

# Validus Reinsurance, Ltd. Singapore Branch Public Disclosure

For the fiscal year ended December 31, 2014

## Purpose

This document is meant to satisfy the public disclosure requirements, as outlined in Notice 124 of the Monetary Authority of Singapore (the "MAS"), for the Validus Reinsurance, Ltd. Singapore Branch (the "Singapore Branch").

The information in this document is directly extracted from or based on information from the following sources: the Annual Report on Form 10-K for Validus Holdings, Ltd. ("Validus Holdings" or "Validus Group"), which can be found on the Validus Holdings website located at <http://www.validusholdings.com>; the Validus Reinsurance, Ltd. ("Validus Re") Consolidated Financial Statements, which can be found on the Bermuda Monetary Authority ("BMA") website located at <http://www.bma.bm>; and the MAS Insurance Company Returns for the Singapore Branch, which can be found on the MAS website located at <http://www.mas.gov.sg/>.

The information provided below is for the fiscal year ended December 31, 2014 and contains disclosures relating to the Validus Group and its subsidiaries, including Validus Re, the parent and head office of the Singapore Branch. Hereinafter, "the Company", "us" or "we" is used to describe any or all of Validus Holdings, Ltd. and its subsidiary companies.

Note: Paragraph 10 of Notice 124 states: "Where any disclosure which relates to activities conducted at the group<sup>\*</sup> level or at the head office level (as the case may be) has been made at the group level or head office level (as the case may be), a licensed insurer, may cross-refer to those disclosures made at the group level or head office level (as the case may be). \*Group refers to the ultimate holding company, its subsidiaries and any other company or entity treated as part of the ultimate holding company's group of companies according to the Accounting Standards."

All financial information contained herein relating to the Validus Group and Validus Re includes results from the Singapore Branch and is expressed in U.S. Dollars utilizing U.S. GAAP unless otherwise indicated. Singapore specific amounts are presented in accordance with the statutory requirements of the annual MAS Insurance Company Returns.

Information provided herein should be referenced in conjunction with additional information provided in the sources cited above.

## Company Profile

Validus Holdings, Ltd. was incorporated under the laws of Bermuda on October 19, 2005. The Company conducts its operations worldwide through four operating segments which have been determined under U.S. GAAP segment reporting: Validus Re, AlphaCat, Talbot and Western World.

We seek to establish ourselves as a leader in the global insurance and reinsurance markets. Our principal operating objective is to use our capital efficiently by underwriting primarily short-tail insurance and reinsurance contracts with superior risk and return characteristics. Our primary underwriting objective is to construct a portfolio of short-tail insurance and reinsurance contracts that maximizes our return on equity subject to prudent risk constraints on the amount of capital we expose to any single event. We manage our risks through a variety of means, including contract terms, portfolio selection, diversification criteria, including geographic diversification criteria, and proprietary and commercially available third-party vendor catastrophe models.

Validus Re was incorporated under the laws of Bermuda on October 19, 2005. The Company is 100% owned by Validus Holdings.

Validus Re maintains a branch office in Singapore which commenced operations in December, 2009.

Validus Re, including the Singapore Branch, operates as a provider of short-tail reinsurance products on a global basis. Validus Re concentrates on first party property and other reinsurance risks commonly referred to as short-tail in nature due to the relatively brief period between the occurrence and payment of a claim.

Validus Re was registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and related regulations (the "Insurance Act") in November 2005. It commenced operations with approximately \$1.0 billion of equity capital and a balance sheet unencumbered by any historical losses relating to the 2005 hurricane season, the events of September 11, 2001, asbestos or other legacy exposures affecting our industry.

Validus Re entered the global reinsurance market in 2006 during a period of imbalance between the supply of underwriting capacity available for reinsurance on catastrophe-exposed property, marine and energy risks and demand for such reinsurance coverage.

