



Ironshore Overview March 2011

Ironshore

- Ironshore started operations in January 2007 in Bermuda.
- Founded by Bob Clements and initially funded by \$1B in private equity capital.
- Ironshore launched U.S. operations in May 2007 and purchased Pembroke to underwrite at Lloyd's in January of 2009.
- Underwriting and claims/operations are in 18 offices in Bermuda, Canada, Ireland, the U.K. and the U.S.
- Kevin Kelley was appointed Group CEO at the end of 2008.
- During 2009 Ironshore raised \$300M of new equity.
- During 2010 Ironshore issued \$250M of debt.
- Global staff: 455

Capital & Surplus*

- Surplus is \$1.5B.
- Capital is \$1.7B.
- Invested assets are \$2.2B.

A.M. Best Rating Outlook

- Ironshore has an A.M. Best rating of A- (Excellent) and a Financial Size Category of Class XIII (\$1.25B to \$1.5B). Our increased Financial Size Category (from size XI to XIII) reflects Ironshore's 2009 \$300M capital raise and solid retained earnings from 2009. In May 2010, Ironshore issued \$250M in long-term debt which does not impact equity or class size, however, does receive rating agency equity treatment.
- Ironshore's U.S. companies carry a "g" modifier, or Group rating, from A.M. Best, which means all Ironshore subsidiaries carry the financial class size of the combined entity. The group rating is assigned to subsidiaries deemed to be integral to the group's strategy and ongoing success and are fully integrated into the group's strategic plan. Before receiving the group rating enhancement, a stand-alone analysis is conducted to evaluate the individual subsidiary's operating performance and capitalization.
- As a startup, A.M. Best applies a stringent set of qualitative standards and the stress-tested capitalization must conservatively support the rating throughout the business plan. In our 5-year startup phase, Ironshore is required to have the financial strength and BCAR scoring of an A++ rated company in order to maintain an A- rating. Ironshore currently exceeds the BCAR threshold for an A++ rated company.
- In their May 2010 ratings affirmation A.M. Best commented, "The ratings reflect Ironshore's strong risk-adjusted capitalization, enhanced and maturing business profile and highly experienced management team. Furthermore, the ratings reflect successful execution of Ironshore's 2009 business plan. The outlook recognizes A.M. Best's expectation that performance and risk-adjusted capitalization will continue to support Ironshore's operating strategies and growth initiatives." A copy of the May 2010 ratings affirmation press release is available on request.

Board Composition

- Ironshore's Board of Directors includes representatives from 6 major private equity firms who are investors in Ironshore, and insurance industry leaders.
- Board members include senior private equity investors from Calera, Corporate Partners, Irving Place Capital, Greenhill Capital, GTCR, and Towerbrook, in addition to industry experts John Clements, Keith Hynes, Russ John, and Chairman Ron Sandler, former Lloyd's CEO, as well as Ironshore senior management including Kevin Kelley and Shaun Kelly.

Financial Highlights*

Income Statement and growth strategy

- Ironshore wrote \$317M Gross Written Premium in 2007, \$383M GWP in 2008, \$839M GWP in 2009, and \$1.191B GWP in 2010.
- The focus of our underwriting is to build a competitive advantage relative to peers through:
 - Risk diversification with industry-leading underwriting teams across a variety of specialty property and casualty classes.
 - Establishment of U.S. regional and local offices to place Ironshore geographically close to our customers and enable strong local broker distribution relationships.
 - Growth of the U.S. Casualty and Lloyd's business to reduce reliance on property insurance. Ironshore is currently 69% casualty and 31% property.
 - Development of the Lloyd's platform and expansion in the U.K., E.U. and Canadian markets.
 - Use of reinsurance to achieve consistent high-quality earnings power and to temper volatility.
- Diverse splits of GWP - 17% Bermuda, 61% U.S. and 22% U.K.
- More than 60% of Ironshore's investment portfolio consists of securities that are rated "AAA" which includes government guaranteed investments.
- There are no hedge funds, derivatives, alternative assets, preferred shares or convertible shares in the portfolio.
- The duration of the portfolio is 3.2 years and reflects a conservative approach to investments with solid liquidity. The lower the duration, the less risk there is to increases in interest rates.
- The leverage of our investments-to-equity ratio is 1.6:1, compared to other market participants, which generally have a much higher ratio of 3:1 or 4:1 times leverage. The higher the ratio, the higher the risk and the greater the exposure to swings in the market value of the portfolio and therefore shareholders' equity. Ironshore is well-placed due to our limited leverage.
- Our gross liability for claims is currently \$1,060M and we have \$423M recoverable from other insurance companies. Therefore, Ironshore has only \$637M of net liability for claims, which is extremely low compared to our equity of \$1,448B, when compared to industry peers.
- Our ratio of claims to shareholder equity is 44%, which is very low versus industry averages. Other competitors generally have ratios above 200% or 300%. The higher the ratio between claim liability and shareholder equity, the higher the risk that the company will not be able to pay claims. Ironshore's ratio is one of the lowest in the industry, which translates into the lowest risk of not being able to pay out claims. For example, our liabilities would have to increase (i.e., have adverse development on reserves) by approximately 225% before we are not able to pay a claim. Competitors with higher leverage could eliminate shareholders' equity with a 30% increase in reserves. Ironshore has much lower risk in this respect.

Company Structure

- Ironshore has multiple operating platforms in Bermuda, the U.S. and the U.K. Ironshore operates in Bermuda through Ironshore Insurance Ltd. Ironshore also has an E&S and an Admitted company in the U.S. (Ironshore Specialty Insurance Company and Ironshore Indemnity Inc.).

**Disclaimer - Based on financial information as of December 31, 2010. Coverages offered by Ironshore may not be available in all states.*

