| Corporates..... | 7.6 | 17.2 | 10.8 | 14.4 | 85.6 | ... | ... | ... |
| Total all bonds.. | 100.0 | 3.6 | 17.9 | 89.9 | 10.1 | ... | ... | ... |

CAPITALIZATION

Capital Generation: ORC's statutory surplus, which can be considered the group's statutory surplus due to the group's organizational structure, has increased at a five-year compound annual growth rate of greater than 10% based on year-end 2010 results, despite sizeable dividend payments to its parent, ORH. The increase in surplus is attributable to a combination of operating earnings; strong and consistent realized capital gains. This expanded capital position has supported the group's premium writings, adverse development charges and natural catastrophe losses during the most recent five-year period.

Although stockholder dividends have been paid in the past several years, ORC has retained a sizeable portion of its earnings, thereby augmenting capital formation. Since 2005, ORC has paid over \$1 billion of dividends to ORH while significantly expanding its surplus position. The group's dividends served as a funding mechanism for ORH's share repurchase program, which has ceased given the 2009 acquisition by Fairfax of 100% of its common shares.

CAPITAL GENERATION ANALYSIS (\$000)

| Period Ending | Source of Surplus Growth | | | | | |
|---------------|--------------------------|------------------|----------------------|-------------------|---------------|----------------|
| | Pretax Operating Income | Total Inv. Gains | Net Contrib. Capital | Other, Net of Tax | Change in PHS | PHS Growth (%) |
| 2006 | 306,772 | 353,462 | -60,000 | -168,800 | 431,434 | 20.9 |
| 2007 | 278,874 | 393,610 | -155,000 | -88,525 | 428,958 | 17.2 |
| 2008 | 208,047 | 347,461 | -410,000 | -116,931 | 28,577 | 1.0 |
| 2009 | 344,994 | 445,926 | -200,000 | -29,437 | 561,483 | 19.0 |
| 2010 | 275,863 | 147,179 | -600,530 | -15,190 | -192,678 | -5.5 |
| 5-Yr | 1,414,550 | 1,687,638 | -1,425,530 | -418,882 | 1,257,775 | ... |

Overall Capitalization: ORC maintains a strong overall risk-adjusted capital position, as measured by its Best's Capital Adequacy Ratio (BCAR) analysis. The benefits of surplus generation and moderating premium growth, as well as the divestiture of significant affiliated investments, have led to improved and sustainable capitalization over the five-year period. Odyssey Re's total return operating philosophy has generated considerable realized capital gains over the five-year period that have supported surplus growth. ORC's capital position has benefited from past capital contributions from its parent, ORH,

and very strong recent year net earnings. The fixed income portfolio consists of conservative holdings with solid credit quality and liquidity that further support the group's capitalization. During the past year, the group has decreased its common stock holdings, Odyssey Re's common stock leverage (common stock investments as a percentage of statutory surplus) decreased to approximately 40% in 2010 compared to 60% in 2009, which is more in line with the industry composite norm. This exposure is largely offset through a hedging strategy using total return swaps on the S&P 500 and the Russell 2000.

The group experienced slightly favorable loss reserve development in recent years. The group's exposure to reserve development arising from asbestos and environmental (A&E) has been substantially eliminated through the transfer of Clearwater from Odyssey Re to TIG. The group's credit risk from reinsurance recoverables is mitigated due to collateral held in the form of letters of credit and funds held. However, not all recoverables are backed by collateral. A significant risk relating to the capitalization of the group is catastrophe exposure. Management addresses these risks by managing to a 1-in-250-year probable maximum loss and attempts to limit the net after-tax occurrence to any geographic zone to less than 20% of statutory surplus. The significant financial resources of its ultimate parent company, Fairfax, further enhance Odyssey Re's financial flexibility. ORH maintains public debt listings; however, its financial leverage is well within the established range of current rating levels.

QUALITY OF SURPLUS (\$000)

| Period Ending | Year-End PHS | % of PHS | | | —Dividend Requirements— | | |
|---------------|--------------|---------------------|-------|--------------------|-------------------------|-------------|----------------------|
| | | Cap. Stock/Contrib. | Other | Unassigned Surplus | Stockholder Divs | Div. To POI | Div. To Net Inc. (%) |
| 2006 | 2,493,800 | 38.2 | 0.1 | 61.7 | -60,000 | 19.6 | 9.9 |
| 2007 | 2,922,758 | 32.8 | ... | 67.2 | -155,000 | 55.6 | 46.2 |
| 2008 | 2,951,335 | 32.5 | ... | 67.5 | -410,000 | 197.1 | 68.1 |
| 2009 | 3,512,819 | 27.3 | ... | 72.7 | -200,000 | 58.0 | 53.3 |
| 2010 | 3,320,141 | 28.8 | 2.3 | 68.8 | -511,960 | 185.6 | 151.4 |

Underwriting Leverage: Odyssey Re's underwriting leverage measures are conservative primarily due to its rebalanced portfolio and significant increase in statutory surplus. Moreover, as market conditions softened through 2009 and 2010, the group's writings have moderated. The group's catastrophe writings increased in the most recent year, but its catastrophe loss exposure is still in line with management's stated net, after-tax loss tolerance for a 1-in-250-year occurrence not exceeding 20% of statutory surplus.

Although improved, the group's net leverage is slightly elevated relative to its peer sample group, primarily due to the high percentage of longer-tail liability casualty reserves that account for the majority of carried loss reserves.

LEVERAGE ANALYSIS

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|------------|-------------|----------|------------|--------------------|-------------|----------|------------|
| | NPW to PHS | Res. to PHS | Net Lev. | Gross Lev. | NPW to PHS | Res. to PHS | Net Lev. | Gross Lev. |
| 2006 | 0.8 | 1.5 | 2.7 | 3.1 | 0.3 | 0.7 | 1.6 | 2.2 |
| 2007 | 0.7 | 1.3 | 2.3 | 2.6 | 0.3 | 0.7 | 1.6 | 2.1 |
| 2008 | 0.6 | 1.4 | 2.4 | 2.7 | 0.3 | 0.8 | 1.8 | 2.4 |
| 2009 | 0.5 | 1.1 | 2.0 | 2.2 | 0.3 | 0.7 | 1.5 | 2.0 |
| 2010 | 0.5 | 1.3 | 2.2 | 2.5 | 0.2 | 0.5 | 1.1 | 1.5 |

Current BCAR: 234.7

PREMIUM COMPOSITION & GROWTH ANALYSIS

| Period Ending | —DPW— | | —GPW— | | —NPW— | | —NPE— | |
|---------------|---------|---------|-----------|---------|-----------|---------|-----------|---------|
| | (\$000) | (% Chg) | (\$000) | (% Chg) | (\$000) | (% Chg) | (\$000) | (% Chg) |
| 2006 | 534,073 | -1.9 | 2,098,194 | -10.5 | 1,980,522 | -5.6 | 2,028,418 | -1.9 |
| 2007 | 541,949 | 1.5 | 2,048,524 | -2.4 | 1,949,323 | -1.6 | 1,960,397 | -3.4 |
| 2008 | 553,278 | 2.1 | 2,022,088 | -1.3 | 1,885,172 | -3.3 | 1,936,274 | -1.2 |
| 2009 | 540,277 | -2.3 | 1,945,580 | -3.8 | 1,774,901 | -5.8 | 1,811,675 | -6.4 |
| 2010 | 537,662 | -0.5 | 1,938,003 | -0.4 | 1,723,968 | -2.9 | 1,749,405 | -3.4 |
| 5-Yr CAGR | ... | -0.3 | ... | -3.7 | ... | -3.9 | ... | -3.3 |
| 5-Yr Chg | ... | -1.2 | ... | -17.3 | ... | -17.8 | ... | -15.4 |

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Reserve Quality: The group has experienced minimal loss reserve development in recent years. Much of the development in prior calendar years is attributable to business generated in Clearwater, which as of January 1, 2011, is no longer part of the Odyssey Re Group.

As a result of the transfer of Clearwater, the group no longer has any material exposure to A&E claims. However, Clearwater was included in the group's results through year-end 2010. Clearwater strengthened A&E reserves by \$53.2 million in 2010, \$40.5 million in 2009, \$45 million in 2008, \$77 million in 2007 and \$69 million, of which \$28 million is attributable to the commutation of a significant reinsurance agreement, in 2006.