The following are the primary lines in which Validus Re conducts its business. Details of gross premiums written by line of business for the Validus Re segment, are provided below:

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)
(US Dollars in thousands)						
Property	\$ 631,032	55.5%	\$ 744,630	59.9%	\$ 771,617	68.2%
Marine	190,959	16.8%	194,001	15.6%	257,469	22.7%
Specialty	314,919	27.7%	303,891	24.5%	102,873	9.1%
<b>Total</b>	<b>\$ 1,136,910</b>	<b>100.0%</b>	<b>\$ 1,242,522</b>	<b>100.0%</b>	<b>\$ 1,131,959</b>	<b>100.0%</b>

Note: Figures provided in the table above and in the line of business descriptions immediately following are based on Validus Re segment reporting for the Validus Group Consolidated Financial Statements.

Property: Validus Re underwrites property catastrophe reinsurance, property per risk reinsurance and property pro rata reinsurance.

*Property catastrophe:* Property catastrophe reinsurance provides reinsurance for insurance companies' exposures to an accumulation of property and related losses from separate policies, typically relating to natural disasters or other catastrophic events. Property catastrophe reinsurance is generally written on an excess of loss basis, which provides coverage to insurance companies when aggregate claims and claim expenses from a single occurrence for a covered peril exceed a certain amount specified in a particular contract. (In regards to the Singapore Branch, coverage for property catastrophe in Asia is more evenly distributed between pro-rata and excess of loss). Under excess of loss contracts, the Company provides protection to an insurer for a portion of the total losses in excess of a specified loss amount, normally up to a maximum amount per loss and/or an aggregate amount across multiple losses, as specified in the contract. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate the coverage under the contract, which is referred to as a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to specific regions or geographical areas. Coverage can also vary from "all property" perils, which is the most expansive form of coverage, to more limited coverage of specified perils such as windstorm-only coverage. Property catastrophe reinsurance contracts are typically "all risk" in nature, providing protection against losses from earthquakes and hurricanes, as well as other natural and man-made catastrophes such as floods, tornadoes, fires and storms. The predominant exposures covered are losses stemming from property damage and business interruption coverage resulting from a covered peril. Certain risks, such as war or nuclear contamination may be excluded, partially or wholly, from certain contracts. Gross premiums written on property catastrophe business during the year ended December 31, 2014 were \$513.4 million.

*Property per risk:* Property per risk reinsurance provides reinsurance for insurance companies' excess retention on individual property and related risks, such as highly-valued buildings. Per risk reinsurance protects insurance companies on their primary insurance risks on a "single risk" basis. A "risk" in this context might mean the insurance coverage on one building or a group of buildings or the insurance coverage under a single policy which the reinsured treats as a single risk. Coverage is usually triggered by a large loss sustained by an individual risk rather than by smaller losses which fall below the specified retention of the reinsurance contract. Such property per risk coverages are generally written on an excess of loss basis, which provides the reinsured with protection beyond a specified amount up to the limit set within the reinsurance contract. Gross premiums written on property per risk business during the year ended December 31, 2014 were \$27.5 million.

*Property pro rata:* Property pro rata contracts require that the reinsurer share the premiums as well as the losses and loss expenses in an agreed proportion with the cedant. Gross premiums written on property pro rata business during the year ended December 31, 2014 were \$90.2 million.

Marine: Validus Re underwrites reinsurance on marine risks covering damage to or losses of marine vessels and cargo, third-party liability for marine accidents and physical loss and liability from principally offshore energy properties. Validus Re underwrites marine on an excess of loss basis and

on a pro rata basis. Gross premiums written on marine business during the year ended December 31, 2014 were \$191.0 million.

**Specialty:** Validus Re underwrites other lines of business depending on an evaluation of pricing and market conditions, which include aerospace and aviation, agriculture, financial, terrorism, life, accident & health, nuclear, workers' compensation, crisis management, contingency, motor, technical, composite and trade credit lines. The Company seeks to underwrite specialty lines with very limited exposure correlation with its property, marine and energy portfolios. With the exception of the aerospace and aviation, agriculture, financial and trade credit lines of business, which have a meaningful portion of its gross premiums written volume on a proportional basis, the Company's other specialty lines are written on an excess of loss basis. Gross premiums written on specialty business during the year ended December 31, 2014 were \$314.9 million.