Odyssey Re discounts reserves relating to the indemnity portion of workers' compensation reserves of ORC.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (\$000)

| Calendar Year | Orig. Loss Reserves | Developed Thru '10 | Develop. Orig. (%) | Develop. to PHS (%) | Develop. to NPE (%) | Unpaid Reserves @12/10 | Unpaid Res. to Develop. (%) |
|---------------|---------------------|--------------------|--------------------|---------------------|---------------------|------------------------|-----------------------------|
| 2005 | 3,437,289 | 3,981,906 | 15.8 | 26.4 | 192.6 | 1,397,103 | 35.1 |
| 2006 | 3,844,348 | 4,097,662 | 6.6 | 10.2 | 201.3 | 1,666,191 | 40.7 |
| 2007 | 3,862,541 | 3,945,984 | 2.2 | 2.9 | 201.3 | 2,016,433 | 51.1 |
| 2008 | 4,061,861 | 4,082,890 | 0.5 | 0.7 | 210.9 | 2,542,841 | 62.3 |
| 2009 | 4,086,943 | 4,088,076 | 0.0 | 0.0 | 225.7 | 3,174,506 | 77.7 |
| 2010 | 4,207,348 | 4,207,348 | ... | ... | 240.5 | 4,207,348 | 100.0 |

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

| Accident Year | Orig. Loss Reserves | Developed Reserves Thru '10 | Develop. to Orig. (%) | Unpaid Reserves @12/10 | Acc. Yr Loss Ratio | Acc. Yr Comb Ratio |
|---------------|---------------------|-----------------------------|-----------------------|------------------------|--------------------|--------------------|
| 2005 | 1,364,218 | 1,174,081 | -13.9 | 213,448 | 75.7 | 103.2 |
| 2006 | 952,314 | 844,831 | -11.3 | 269,088 | 53.9 | 81.3 |
| 2007 | 1,001,365 | 886,237 | -11.5 | 350,242 | 58.1 | 87.5 |
| 2008 | 1,134,349 | 1,071,081 | -5.6 | 526,408 | 69.0 | 97.4 |
| 2009 | 987,303 | 958,355 | -2.9 | 631,665 | 65.7 | 94.5 |
| 2010 | 1,032,842 | 1,032,842 | ... | 1,032,842 | 69.8 | 98.5 |

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

| Year | Company | | | | | Industry Composite | | | | |
|------|-------------------------|-----------------------|------------------|----------------------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|--|
| | Net A&E Reserve (\$000) | Reserve Retention (%) | Net IBNR Mix (%) | Survival Ratio (3yr) | Comb Ratio Impact (1 yr) | Comb Ratio Impact (3 yr) | Survival Ratio (3 yr) | Comb Ratio Impact (1 yr) | Comb Ratio Impact (3 yr) | |
| 2006 | 215,759 | 62.6 | 24.4 | ... | 3.4 | ... | ... | 0.5 | ... | |
| 2007 | 256,910 | 67.4 | 36.9 | ... | 4.0 | ... | ... | 0.7 | ... | |
| 2008 | 260,305 | 65.9 | 44.1 | 39.1 | 2.3 | 3.2 | 7.4 | 0.3 | 0.5 | |
| 2009 | 265,457 | 64.1 | 44.2 | 7.0 | 2.2 | 2.9 | 7.7 | 0.6 | 0.5 | |
| 2010 | 280,724 | 63.4 | 47.4 | 7.3 | 3.0 | 2.5 | 7.8 | 0.7 | 0.5 | |

CEDED REINSURANCE ANALYSIS (\$000)

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|--------------------|---------------|--------------------------|-------------------------|--------------------|--------------------------|-------------------------|--|
| | Ceded Reins. Total | Bus. Ret. (%) | Reins. Recov. to PHS (%) | Ceded Reins. to PHS (%) | Bus. Ret. (%) | Reins. Recov. to PHS (%) | Ceded Reins. to PHS (%) | |
| 2006 | 822,333 | 93.1 | 26.7 | 33.0 | 88.6 | 42.6 | 56.6 | |
| 2007 | 754,374 | 92.6 | 20.5 | 25.8 | 90.0 | 38.8 | 52.5 | |
| 2008 | 873,390 | 90.8 | 23.1 | 29.6 | 88.2 | 44.4 | 58.9 | |
| 2009 | 941,978 | 89.1 | 20.7 | 26.8 | 86.4 | 34.6 | 46.2 | |
| 2010 | 1,065,638 | 86.7 | 24.1 | 32.1 | 87.9 | 25.1 | 33.3 | |

2010 REINSURANCE RECOVERABLES (\$000)

| | Paid & Unpaid Losses | IBNR | Unearned Premiums | Other Recov* | Total Reins Recov |
|---------------------------|----------------------|---------|-------------------|--------------|-------------------|
| US Affiliates..... | 163,256 | 261,618 | 94,070 | 6,588 | 525,532 |
| Foreign Affiliates..... | 8,617 | 613 | ... | -13 | 9,217 |
| US Insurers..... | 211,107 | 217,731 | 58,860 | -29,056 | 458,642 |
| Pools/Associations..... | 19,731 | 27,463 | ... | ... | 47,194 |
| Other Non-US..... | 148,513 | 126,717 | 19,086 | -8,620 | 285,696 |
| Total (ex US Affils)..... | 387,968 | 372,524 | 77,946 | -37,689 | 800,749 |
| Grand Total..... | 551,224 | 634,142 | 172,016 | -31,101 | 1,326,281 |

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

| Period Ending | Company | | | | | | Industry Composite | |
|---------------|-----------------|-------------------|-----------------------|---------------|----------------------|-------------|--------------------|---------------|
| | Class 3-6 Bonds | Real Estate/ Mtg. | Other Invested Assets | Common Stocks | Non-Affil. Inv. Lev. | Affil. Inv. | Class 3-6 Bonds | Common Stocks |
| 2006 | 16.9 | ... | 3.5 | 22.8 | 43.2 | 26.1 | 1.2 | 48.4 |
| 2007 | 7.2 | ... | 13.0 | 27.9 | 48.2 | 26.9 | 1.3 | 45.9 |
| 2008 | 12.3 | ... | 6.9 | 51.4 | 70.7 | 13.1 | 3.1 | 47.3 |
| 2009 | 12.6 | ... | 3.0 | 57.2 | 72.9 | 13.4 | 2.3 | 50.1 |
| 2010 | 14.9 | ... | 11.6 | 41.4 | 67.9 | 16.7 | 2.1 | 34.8 |

LIQUIDITY

Overall Liquidity: The group's liquidity position is solid and compares favorably with its reinsurance peer group. As of year-end 2010, total invested assets were approximately \$7.7 billion, with a sizeable amount allocated in fixed income maturities of solid credit quality. The average durations are less than ten years. Strong cash flows over the past several years are driven by favorable operating results on a considerably expanded invested asset base. Maintaining sound liquidity is significant given the group's exposure to natural and man-made catastrophe losses. Odyssey Re also maintains significant cash and short-term investments.

LIQUIDITY ANALYSIS

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|----------------|------------------|------------------|------------------------------|--------------------|------------------|------------------|------------------------------|
| | Quick Liq. (%) | Current Liq. (%) | Overall Liq. (%) | Gross Agents Bal. to PHS (%) | Quick Liq. (%) | Current Liq. (%) | Overall Liq. (%) | Gross Agents Bal. to PHS (%) |
| 2006 | 64.4 | 120.5 | 153.0 | 3.2 | 66.4 | 125.6 | 176.0 | 4.4 |
| 2007 | 56.6 | 127.6 | 161.1 | 2.6 | 55.8 | 117.2 | 174.5 | 3.2 |
| 2008 | 55.4 | 128.5 | 156.3 | 3.9 | 49.8 | 116.8 | 169.9 | 5.3 |
| 2009 | 49.4 | 140.1 | 169.0 | 3.8 | 58.2 | 125.9 | 181.5 | 4.2 |
| 2010 | 37.7 | 132.7 | 161.6 | 3.2 | 51.9 | 122.2 | 205.9 | 3.0 |

CASH FLOW ANALYSIS (\$000)

| Period Ending | Company | | | | | Industry Composite | |
|---------------|------------------|-----------------|---------------|----------------------|---------------------|----------------------|---------------------|
| | Underw Cash Flow | Oper. Cash Flow | Net Cash Flow | Underw Cash Flow (%) | Oper. Cash Flow (%) | Underw Cash Flow (%) | Oper. Cash Flow (%) |
| 2006 | 567,962 | 612,333 | 488,542 | 139.6 | 137.3 | 114.2 | 141.6 |
| 2007 | 114,057 | 69,857 | -824,035 | 106.1 | 103.3 | 112.0 | 114.7 |
| 2008 | 142,213 | 45,933 | 512,403 | 108.0 | 102.2 | 106.6 | 122.7 |
| 2009 | 167,743 | 45,189 | -691,118 | 110.0 | 102.2 | 112.6 | 136.2 |
| 2010 | 176,658 | 148,429 | 133,294 | 111.3 | 108.7 | 105.6 | 134.6 |

HISTORY

Insurance subsidiaries of Odyssey Re Holdings Corp. ("ORH") currently include Odyssey Reinsurance Company, Hudson Insurance Company, Hudson Specialty Insurance Company, Clearwater Select Insurance Company, Newline Insurance Company Limited and Lloyd's Syndicate 1218.