Details of gross premiums written by line of business for the Singapore Branch, based on information provided in the MAS Insurance Company Returns and presented in Singapore Dollars, are provided below:

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)
<b>(Singapore Dollars in thousands)</b>						
Property	S\$ 32,316	80.8%	S\$ 27,570	70.6%	S\$ 25,980	77.5%
Marine and Aviation	6,436	16.1%	8,501	21.8%	2,091	6.2%
Casualty and Others	1,254	3.1%	2,952	7.6%	5,458	16.3%
<b>Total</b>	<b>S\$ 40,006</b>	<b>100.0%</b>	<b>S\$ 39,023</b>	<b>100.0%</b>	<b>S\$ 33,529</b>	<b>100.0%</b>

## Corporate Governance

The following table provides information regarding our executive officers and key employees as of February 24, 2015:

Name	Age	Position
Edward J. Noonan	56	Chairman of the Board of Directors and Chief Executive Officer of the Validus Group
Jeffrey D. Sangster	42	Executive Vice President and Chief Financial Officer
C.N. Rupert Atkin	56	Chief Executive Officer of the Talbot Group
Kean D. Driscoll	41	Executive Vice President and Chief Executive Officer of Validus Reinsurance, Ltd.
John J. Hendrickson	54	Director of Strategy, Risk Management and Corporate Development
Andrew E. Kudera	55	Executive Vice President and Chief Actuary
Robert F. Kuzloski	51	Executive Vice President and General Counsel
Michael R. Moore	45	Executive Vice President and Chief Accounting Officer
Romel Salam	48	Executive Vice President and Chief Risk Officer
Jonathan P. Ritz	47	Executive Vice President and Chief Operating Officer
Lixin Zeng	46	Executive Vice President and Chief Executive Officer of AlphaCat Managers, Ltd.

*Edward J. Noonan* has been Chairman of our Board and the Chief Executive Officer of the Company since its formation. Mr. Noonan has over 30 years of experience in the insurance and reinsurance industry, serving most recently as the acting Chief Executive Officer of Global Indemnity plc (NASDAQ: GBLI) from February 2005 through October 2005 and as a member of the Board of Directors from December 2003 to May 2007. Mr. Noonan served as President and Chief Executive Officer of American Re-Insurance Company from 1997 to 2002, having joined American Re in 1983. Mr. Noonan also served as Chairman of Inter-Ocean Reinsurance Holdings of Hamilton, Bermuda from 1997 to 2002. Mr. Noonan is also a Director of Central Mutual Insurance Company and All American Insurance Company, both of which are property and casualty companies based in Ohio.

*Jeffrey D. Sangster* has served as Executive Vice President and Chief Financial Officer of the Company since February 2013. Mr. Sangster joined the Company in October 2006 and has served in various finance positions during that time, including Chief Accounting Officer and Chief Financial Officer of Validus Reinsurance, Ltd. Mr. Sangster has 17 years of experience in the reinsurance industry and was previously with Endurance, Centre Group and Ernst & Young. Mr. Sangster is a member of the Institute of Chartered Accountants in Bermuda and the Institute of Chartered Accountants in Manitoba.

*C. N. Rupert Atkin* began his career at the Alexander Howden Group in 1980 before moving to Catlin Underwriting Agencies in 1984. After six years at Catlin he left to join Talbot, then Venton Underwriting Ltd to start Syndicate 1183 as Active Underwriter. In November 2001, Mr. Atkin was made Director of Underwriting. Following the sale of Talbot to Validus in the summer of 2007 Mr. Atkin was appointed as Chief Executive Officer of Talbot. Mr. Atkin has served or is still serving on a variety of market bodies including chairing the Lloyd's Underwriters' Association and Joint War Risk Committee and being a member of the Lloyd's Insurance Services Board, Lloyd's Regulatory Board, Lloyd's Professional Standards Committee and Lloyd's Charities Trust Committee. Mr. Atkin was appointed to the Council of Lloyd's in 2007, Chairman of the Lloyd's Market Association in 2012 and Deputy Chairman of Lloyd's in 2014.

*Kean D. Driscoll* is the Chief Executive Officer of Validus Reinsurance, Ltd., the reinsurance segment for the Validus Group. He was a founding member of the Company, and previously served as Chief Underwriting Officer. Mr. Driscoll has 19 years of experience as a reinsurance underwriter, and was previously with Quanta Re, and Zurich Re N.A. (Converium). Mr. Driscoll holds a B.A. in Literature from Colgate University and an M.B.A. from Columbia University, where he graduated with Honors.

*John J. Hendrickson* has been a director of the Company since its formation. In February 2013, Mr. Hendrickson joined Validus Group as Director of Strategy, Risk Management and Corporate Development. Prior to this, Mr. Hendrickson was the Founder and Managing Partner of SFRi LLC, an independent investment and advisory firm specializing in the insurance industry. From 1995 to 2004, Mr. Hendrickson held various positions with Swiss Re, including as Member of the Executive Board, Head of Capital Partners (Swiss Re's Merchant Banking Division) and Managing Partner of Securitas Capital. From 1985 to 1995, Mr. Hendrickson was with Smith Barney, the U.S. investment banking firm. Mr. Hendrickson has also served as a director of insurance and reinsurance companies, including serving as audit committee chair.

*Andrew E. Kudera* has served as Chief Actuary of the Company since January 2010. Previously, Mr. Kudera operated an independent actuarial consulting firm which served as corporate actuary and loss reserve specialist for Validus Reinsurance, Ltd. from its inception through to the end of 2008. Prior to establishing his own consulting firm, Mr. Kudera was the Chief Reserving Actuary for Endurance Specialty Holdings Ltd., a large international insurance and reinsurance company. Mr. Kudera has over 30 years of actuarial and financial management experience in the insurance industry, primarily in a consulting capacity. Mr. Kudera is a Fellow of the Casualty Actuarial Society, a Member of the American Academy of Actuaries, an Associate of the Society of Actuaries, and a Fellow of the Canadian Institute of Actuaries.

*Robert F. Kuzloski* joined the company in January 2009 and served as Executive Vice President and Chief Corporate Legal Officer of the Company until August of 2012 when he was appointed Executive Vice President and General Counsel of the Company. Prior to joining the Company in January of 2009, Mr. Kuzloski served as Senior Vice President and Assistant General Counsel of XL Capital Ltd. Prior to that, Mr. Kuzloski worked as an attorney at the law firm of Cahill Gordon & Reindel LLP where he specialized in general corporate and securities law, mergers and acquisitions and corporate finance.

*Michael R. Moore* serves as Executive Vice President and Chief Accounting Officer of the Company, a position he has held since June 2013. Mr. Moore has 20 years of experience, including 15 years in the insurance and reinsurance industry. Prior to this role, Mr. Moore served as a Senior Vice President, Corporate Operations at Axis Capital, Chief Accounting Officer at Endurance Specialty Holdings Ltd. and as a Senior Manager with Ernst & Young. Mr. Moore received a Bachelor of Commerce, with distinction, from the University of Alberta in 1993 and he is a Chartered Accountant and member of the Canadian Institute of Chartered Accountants.

*Romel Salam* serves as Executive Vice President and Chief Risk Officer of the Company, a position he has held since April 2013. He was promoted to his current role after serving for three years as Chief Actuary and Chief Risk Officer of Validus Reinsurance, Ltd, the reinsurance arm of Validus Group. Prior to joining the Company in 2010, Romel was a Senior Vice President at Transatlantic Reinsurance where he spent 20 years in positions of increasing responsibility. Romel is a Fellow of the Casualty of Actuarial Society and a Member of the American Academy of Actuaries.