In February 2011, the name of Odyssey America Reinsurance Corporation ("Odyssey America") was changed to Odyssey Reinsurance Company. In the text that follows, information concerning the history of current and former subsidiaries of ORH will be presented. The name of Odyssey America will appear when applicable from a historical perspective.

ORH was incorporated on March 21, 2001, to serve as the holding company for the U.S.-based reinsurance subsidiaries of Fairfax. In connection with ORH's initial public offering in June 2001, two wholly-owned subsidiaries of Fairfax transferred 100% of the outstanding shares of Odyssey America to ORH in exchange for common stock of ORH, cash and term notes. Immediately following the initial public offering, approximately 26% of ORH was owned by public shareholders and 74% was owned by Fairfax subsidiaries.

In October 2009, then-majority shareholder Fairfax, which at the time owned 72.5% of ORH common shares, completed a tender offer pursuant to which it acquired all of the outstanding shares of ORH common stock that it did not already own. Fairfax paid minority shareholders of ORH \$65 per share, for a total transaction value of approximately \$1.1 billion. Upon completion of the tender offer, ORH de-listed its common stock from the New York Stock Exchange, where it had previously traded under the ticker symbol: ORH.

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Odyssey Reinsurance Corporation was renamed Clearwater Insurance Company effective December 4, 2003. The company is the former Skandia America Reinsurance Corporation, now a Delaware corporation, which was incorporated on May 15, 1974, under the laws of New York to serve as the United States Branch of Skandia Insurance Company Ltd., Stockholm, Sweden. On May 31, 1996, Skandia America Reinsurance Corporation and its subsidiaries, including Hudson Insurance Company, were sold to Fairfax for approximately \$230 million.

Effective January 1, 2011, Odyssey America distributed all of the issued and outstanding shares of common stock of Clearwater to ORH, which in turn exchanged the shares with TIG Insurance Group, Inc., a Fairfax subsidiary, in return for the redemption by TIG of ORH common shares of equal value. Prior to these transactions, Clearwater distributed (by means of a dividend) to Odyssey America all of the issued and outstanding shares of common stock of Hudson (which had owned all of the issued and outstanding shares of Hudson Specialty) and Clearwater Select. Hudson and Clearwater Select are now direct subsidiaries of Odyssey Reinsurance Company, and Hudson Specialty remains a direct subsidiary of Hudson. Hudson continues to write business, principally primary property and casualty insurance.

On December 29, 2010, prior to the effectiveness of the transaction noted in the previous paragraph, Hudson issued 23,807 shares of newly created 5.5% Series A preferred stock (paying an annual dividend of 5.5% or \$55 per share annually) and distributed these shares to Clearwater as a dividend, and Clearwater Select issued 5,492 shares of newly created 5.5% Series A preferred stock (paying an annual dividend of 5.5% or \$55 per share annually) and distributed these shares to Clearwater as a dividend.

Also in connection with these transactions, effective January 1, 2011, (a) the existing reinsurance agreement between Clearwater (as a reinsurer) and Clearwater Select (as insured) was novated to Odyssey America (as reinsurer), (b) Clearwater entered into a Claims Administration Services Agreement with Odyssey America, (c) Clearwater entered into a Management Services Agreement with Riverstone Resources LLC, a Fairfax subsidiary and (d) Clearwater entered into a Financial Support Agreement with Fairfax Inc., a Fairfax subsidiary.

TIG Reinsurance Company ("TIG Re") was incorporated in Nebraska on September 10, 1986. Effective January 2, 1992, the company was re-domesticated to Connecticut. TIG Re was acquired by Fairfax in April of 1999, and subsequently became the parent company of Clearwater as of October 26, 1999, and adopted the name Odyssey America Reinsurance Corporation before being subsequently renamed Odyssey Reinsurance Company. As a result of this reorganization, Odyssey Reinsurance Company is now the flagship of the group and continues to actively write reinsurance business.

Odyssey Reinsurance Company, through its direct ownership of Newline UK Holdings Limited, operates its UK-based subsidiaries, including Newline Underwriting Management Limited, Lloyd's Syndicate 1218 and Newline Insurance Company Limited.

On October 28, 2003, Odyssey America purchased General Security Indemnity Company, a shell excess and surplus lines company, which was renamed Hudson Specialty Insurance Company. This company provides the group with the ability to write property and casualty insurance on an excess and surplus lines basis. In December 2003, Odyssey America contributed all of the shares of Hudson Specialty to Clearwater. In July 2010, Clearwater contributed all of the shares of common stock of Hudson Specialty to Hudson.

On November 15, 2004, ORH purchased Overseas Partners U.S. Reinsurance Company, a Delaware-domiciled reinsurance company that had been in run-off since 2002, from Overseas Partners Limited. The company was renamed Clearwater Select Insurance Company and was contributed to Clearwater on November 30, 2004. In December 2010, Clearwater contributed all of the shares of common stock of Clearwater Select to Odyssey America.

MANAGEMENT

Brian D. Young is the president and chief executive officer of ORH, effective April 1, 2011. Prior to joining the group in 1996, he was a vice president of Transatlantic Reinsurance. Jan Christiansen is executive vice president and chief financial officer of ORH. Prior to joining ORH in 2010, he served as group chief executive officer of Cunningham Lindsey Group Inc. Michael G. Wacek is executive vice president and chief risk officer of ORH. Prior to joining the Group in 1998, he was managing director of St. Paul Reinsurance Company Ltd. in London.

REINSURANCE

The group's retrocessional program includes specific reinsurances covering portions of its business, including facultative business, property business and selected liability lines. Property catastrophe reinsurance is maintained in several layers with retentions and amounts recoverable varying by zone.

CONSOLIDATED BALANCE SHEET

(at December 31, 2010)

| ADMITTED ASSETS (\$000) | | | | |
|---------------------------------|-----------|-----------|-------|-------|
| | 12/31/10 | 12/31/09 | '10% | '09% |
| Bonds | 4,265,539 | 4,002,349 | 47.8 | 45.6 |
| Preferred stock | 204,652 | 75,108 | 2.3 | 0.9 |
| Common stock | 1,372,910 | 2,010,139 | 15.4 | 22.9 |
| Cash & short-term invest | 922,097 | 788,803 | 10.3 | 9.0 |
| Derivatives | 185,397 | ... | 2.1 | ... |
| Other non-affil inv asset | 205,286 | 183,751 | 2.3 | 2.1 |
| Investments in affiliates | 554,310 | 472,207 | 6.2 | 5.4 |
| Total invested assets | 7,710,191 | 7,532,357 | 86.4 | 85.8 |
| Premium balances | 366,183 | 402,466 | 4.1 | 4.6 |
| Accrued interest | 69,139 | 72,427 | 0.8 | 0.8 |
| All other assets | 776,140 | 771,805 | 8.7 | 8.8 |
| Total assets | 8,921,652 | 8,779,055 | 100.0 | 100.0 |

| LIABILITIES & SURPLUS (\$000) | | | | |
|------------------------------------|-----------|-----------|-------|-------|
| | 12/31/10 | 12/31/09 | '10% | '09% |
| Loss & LAE reserves | 4,166,278 | 4,039,231 | 46.7 | 46.0 |
| Unearned premiums | 494,205 | 519,643 | 5.5 | 5.9 |
| Conditional reserve funds | 82,336 | 71,320 | 0.9 | 0.8 |
| Derivatives | 94,451 | ... | 1.1 | ... |
| All other liabilities | 764,241 | 636,042 | 8.6 | 7.2 |
| Total liabilities | 5,601,512 | 5,266,236 | 62.8 | 60.0 |
| Capital & assigned surplus | 1,035,193 | 957,819 | 11.6 | 10.9 |
| Unassigned surplus | 2,284,947 | 2,554,999 | 25.6 | 29.1 |
| Total policyholders' surplus | 3,320,141 | 3,512,819 | 37.2 | 40.0 |
| Total liabilities & surplus | 8,921,652 | 8,779,055 | 100.0 | 100.0 |