*Jonathan P. Ritz* joined the Company in October 2010 and currently serves as Executive Vice President and Chief Operating Officer of the Company. Mr. Ritz has over 20 years of experience in the (re)insurance and brokerage industries. Most recently, Mr. Ritz served as Chief Operating Officer of IFG Companies-Burlington Insurance Group. Prior to IFG, Mr. Ritz served as Chief Operating Officer of the specialty lines division of ICAT Holdings LLC. From 2007 to 2008, Mr. Ritz was a Managing Director at Guy Carpenter and from 1997 to 2007 he held various positions with United America Insurance Group including Chief Operating Officer and Senior Vice President of ceded reinsurance.

*Lixin Zeng, Ph.D., CFA* serves as Executive Vice President and Chief Executive Officer of AlphaCat Managers, Ltd. and has played a key role in AlphaCat since its formation in 2008. Prior to this role, he was Executive Risk Officer of Validus Reinsurance, Ltd., responsible for developing and executing the catastrophe risk strategy of the entire Validus Group. Mr. Zeng was one of the original employees at the founding of the Company in 2005. His prior positions include: Chief Catastrophe Risk Officer at the ACE Group from 2004 to 2005, Head of Development at Willis Re Inc. from 2001 to 2004, Analyst at EW Blanch Co. from 1998 to 2001 and Research Scientist at Arkwright Mutual Insurance Co from 1996 to 1998. Mr. Zeng has expertise in insurance portfolio optimization and risk management and has published multiple articles in professional journals on related topics. He has a Ph.D. in atmospheric sciences from the University of Washington where he graduated in 1996. He received a B.S. in Meteorology from Beijing University, graduating in 1990 and is a CFA charter holder.

Copies of the charters for the audit committee, the compensation committee, the corporate governance and nominating committee, the finance committee and the risk committee, as well as the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics for Directors, Officers and Employees (the "Code"), which applies to all of the Company's Directors, officers and employees, and Code of Ethics for Senior Officers, which applies to the Company's principal executive officer, principal accounting officer and other persons holding a comparable position, are available free of charge on the Company's website at <http://www.validusholdings.com> or by writing to Investor Relations, Validus Holdings, Ltd., 29 Richmond Road, Pembroke, HM 08, Bermuda. The Company will also post on its website any amendment to the Code and any waiver of the Code granted to any of its directors or executive officers to the extent required by applicable rules.

## **Enterprise Risk Management**

**Risk Management Framework:** The Company believes in having a culture that embraces sound risk management practices at all levels of the organization. We have therefore implemented an Enterprise Risk Management (“ERM”) framework (the “Framework”) that is aligned with the Company’s culture and responds to the needs of the business. The Framework has been established to identify, assess, quantify and manage risks and opportunities. In particular it is designed to:

- Establish the principles by which the Company can evaluate the risk/reward trade-offs associated with key strategic and tactical decisions.
- Establish a risk governance structure that, in respect of all activities related to ERM, with clearly defines roles and responsibilities.
- Establish minimum requirements that must be met by each of the Company’s segments.
- Identify and assess all risks and causes of risks arising out of the Company’s strategic initiatives, internal processes, and external environment.
- Establish a set of responses to manage the Company’s risks within its stated risk appetite and risk tolerances.
- Establish procedures through which near miss and actual incidents, that either have the potential to impact or have impacted the Company, are reported and reviewed in order to inform the risk identification and assessment process.

**Risk Governance:** Our risk governance philosophy reflects the overall governance of the Company, with the segments given broad autonomy over the management of their business, while adhering to the overall strategy of the Company. Similarly, the segments have broad operational latitude over their risk management functions while staying within the parameters set by the Company.