CONSOLIDATED SUMMARY OF 2010 OPERATIONS (\$000)

| Statement of Income | 12/31/10 | Funds Provided from Operations | |
|------------------------------|-----------|--------------------------------|-----------|
| | | 12/31/10 | 12/31/10 |
| Premiums earned | 1,749,405 | Premiums collected | 1,742,431 |
| Losses incurred | 1,102,781 | Benefit & loss related pmts | 963,965 |
| LAE incurred | 122,128 | LAE & undrw expenses paid | 601,807 |
| Undrw expenses incurred | 494,735 | Undrw cash flow | 176,658 |
| Net underwriting income | 29,761 | Investment income | 121,537 |
| Net investment income | 261,513 | Other income/expense ... | -20,494 |
| Other income/expense ... | -15,411 | Pre-tax cash operations | 277,701 |
| Pre-tax oper income ... | 275,863 | Income taxes pd (recov) ... | 129,272 |
| Realized capital gains | 123,382 | Net oper cash flow | 148,429 |
| Income taxes incurred | 61,040 | | |
| Net income | 338,205 | | |

Best's Rating Report

Ultimate Parent: Fairfax Financial Holdings Limited HUDSON INSURANCE COMPANY

Wilmington, DE
17 State Street, 29th Floor, New York, NY 10004
Web: www.hudsoninsgroup.com

Tel: 212-978-2800
AMB#: 003081
Ultimate Parent#: 058364

Fax: 212-344-2973
NAIC#: 25054
FEIN#: 13-5150451

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the property/casualty members of Odyssey Reinsurance Group, which operate under a group structure, each group member is assigned a Best's Financial Strength Rating of A (Excellent). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the group.

RATING RATIONALE

The following text is derived from the report of Odyssey Reinsurance Group.

Rating Rationale: The rating reflects Odyssey Reinsurance Group's (Odyssey Re) excellent risk-adjusted capitalization, strong financial performance in recent years and sound business position. Odyssey Re is a global underwriter of reinsurance and specialty primary insurance products and ranks among the top 15 global reinsurance groups in terms of premium volume. Odyssey Re's competitive position benefits from its diversified market presence with regard to business mix and geographic reach. These positive attributes are further supported by Odyssey Re's diversified geographic client base, combined with its large line capacity, broad product capability and an opportunistic business strategy. An astute investment management philosophy emphasizing a total return strategy has augmented the group's earnings to the extent that on a total return basis the group has outperformed its reinsurance peers. The rating also recognizes Odyssey Re's strong liquidity and the benefit derived from the access its ultimate parent, Fairfax Financial Holdings Limited, has to public markets. Somewhat offsetting these strengths are the challenging underwriting conditions reflective of price softening in major lines of business and the group's historical reliance on both realized and unrealized capital gains to bolster its overall financial performance. A.M. Best views this source of earnings as more variable and less predictable than earnings sourced from underwriting.

Odyssey Re maintains a manageable exposure to natural catastrophes as measured by its 1-in-250-year probable maximum loss estimates relative to statutory surplus. In A.M. Best's opinion, Odyssey Re has made significant progress in building a holistic enterprise risk management framework.

The rating applies to Odyssey Reinsurance Company (Connecticut) formerly known as Odyssey America Reinsurance Corporation, Hudson Insurance Company (Delaware), Hudson Specialty Insurance Company (New York) and Newline Insurance Company Limited (UK).

Best's Financial Strength Rating: A g

Outlook: Stable

FIVE YEAR RATING HISTORY

| Date | Best's FSR | Date | Best's FSR |
|----------|------------|----------|------------|
| 02/09/11 | A g | 02/15/07 | A g |
| 01/12/10 | A g | 04/03/06 | A g |
| 11/17/08 | A g | 03/17/06 | A g u |
| 10/15/07 | A g | | |

KEY FINANCIAL INDICATORS (\$000)

| Period Ending | Statutory Data | | | | | |
|---------------|-------------------------|----------------------|-------------------------|------------|-----------------------|------------------------|
| | Direct Premiums Written | Net Premiums Written | Pretax Operating Income | Net Income | Total Admitted Assets | Policyholders' Surplus |
| 2006 | 268,263 | 199,422 | 3,453 | 1,101 | 371,338 | 115,416 |
| 2007 | 251,497 | 192,240 | 7,892 | 4,736 | 390,766 | 120,103 |
| 2008 | 269,567 | 115,357 | 13,732 | 30,293 | 424,832 | 135,106 |
| 2009 | 373,268 | 79,519 | 16,278 | 26,630 | 538,664 | 227,071 |
| 2010 | 412,495 | 73,951 | 5,177 | 15,480 | 667,931 | 370,904 |

| Period Ending | Profitability | | | Leverage | | | Liquidity | |
|---------------|---------------|----------------|----------------|------------|------------|----------|------------------|---------------------|
| | Comb. Ratio | Inv. Yield (%) | Pretax ROR (%) | NA Inv Lev | NPW to PHS | Net Lev. | Overall Liq. (%) | Oper. Cash-flow (%) |
| 2006 | 102.6 | 4.3 | 1.8 | 1.3 | 1.7 | 3.9 | 147.4 | 139.4 |
| 2007 | 103.4 | 4.5 | 4.0 | 1.1 | 1.6 | 3.8 | 146.1 | 110.9 |
| 2008 | 108.4 | 3.5 | 8.5 | 0.9 | 0.9 | 3.0 | 148.3 | 114.6 |
| 2009 | 102.0 | 4.8 | 19.8 | 8.6 | 0.4 | 1.7 | 175.5 | 86.6 |
| 2010 | 123.0 | 5.0 | 6.8 | 4.3 | 0.2 | 1.0 | 230.9 | 118.6 |
| 5-Yr | 106.3 | 4.5 | 6.6 | ... | ... | ... | ... | ... |

(* Data reflected within all tables of this report has been compiled from the company-filed statutory financial statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The following text is derived from the report of Odyssey Reinsurance Group.

For the purposes of this report, the financial information and discussion included for Odyssey Re reflects the consolidation of the statutory financials of all U.S.-domiciled insurance and reinsurance companies owned by Odyssey Re Holdings Corp. ("ORH"). The financial information through December 31, 2010, also includes the results of Clearwater Insurance Company ("Clearwater"). Clearwater had been a member of the Odyssey Group until its transfer to TIG Insurance Group Inc. ("TIG") on January 1, 2011, and its results will not be consolidated with Odyssey Re going forward. Individual reports for members of Odyssey Re include the individual member's statutory financial information. Policyholders' surplus as of December 31, 2010 excludes the value of Clearwater as ORC declared a dividend in December 2010, payable in January 2011, of Clearwater common stock as part of the transfer of Clearwater from the Odyssey Group to TIG.

Odyssey Re includes the U.S. reinsurance and insurance operations of ORH as well as a Lloyd's syndicate ("Newline Syndicate 1218") and Newline Insurance Company Limited ("Newline") which is a UK-based insurance company. Reinsurance operations are led by Odyssey Reinsurance Company ("ORC"), which provides treaty casualty and property reinsurance as well as facultative reinsurance for small to medium-sized regional companies and specialized departments of major insurance companies. Products are provided primarily through the broker market in the U.S. and through brokers and directly with insurers and reinsurers internationally. Specific lines of business include specialty casualty and general casualty; commercial and personal property; marine; aviation and space; accident and health; and surety lines. Facultative casualty reinsurance is also provided for general liability; umbrella liability; directors and officers liability; professional liability and commercial automobile.

The U.S. insurance operations of Odyssey Re are conducted through Hudson Insurance Company ("Hudson") and Hudson Specialty Insurance Company ("Hudson Specialty"). The insurance operations provide coverage on both an admitted and non-admitted basis through in-house underwriting facilities and a limited number of program administrators. Lines of business include professional liability; multi-peril crop; directors' and officers' liability; marine and energy; personal umbrella; personal liability; and personal commercial auto and surety. Where program administrator relationships are used, the group seeks organizations that have a long and successful track record in their particular areas of expertise. Odyssey Re's management has established strong control systems to monitor program administrators, including incentives to produce profitable business.

Specialty insurance is offered in London through Newline Syndicate 1218 and Newline. Business is written primarily in non-U.S. liability lines, including professional indemnity, directors' and officers' liability, medical professional liability, motor and financial institutions.

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Best's Rating Report

2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

| Product Line | —Premiums Written— | | % of Total NPW | Pure Loss Ratio | Loss & LAE Res. |
|-----------------------|--------------------|--------|----------------|-----------------|-----------------|
| | Direct | Net | | | |
| Oth Liab Occur | 105,915 | 27,089 | 36.6 | 57.5 | 67,775 |
| Allied Lines | 99,044 | 11,454 | 15.5 | 76.1 | 5,881 |
| Oth Liab CM | 98,188 | 9,324 | 12.6 | 110.2 | 33,706 |
| Ocean Marine..... | 41,399 | 8,011 | 10.8 | 28.7 | 1,316 |
| Auto Physical | 22,404 | 6,683 | 9.0 | 39.4 | 1,160 |
| Comm'l Auto Liab..... | 18,151 | 5,453 | 7.4 | 60.0 | 12,557 |
| Surety..... | 7,834 | 2,094 | 2.8 | 16.8 | 1,906 |
| Inland Marine..... | 4,594 | 1,547 | 2.1 | 3.0 | 768 |
| All Other..... | 14,965 | 2,296 | 3.1 | -36.5 | 4,078 |
| Totals | 412,495 | 73,951 | 100.0 | 57.3 | 129,148 |

Geographical breakdown of direct premium writings (\$000): Aggregate Alien, \$202,698 (49.1%); California, \$44,279 (10.7%); Tennessee, \$20,304 (4.9%); Washington, \$19,101 (4.6%); New York, \$14,340 (3.5%); other jurisdictions, \$111,772 (27.1%).

FINANCIAL PERFORMANCE

The following text is derived from the report of Odyssey Reinsurance Group.

Overall Earnings: Odyssey Re has generated favorable operating performance, as evidenced by its five-year average return on surplus, which compares very favorably with its peer industry composite. Driving this favorable result over this period are average underwriting results and strong investment returns earned on an expanding invested asset base.

With its investment portfolio managed by Hamblin Watsa Investment Counsel ("Hamblin Watsa"), which is the investment management subsidiary of Fairfax, the group's ultimate parent, Odyssey Re has benefited from significant realized gains over the past five years, which have served to drive the strong total return measures relative to its peers. A.M. Best expects Odyssey Re to continue to generate profitable total return measures due to strong investment performance, somewhat offset by reduced underwriting margins reflective of soft reinsurance pricing in most markets.

PROFITABILITY ANALYSIS

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|----------------|---------------|-------------|-------------|--------------------|---------------|-------------|-------------|
| | Pretax ROR (%) | Return on PHS | Comb. Ratio | Oper. Ratio | Pretax ROR (%) | Return on PHS | Comb. Ratio | Oper. Ratio |
| 2006 | 1.8 | 1.1 | 102.6 | 96.8 | 18.9 | 19.2 | 94.3 | 79.9 |
| 2007 | 4.0 | 3.9 | 103.4 | 97.0 | 20.6 | 15.7 | 94.7 | 78.8 |
| 2008 | 8.5 | 23.7 | 108.4 | 101.6 | 16.6 | -1.0 | 98.9 | 83.7 |
| 2009 | 19.8 | 14.7 | 102.0 | 81.5 | 14.9 | 11.2 | 100.0 | 85.2 |
| 2010 | 6.8 | 8.1 | 123.0 | 94.6 | 10.4 | 9.4 | 104.5 | 88.9 |
| 5-Yr | 6.6 | 10.3 | 106.3 | 96.0 | 16.4 | 10.7 | 98.3 | 83.1 |

Underwriting Income: Odyssey Re has produced underwriting results in line with its peer group of U.S. statutory reinsurance companies, as evidenced by its five-year average combined ratio of 97.7% based on year-end 2010 results. However, the combined ratio ticked up slightly in 2010 as a result of catastrophe losses, in particular the Chilean earthquake. Odyssey Re has benefited from favorable catastrophe pricing, while casualty rates continued to moderately soften in its reinsurance business with a more pronounced rate softening in its primary insurance markets. The group's expense ratio has fluctuated modestly during the five-year period but is comparable to industry averages. The group's business mix has shifted over the past five years from a predominantly long-tail portfolio of assumed liability reinsurance to a portfolio with a greater weighting of short-tail classes of business. In addition, more than 25% of Odyssey Re's premiums written are now derived from U.S. primary specialty insurance operations, which accounted for a very modest amount of premiums only seven years earlier.

The group generated an underwriting profit in four out of the past five years, reflecting moderate catastrophe seasons and the benefits of otherwise strong underwriting results in non-catastrophe-exposed businesses. In 2008, the group's modest underwriting loss was due to catastrophe losses attributed to hurricanes Ike and Gustav.

UNDERWRITING EXPERIENCE

| Period Ending | Net Undrw Income (\$000) | —Loss Ratios— | | | —Expense Ratios— | | | Div. Pol. | Comb. Ratio |
|---------------|--------------------------|---------------|------|------------|------------------|------------|------------|-----------|-------------|
| | | Pure Loss | LAE | Loss & LAE | Net Comm. | Other Exp. | Total Exp. | | |
| 2006 | -7,523 | 58.5 | 11.2 | 69.7 | 23.4 | 9.5 | 32.9 | ... | 102.6 |
| 2007 | -4,695 | 54.5 | 11.7 | 66.2 | 23.2 | 14.0 | 37.2 | ... | 103.4 |
| 2008 | 2,739 | 58.8 | 14.6 | 73.4 | 9.0 | 26.0 | 35.0 | ... | 108.4 |
| 2009 | -611 | 41.0 | 24.1 | 65.1 | -14.3 | 51.2 | 37.0 | ... | 102.0 |
| 2010 | -16,503 | 57.3 | 22.9 | 80.2 | -14.3 | 57.0 | 42.7 | ... | 123.0 |
| 5-Yr | ... | 55.3 | 14.9 | 70.2 | 12.1 | 24.0 | 36.1 | ... | 106.3 |

Investment Income: The group's investment strategy, while opportunistic, remains highly disciplined and effective over the most recent five-year period, as demonstrated by Odyssey Re's excellent total return measures. The group's invested assets are managed by Hamblin Watsa, which operates with an investment strategy that emphasizes a long-term, value-oriented approach. The overall return on invested assets, including realized and unrealized capital gains has been the cornerstone of the group's strong total overall earnings and has led to consistent growth in shareholders' equity despite operating in a challenging investment environment.

In total, realized capital gains have contributed nearly \$1.5 billion of pre-tax operating income during the five-year period ending December 31, 2010. Including realized capital gains, the group's return on investments significantly outperforms industry composite norms.

The group's fixed income holdings are currently allocated primarily to high quality government securities, municipalities and corporate debt. In 2009, the allocation of government securities moderated while holdings of municipal and corporate debt increased. In 2009, the allocation of government securities moderated while holdings of municipalities and corporate debt increased. In the latter portion of 2008, Odyssey Re shifted its portfolio allocation to include a greater portion of common stock holdings, which coincided with the considerable recovery of the equity markets in 2009. Consequently, the carrying value of Odyssey Re's equity investments has increased to nearly \$2 billion in 2009 from \$886 million at the start of 2008. Included in this carrying value are significant unrealized gains on equities. During the second quarter of 2010, as a result of volatility in the equity markets and the uncertainty caused by credit concerns related to the sovereign debt of certain countries in the European Union, the company determined to increase the level of protection of its equity and equity-related holdings against a potential decline in equity markets by way of additional short positions effected through equity index total return swaps. As a result, beginning in September 2009 and continuing into 2010, the company re-initiated U.S. equity total return swap contracts, which had an aggregate notional value of \$2.3 billion as of December 31, 2010, to protect against potential future broad market downturns.

In 2008, Odyssey Re's total return on invested assets was very strong, driven by gains from credit default swaps and equity total return swaps, which contributed to realized capital gains of \$534 million. In 2007, the group reported realized capital gains that reflected the sale of corporate and government bonds and gains on derivatives, offset slightly by modest realized losses on its common stock portfolio. The large realized capital gain in 2006 included the sale of an affiliate's stock, which accounted for the majority of the annual realized gain.