The Company’s Board of Directors has established a separate Risk Committee (“RC”) that is governed by a charter which is updated and reviewed periodically by the Board of Directors. The RC is responsible for, among other things, approving the Framework, working with management to ensure ongoing, effective implementation of the Framework and reviewing the Company’s specific risk limits as defined in the Framework, including limits related to major categories of risk. The implementation of risk policies and oversight of risk management is the responsibility of the Group Risk Management Committee (“GRMC”). The GRMC reports to the RC and is governed by a charter that is reviewed and approved annually by the RC. The GRMC also has two subcommittees, the Model Risk Subcommittee and the Operational Risk Subcommittee, both of which are governed by charters that are reviewed annually by the RC. Various risk policies are in place to facilitate consistent risk assessment across the Company and to ensure that strategic business decisions are supported by effective modeling and analysis.

**Risk Appetite:** The Company's risk appetite is expressed through a series of qualitative and quantitative statements, principles, limits, and tolerances that, in the aggregate, convey the Company's risk and reward preferences and set the risk parameters within which the Company and its segments operate. The risk appetite is proposed by management and approved by the Board of Directors.

The significant quantitative measures include meeting minimum returns on capital and risk-adjusted capital over a full insurance industry cycle, managing the probability of break-even or better and meeting or exceeding budgeted net income over a calendar year, and managing the probability of

losing specified percentages of shareholders' equity in a calendar year. They also include probability thresholds in respect of maintaining a buffer above regulatory and rating agency capital levels.

The Company also sets levels of concentration risks within its risk appetite, including those related to probable maximum losses, zonal aggregates and the contribution of various risk categories to the overall assessment of the Company's risk capital.

*Risk Classification:* Risks are broadly divided into those that the Company assumes explicitly and from which it derives income and those that are a by-product of the operating and business environment, from which the Company does not earn income.

The risks assumed are categorized as catastrophe, reserve and premium risks (also together referred to as insurance risk), market (or investment) risk and credit risk. The Company's goal is to get adequately compensated for these risks, while creating optimal insurance and investment portfolios subject to the constraints of the Company's risk appetite. The remaining risks are categorized as operational and strategic risks, which typically include emerging risks, for which the Company's goal is to identify, assess and mitigate to the extent considered appropriate.

*Risk Ownership:* The Company's risk management philosophy is to entrust risk identification and control activities with the employees who have the responsibility for and expertise in the areas giving rise to each risk. This not only creates workflow efficiencies but also promotes awareness of and accountability for risk at all levels of the Company. As such, primary risk ownership is assigned to the managers of functional areas. The risk identification and control activities are embedded in the job descriptions of risk owners and control operators and monitored by the GRMC.

*Risk Assessment, Control and Mitigation:* The Company performs a regular risk assessment process that considers the likelihood and impact of causes of risk, both before and after the existence of relevant controls. The approaches used to identify and update causes of risk include scenario building, incident and near-miss reporting and market intelligence. Controls have been established to appropriately manage the likelihood and impact of risks, focused on those with the most significance and after considering the tolerance level established for each risk. New controls may also be designed as a result of the incident reporting process.

The Company also has in place policies, including underwriting, investment, and credit policies, to manage the assumption of risk. These policies provide for the Company's risk limits, tolerance levels and other guidelines, as well as the processes for ensuring compliance with the desired risk profile of the Company. The Company has at its disposal a variety of risk mitigation tools, including the purchase of reinsurance and retrocessional coverage, which it uses to ensure that its risk profile stays within prescribed limits and tolerance levels.

*Exposure Management:* In order to manage the assumption of insurance risk, the Company has established risk limits through both qualitative and quantitative considerations, including factors such as market share, history of and expertise in a class of business or jurisdiction, transparency and symmetry of available information, reliability of pricing models and availability and cost of reinsurance. These limits are reviewed at least annually and aligned to the overall risk appetite established by the Company's Board of Directors. In addition, a group exposure management policy is in place to ensure appropriate and consistent risk assessment and aggregation of exposures that accumulate between the operating companies in the group.