INVESTMENT INCOME ANALYSIS (\$000)

| Period Ending | Company | | | | | | | Industry Composite | |
|---------------|-----------------|------------------------|--------------------------|----------------------|----------------|------------------|-----------------|--------------------|--|
| | Net Inv. Income | Realized Capital Gains | Unrealized Capital Gains | Inv. Inc. Growth (%) | Inv. Yield (%) | Total Return (%) | Inv. Growth (%) | Inv. Yield (%) | |
| 2006 | 10,976 | 960 | 158 | 78.9 | 4.3 | 4.8 | 9.2 | 4.8 | |
| 2007 | 12,587 | 13 | -129 | 14.7 | 4.5 | 4.4 | 9.6 | 5.0 | |
| 2008 | 10,994 | 18,436 | -95 | -12.7 | 3.5 | 9.6 | -5.4 | 4.7 | |
| 2009 | 16,895 | 10,933 | 65 | 53.7 | 4.8 | 8.1 | -9.1 | 4.4 | |
| 2010 | 21,682 | 8,874 | 8,818 | 28.3 | 5.0 | 9.3 | 2.3 | 4.4 | |
| 5-Yr | ... | ... | ... | 27.0 | 4.5 | 7.5 | 1.0 | 4.7 | |

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INVESTMENT PORTFOLIO ANALYSIS

| Asset Class | 2010 Inv. Assets (\$000) | —% of Invested Assets— | | Annual % Change |
|------------------------------|--------------------------|------------------------|-------|-----------------|
| | | 2010 | 2009 | |
| Long-term bonds | 341,494 | 67.0 | 88.8 | 1.9 |
| Stocks | 24,198 | 4.7 | 0.5 | 999.9 |
| Affiliated Investments | 134,432 | 26.4 | ... | ... |
| Other Inv Assets | 9,567 | 1.9 | 10.7 | -76.4 |
| Total | 509,691 | 100.0 | 100.0 | 35.0 |

2010 BOND PORTFOLIO ANALYSIS

| Asset Class | % of Bonds | Mkt. Val Val (%) | Avg. Maturity (Yrs) | Class 1-2 (%) | Class 3-6 (%) | Struc. Secur. (%) | Struc. Secur. (% of PHS) |
|-----------------------|------------|------------------|---------------------|---------------|---------------|-------------------|--------------------------|
| | | | | | | | |
| States, terr & poss.. | 4.6 | -2.9 | 25.0 | 100.0 | ... | ... | ... |
| Special Revenue..... | 81.4 | 9.9 | 23.6 | 100.0 | ... | ... | ... |
| Corporates..... | 4.1 | 21.3 | 13.3 | ... | 100.0 | ... | ... |
| Total all bonds.. | 100.0 | 8.0 | 23.3 | 95.9 | 4.1 | ... | ... |

CAPITALIZATION

The following text is derived from the report of Odyssey Reinsurance Group.

Capital Generation: ORC's statutory surplus, which can be considered the group's statutory surplus due to the group's organizational structure, has increased at a five-year compound annual growth rate of greater than 10% based on year-end 2010 results, despite sizeable dividend payments to its parent, ORH. The increase in surplus is attributable to a combination of operating earnings; strong and consistent realized capital gains. This expanded capital position has supported the group's premium writings, adverse development charges and natural catastrophe losses during the most recent five-year period.

Although stockholder dividends have been paid in the past several years, ORC has retained a sizeable portion of its earnings, thereby augmenting capital formation. Since 2005, ORC has paid over \$1 billion of dividends to ORH while significantly expanding its surplus position. The group's dividends served as a funding mechanism for ORH's share repurchase program, which has ceased given the 2009 acquisition by Fairfax of 100% of its common shares.

CAPITAL GENERATION ANALYSIS (\$000)

| Period Ending | Pretax Operating Income | Source of Surplus Growth | | | | Change in PHS | PHS Growth (%) |
|---------------|-------------------------|--------------------------|----------------------|-------------------|---------|---------------|----------------|
| | | Total Inv. Gains | Net Contrib. Capital | Other. Net of Tax | | | |
| 2006 | 3,453 | 1,118 | ... | -6,635 | -2,064 | -1.8 | |
| 2007 | 7,892 | -115 | ... | -3,090 | 4,687 | 4.1 | |
| 2008 | 13,732 | 18,341 | ... | -17,071 | 15,002 | 12.5 | |
| 2009 | 16,278 | 10,998 | 65,084 | -395 | 91,965 | 68.1 | |
| 2010 | 5,177 | 17,692 | 122,364 | -1,400 | 143,833 | 63.3 | |
| 5-Yr | 46,533 | 48,033 | 187,448 | -28,591 | 253,424 | ... | |

Overall Capitalization: ORC maintains a strong overall risk-adjusted capital position, as measured by its Best's Capital Adequacy Ratio (BCAR) analysis. The benefits of surplus generation and moderating premium growth, as well as the divestiture of significant affiliated investments, have led to improved and sustainable capitalization over the five-year period. Odyssey Re's total return operating philosophy has generated considerable realized capital gains over the five-year period that have supported surplus growth. ORC's capital position has benefited from past capital contributions from its parent, ORH, and very strong recent year net earnings. The fixed income portfolio consists of conservative holdings with solid credit quality and liquidity that further support the group's capitalization. During the past year, the group has decreased its common stock holdings, Odyssey Re's common stock leverage (common stock investments as a percentage of statutory surplus) decreased to approximately 40% in 2010 compared to 60% in 2009, which is more in line with the industry composite norm. This exposure is largely offset through a hedging strategy using total return swaps on the S&P 500 and the Russell 2000.

The group experienced slightly favorable loss reserve development in recent years. The group's exposure to reserve development arising from asbestos and environmental (A&E) has been substantially eliminated through the transfer of Clearwater from Odyssey Re to TIG. The group's credit risk from reinsurance recoverables is mitigated due to collateral held in the form of letters of credit and funds held. However, not all recoverables are backed by collateral. A significant risk relating to the capitalization of the group is catastrophe exposure. Management addresses these risks by managing to a 1-in-250-year probable maximum loss and attempts to limit the net after-tax occurrence to any geographic zone to less than 20% of statutory surplus. The significant financial resources of its ultimate parent company, Fairfax, further enhance Odyssey Re's financial flexibility. ORH maintains public debt listings; however, its financial leverage is well within the established range of current rating levels.

QUALITY OF SURPLUS (\$000)

| Period Ending | Year-End PHS | % of PHS | | | —Dividend Requirements— | | |
|---------------|--------------|--------------------------|-------|--------------------|-------------------------|-------------|----------------------|
| | | Cap. Stock/Contrib. Cap. | Other | Unassigned Surplus | Stockholder Divs | Div. To POI | Div. To Net Inc. (%) |
| 2006 | 115,416 | 77.7 | ... | 22.3 | ... | ... | ... |
| 2007 | 120,103 | 74.7 | ... | 25.3 | ... | ... | ... |
| 2008 | 135,106 | 66.4 | ... | 33.6 | ... | ... | ... |
| 2009 | 227,071 | 68.2 | ... | 31.8 | ... | ... | ... |
| 2010 | 370,904 | 81.1 | 0.3 | 18.6 | ... | ... | ... |

Underwriting Leverage: Odyssey Re's underwriting leverage measures are conservative primarily due to its rebalanced portfolio and significant increase in statutory surplus. Moreover, as market conditions softened through 2009 and 2010, the group's writings have moderated. The group's catastrophe writings increased in the most recent year, but its catastrophe loss exposure is still in line with management's stated net, after-tax loss tolerance for a 1-in-250-year occurrence not exceeding 20% of statutory surplus.

Although improved, the group's net leverage is slightly elevated relative to its peer sample group, primarily due to the high percentage of longer-tail liability casualty reserves that account for the majority of carried loss reserves.

LEVERAGE ANALYSIS

| Period Ending | Company | | | | Industry Composite | | | |
|---------------|------------|-------------|----------|------------|--------------------|-------------|----------|------------|
| | NPW to PHS | Res. to PHS | Net Lev. | Gross Lev. | NPW to PHS | Res. to PHS | Net Lev. | Gross Lev. |
| 2006 | 1.7 | 1.1 | 3.9 | 5.4 | 0.9 | 1.6 | 3.3 | 4.3 |
| 2007 | 1.6 | 1.3 | 3.8 | 5.0 | 0.8 | 1.5 | 3.1 | 4.0 |
| 2008 | 0.9 | 1.3 | 3.0 | 4.1 | 0.9 | 1.7 | 3.4 | 4.4 |
| 2009 | 0.4 | 0.6 | 1.7 | 3.0 | 0.8 | 1.5 | 3.0 | 3.8 |
| 2010 | 0.2 | 0.3 | 1.0 | 2.1 | 0.7 | 1.5 | 2.9 | 3.8 |

Current BCAR: 234.7

PREMIUM COMPOSITION & GROWTH ANALYSIS

| Period Ending | —DPW— | | —GPW— | | —NPW— | | —NPE— | |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | (\$000) | (% Chg) | (\$000) | (% Chg) | (\$000) | (% Chg) | (\$000) | (% Chg) |
| 2006 | 268,263 | -9.1 | 268,263 | -9.1 | 199,422 | 10.8 | 191,534 | 30.0 |
| 2007 | 251,497 | -6.3 | 251,497 | -6.3 | 192,240 | -3.6 | 197,674 | 3.2 |
| 2008 | 269,567 | 7.2 | 269,567 | 7.2 | 115,357 | -40.0 | 162,155 | -18.0 |
| 2009 | 373,268 | 38.5 | 392,649 | 45.7 | 79,519 | -31.1 | 82,331 | -49.2 |
| 2010 | 412,495 | 10.5 | 413,498 | 5.3 | 73,951 | -7.0 | 76,365 | -7.2 |
| 5-Yr CAGR | ... | 6.9 | ... | 7.0 | ... | -16.3 | ... | -12.3 |
| 5-Yr Chg | ... | 39.8 | ... | 40.1 | ... | -58.9 | ... | -48.2 |

Reserve Quality: The group has experienced minimal loss reserve development in recent years. Much of the development in prior calendar years is attributable to business generated in Clearwater, which as of January 1, 2011, is no longer part of the Odyssey Re Group.

As a result of the transfer of Clearwater, the group no longer has any material exposure to A&E claims. However, Clearwater was included in the group's results through year-end 2010. Clearwater strengthened A&E reserves by \$53.2 million in 2010, \$40.5 million in 2009, \$45 million in 2008, \$77 million in 2007 and \$69 million, of which \$28 million is attributable to the commutation of a significant reinsurance agreement, in 2006.

Odyssey Re discounts reserves relating to the indemnity portion of workers' compensation reserves of ORC.

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LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (\$000)

| Calendar Year | Orig. Loss Reserves | Developed Reserves Thru '10 | Develop. to Orig. (%) | Develop. PHS (%) | Develop. to NPE (%) | Unpaid Reserves @12/10 | Unpaid Res. to Develop. (%) |
|---------------|---------------------|-----------------------------|-----------------------|------------------|---------------------|------------------------|-----------------------------|
| 2005 | 82,897 | 99,998 | 20.6 | 14.6 | 67.9 | 21,261 | 21.3 |
| 2006 | 126,432 | 140,296 | 11.0 | 12.0 | 73.2 | 27,723 | 19.8 |
| 2007 | 151,897 | 165,030 | 8.6 | 10.9 | 83.5 | 42,167 | 25.6 |
| 2008 | 167,731 | 172,538 | 2.9 | 3.6 | 106.4 | 68,617 | 39.8 |
| 2009 | 138,350 | 144,789 | 4.7 | 2.8 | 175.9 | 88,134 | 60.9 |
| 2010 | 123,233 | 123,233 | ... | ... | 161.4 | 123,233 | 100.0 |

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

| Accident Year | Orig. Loss Reserves | Developed Reserves Thru '10 | Develop. to Orig. (%) | Unpaid Reserves @12/10 | Acc. Yr Loss Ratio | Acc. Yr Comb Ratio |
|---------------|---------------------|-----------------------------|-----------------------|------------------------|--------------------|--------------------|
| 2005 | 50,943 | 52,578 | 3.2 | 4,277 | 65.2 | 93.1 |
| 2006 | 81,056 | 74,904 | -7.6 | 6,462 | 66.0 | 98.9 |
| 2007 | 90,189 | 80,700 | -10.5 | 14,444 | 64.9 | 102.0 |
| 2008 | 82,839 | 74,206 | -10.4 | 26,450 | 66.0 | 101.0 |
| 2009 | 42,222 | 32,607 | -22.8 | 19,517 | 67.0 | 103.9 |
| 2010 | 35,099 | 35,099 | ... | 35,099 | 71.8 | 114.5 |

CEDED REINSURANCE ANALYSIS (\$000)

| Period Ending | Company | | | Industry Composite | | |
|---------------|--------------------|---------------|-------------------|-------------------------|---------------|-------------------|
| | Ceded Reins. Total | Bus. Ret. (%) | Reins. to PHS (%) | Ceded Reins. to PHS (%) | Bus. Ret. (%) | Reins. to PHS (%) |
| 2006 | 175,108 | 74.3 | 108.4 | 151.7 | 82.7 | 73.4 |
| 2007 | 139,704 | 76.4 | 83.5 | 116.3 | 83.5 | 65.4 |
| 2008 | 152,010 | 42.8 | 78.6 | 112.5 | 83.1 | 73.6 |
| 2009 | 305,299 | 21.3 | 79.3 | 134.5 | 81.4 | 64.6 |
| 2010 | 407,988 | 17.9 | 64.4 | 110.0 | 79.9 | 60.8 |

2010 REINSURANCE RECOVERABLES (\$000)

| | Paid & Unpaid Losses | IBNR | Unearned Premiums | Other Recov* | Total Reins Recov |
|---------------------------|----------------------|---------|-------------------|--------------|-------------------|
| US Affiliates..... | 67,027 | 124,374 | 63,107 | -1,366 | 253,142 |
| US Insurers..... | 30,333 | 68,899 | 43,112 | -1,052 | 141,292 |
| Pools/Associations..... | 19,093 | 27,463 | ... | ... | 46,556 |
| Other Non-US..... | 10,688 | 30,160 | 9,785 | 460 | 51,093 |
| Total (ex US Affils)..... | 60,114 | 126,522 | 52,897 | -592 | 238,941 |
| Grand Total..... | 127,141 | 250,896 | 116,004 | -1,958 | 492,083 |

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

| Period Ending | Company | | | | | Industry Composite | | |
|---------------|-----------------|------------------|-----------------------|---------------|----------------------|--------------------|-----------------|---------------|
| | Class 3-6 Bonds | Real Estate/Mtg. | Other Invested Assets | Common Stocks | Non-Affil. Inv. Lev. | Affil. Inv. | Class 3-6 Bonds | Common Stocks |
| 2006 | 1.3 | ... | ... | ... | 1.3 | ... | 6.2 | 16.6 |
| 2007 | 1.1 | ... | ... | ... | 1.1 | ... | 5.9 | 15.4 |
| 2008 | 0.9 | ... | ... | ... | 0.9 | ... | 5.5 | 9.5 |
| 2009 | 7.8 | ... | 0.0 | 0.8 | 8.6 | ... | 6.0 | 8.6 |
| 2010 | 3.8 | ... | ... | 0.5 | 4.3 | 36.2 | 7.1 | 9.3 |

LIQUIDITY

The following text is derived from the report of Odyssey Reinsurance Group.

Overall Liquidity: The group's liquidity position is solid and compares favorably with its reinsurance peer group. As of year-end 2010, total invested assets were approximately \$7.7 billion, with a sizeable amount allocated in fixed income maturities of solid credit quality. The average durations are less than ten years. Strong cash flows over the past several years are driven by favorable operating results on a considerably expanded invested asset base. Maintaining sound liquidity is significant given the group's exposure to natural and man-made catastrophe losses. Odyssey Re also maintains significant cash and short-term investments.

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LIQUIDITY ANALYSIS

| Period Ending | Company | | | Industry Composite | | | | |
|---------------|----------------|------------------|------------------|------------------------------|----------------|------------------|------------------|------------------------------|
| | Quick Liq. (%) | Current Liq. (%) | Overall Liq. (%) | Gross Agents Bal. to PHS (%) | Quick Liq. (%) | Current Liq. (%) | Overall Liq. (%) | Gross Agents Bal. to PHS (%) |
| 2006 | 53.2 | 118.4 | 147.4 | 3.2 | 23.7 | 109.2 | 141.4 | 12.0 |
| 2007 | 56.8 | 118.5 | 146.1 | 5.1 | 21.8 | 111.3 | 144.6 | 10.5 |
| 2008 | 43.3 | 140.4 | 148.3 | 1.1 | 19.0 | 104.6 | 140.1 | 12.4 |
| 2009 | 8.4 | 149.4 | 175.5 | 0.6 | 21.3 | 110.8 | 145.3 | 9.4 |
| 2010 | 1.8 | 160.3 | 230.9 | -1.1 | 21.2 | 111.2 | 145.6 | 9.3 |

CASH FLOW ANALYSIS (\$000)

| Period Ending | Company | | | Industry Composite | | | | |
|---------------|------------------|-----------------|---------------|----------------------|---------------------|-------------------|----------------------|---------------------|
| | Underw Cash Flow | Oper. Cash Flow | Net Cash Flow | Underw Cash Flow (%) | Oper. Cash Flow (%) | Net Cash Flow (%) | Underw Cash Flow (%) | Oper. Cash Flow (%) |
| 2006 | 68,397 | 60,082 | -34,810 | 150.5 | 139.4 | 113.1 | 113.1 | 125.0 |
| 2007 | 17,324 | 18,894 | -7,818 | 110.5 | 110.9 | 111.1 | 111.1 | 121.2 |
| 2008 | 8,990 | 21,523 | 17,712 | 106.1 | 114.6 | 100.4 | 100.4 | 111.8 |
| 2009 | -21,283 | -23,817 | -60,351 | 86.8 | 86.6 | 98.4 | 98.4 | 109.4 |
| 2010 | -283 | 18,392 | -16,789 | 99.7 | 118.6 | 96.5 | 96.5 | 108.3 |

HISTORY

This company was incorporated with the temporary title Hudson Insurance Company of Delaware under the laws of Delaware on May 1, 1978 to act as the vehicle for the transfer of the corporate domicile of Hudson Insurance Company from New York, New York to Wilmington, Delaware, effective as of December 31, 1978. The predecessor company was originally incorporated on January 16, 1918, under the laws of New York and began business on December 14, 1918. The United States branch of Skandia Insurance Company Ltd., Stockholm, Sweden (the "US branch") acquired complete financial control of that predecessor company on August 25, 1939.

The US branch, concurrent with its domestication on July 1, 1974, passed direct stock ownership to Skandia America Reinsurance Corporation (now known as Clearwater Insurance Company), New York, New York. From November 1977 until February 1996, Skandia America Reinsurance Corporation was a subsidiary of Skandia America Corporation, a wholly owned holding company of Skandia US Holding Corporation, which was a wholly owned holding company affiliate of Skandia Insurance Company Ltd. (named Skandia Insurance Group Company Ltd. from 1989 to 1993).

On February 21, 1996, Skandia America Corporation entered into an agreement to sell the former Skandia America Reinsurance Corporation (now known as Clearwater Insurance Company) and its subsidiaries, including Hudson Insurance Company (Hudson), to Fairfax Financial Holdings Limited, a Canadian financial services holding company. The acquisition became effective on May 31, 1996.

Effective January 1, 2011, Clearwater dividded the shares of Hudson to Odyssey America (a company that was subsequently renamed Odyssey Reinsurance Company in February 2011), and Hudson is now a direct, wholly owned subsidiary of Odyssey Reinsurance Company, which is wholly owned by Odyssey Re Holdings Corp. (ORH). Fairfax Financial Holdings Limited is the ultimate 100% shareholder of ORH.

Primary insurance business was conducted until 1932. In 1935, the company became a professional reinsurer. In 1981, the company began to underwrite excess and special risk business. From 1985 to 1989, the company ceased writing new and renewal business. In 1990, the company began writing specialty insurance business.

Paid-up capital of \$7.5 million consists of 25,000 common shares at \$300 par value each. All authorized shares are outstanding.

MANAGEMENT

The company's chairman is Brian D. Young, who is also the chairman of the board of Clearwater Select Insurance Company, Hudson Specialty Insurance Company and Odyssey Reinsurance Company. Management of the company's affairs is directed by president and chief operating officer, Christopher L. Gallagher.

Officers: Chairman, Brian D. Young; Chief Executive Officer, Brian D. Young; President and Chief Operating Officer, Christopher L. Gallagher; Executive Vice President and Chief Underwriting Officer, Christopher T. Suarez; Executive Vice President and Chief Actuary, Robert S. Bennett; Executive Vice Presidents, Alane R. Carey, James J. Hooghuis; Senior Vice President and Chief Financial Officer, John F. Verbich; Senior Vice President,

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Secretary and General Counsel, Peter H. Lovell (Corporate); Senior Vice President and Controller, Anthony J. Slowski; Senior Vice Presidents, James A. Crowe, James J. Danbrowney, Matthew J. Deneen, Gerald A. Dugan, Michael P. Gleeson, Kent A. Petersen, Stephen L. Porcelli, Jeffrey M. Rubin, Elizabeth A. Sander, Susan C. Schoenberger, Patricia L. Wasoka, Patricia L. Wasoka, Jean M. Willig.

Directors: Robert S. Bennett, Jan Christiansen, Christopher L. Gallagher, Michael G. Wacek, Brian D. Young.

REGULATORY

An examination of the financial condition is being made as of December 31, 2010 by the Insurance Department of Delaware. The 2010 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Robert S. Bennett, Executive Vice President and Chief Actuary.

Territory: The company is licensed in the District of Columbia, Puerto Rico, U.S. Virgin Islands and all states.

REINSURANCE

The company reinsures specific lines of its business using a combination of pro rata and excess of loss reinsurance arrangements with unaffiliated carriers. The company further cedes 70% of the resulting net account to Odyssey Reinsurance Company on a quota share basis.

The following text is derived from the report of Odyssey Reinsurance Group.

The group's retrocessional program includes specific reinsurances covering portions of its business, including facultative business, property business and selected liability lines. Property catastrophe reinsurance is maintained in several layers with retentions and amounts recoverable varying by zone.

BALANCE SHEET

ADMITTED ASSETS (\$000)

| | 12/31/10 | 12/31/09 | '10% | '09% |
|---------------------------------|----------|----------|-------|-------|
| Bonds | 341,494 | 335,222 | 51.1 | 62.2 |
| Preferred stock | 22,167 | ... | 3.3 | ... |
| Common stock | 2,031 | 1,760 | 0.3 | 0.3 |
| Cash & short-term invest | 2,607 | 19,396 | 0.4 | 3.6 |
| Other non-affil inv asset | 575 | 14,526 | 0.1 | 2.7 |
| Investments in affiliates | 134,432 | ... | 20.1 | ... |
| Total invested assets | 503,306 | 370,903 | 75.4 | 68.9 |
| Premium balances | 12,701 | 23,693 | 1.9 | 4.4 |
| Accrued interest | 6,385 | 6,635 | 1.0 | 1.2 |
| All other assets | 145,538 | 137,433 | 21.8 | 25.5 |
| Total assets | 667,931 | 538,664 | 100.0 | 100.0 |

LIABILITIES & SURPLUS (\$000)

| | 12/31/10 | 12/31/09 | '10% | '09% |
|------------------------------------|----------|----------|-------|-------|
| Loss & LAE reserves | 129,148 | 143,823 | 19.3 | 26.7 |
| Unearned premiums | 28,844 | 31,258 | 4.3 | 5.8 |
| Conditional reserve funds | 7,800 | 4,611 | 1.2 | 0.9 |
| All other liabilities | 131,234 | 131,900 | 19.6 | 24.5 |
| Total liabilities | 297,027 | 311,593 | 44.5 | 57.8 |
| Capital & assigned surplus | 302,034 | 154,809 | 45.2 | 28.7 |
| Unassigned surplus | 68,870 | 72,262 | 10.3 | 13.4 |
| Total policyholders' surplus | 370,904 | 227,071 | 55.5 | 42.2 |
| Total liabilities & surplus | 667,931 | 538,664 | 100.0 | 100.0 |

SUMMARY OF 2010 OPERATIONS (\$000)

| Statement of Income | 12/31/10 | Funds Provided from Operations | 12/31/10 |
|-------------------------------|----------|-----------------------------------|----------|
| Premiums earned | 76,365 | Premiums collected | 95,392 |
| Losses incurred | 43,766 | Benefit & loss related pmts | 50,941 |
| LAE incurred | 17,495 | LAE & undrw expenses paid | 44,734 |
| Undrw expenses incurred | 31,607 | Undrw cash flow | -283 |
| Net underwriting income | -16,503 | Investment income | 20,759 |
| Net investment income | 21,682 | Other income/expense | 861 |
| Other income/expense | -2 | Pre-tax cash operations | 21,337 |
| Pre-tax oper income | 5,177 | Income taxes pd (recov) | 2,944 |
| Realized capital gains | 8,874 | Net oper cash flow | 18,392 |
| Income taxes incurred | -1,429 | | |
| Net income | 15,840 | | |

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Why is this *Best's*[®] Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

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The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

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| | |
|------------|-----------|
| A++ and A+ | Superior |
| A and A- | Excellent |
| B++ and B+ | Good |

Vulnerable Best's Financial Strength Ratings

| | |
|------------|------------------------------|
| B and B- | Fair |
| C++ and C+ | Marginal |
| C and C- | Weak |
| D | Poor |
| E | Under Regulatory Supervision |
| F | In Liquidation |
| S | Rating Suspended |

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