Three tools are used to measure and manage exposures:

- Absolute maximum limits - these are defined based on the underlying peril or coverage and include measures such as zonal aggregates, which convey the maximum contractual loss exposure.
- Probable maximum loss - these are defined where probabilistic event sets exist for underlying perils and are established for most natural catastrophe, aviation and offshore energy coverage, and conveys an extreme but likely loss exposure.
- Realistic disaster scenarios ("RDSs") - these are either prescribed by third parties or developed internally and convey a more intuitive view of potential loss outcome.

The Company will often use multiple tools to validate its exposure measurement and ensures that at least one of these tools is available for each class of business.

*Model Validation Framework:* The Company relies extensively on a wide range of models to support key decisions made across the business. We have therefore implemented a Model Validation Framework to establish a uniform set of validation and governance standards that ensure the quality and reliability of key models across the Company.

*Portfolio Optimization:* The Company has developed a comprehensive and integrated Economic Capital Model ("ECM") framework to facilitate the consistent assessment of risk, including risks classified as operational. This framework includes assessment at the individual operating company level, as well as across the Company. Using the ECM framework, the Company is able to assess the impact on risk appetite metrics of key strategic and tactical decisions as well as the risk return trade-offs associated with these decisions, including growth strategy, new product launch, business mix and retrocession strategy, mergers and acquisitions, planning and budgeting, investment strategy and capital management.

It is the goal of the Company to make the most efficient use of its capital and to achieve an adequate return for its shareholders. To that end, the Company seeks to maximize net income given the amount of capital at risk and subject to the risk limits, tolerance levels and other constraints that are imposed by our business, regulatory, and rating agency environments. The Company has therefore put in place portfolio optimization procedures, including the integrated use of the ECM within the annual planning process, in order to help shape portfolios that optimize their respective risk return profiles.

*Underwriting Risk Management:* The Company's underwriters manage risk by paying close attention to a number of qualitative and quantitative indicators. Our in-house pricing platform, the Validus Capital Allocation and Pricing System ("VCAPS"), a proprietary computer-based system for modeling, pricing, allocating capital and analyzing catastrophe-exposed risks, provides reinsurance underwriters with a real-time view of the risk-adjusted profitability of each account. This allows them to examine the effects of contract terms and conditions as well as analyze the contribution of a contract to our overall risk capital and its impact on the projected incurred loss for one of our key stress scenarios. In addition, Talbot maintains a suite of pricing models for the direct and facultative underwriting teams that includes VCAPS and other proprietary models, as well as models licensed from third parties. The Company believes that giving our underwriters the tools to make sound decisions at every turn is critical to our long-term success. To that end, we strive to create an

environment that promotes close cooperation between our underwriting, catastrophe modeling, risk, claims, and actuarial functions.

All of the Company's underwriters adhere to a strict set of underwriting guidelines and letters of authority that specifically address the limits of their underwriting authority and their referral criteria. The Company's current underwriting guidelines and letters of authority include:

- lines of business that a particular underwriter is authorized to write;
- exposure limits by line of business;
- contractual exposures and limits requiring mandatory referrals; and
- levels of analysis to be performed by lines of business.

In general, our underwriting approach is to:

- seek high quality clients who have demonstrated superior performance over an extended period;
- evaluate our clients' exposures and make adjustments where their exposure is not adequately reflected;
- apply the comprehensive knowledge and experience of our entire underwriting team to make progressive and cohesive decisions about the business they underwrite; and
- employ our well-founded and carefully maintained market contacts within the group to enhance our robust distribution capabilities.

Our underwriters have the responsibility to analyze all submissions and determine if the related potential exposures meet with both the Company's risk profile line size and aggregate limitations, in line with the business plan. In order to ensure compliance, we run appropriate management information reports and all lines are subject to regular audits.

*Use of Models:* A pivotal factor in determining whether to found and fund the Company was the opportunity for differentiation based upon superior risk management expertise; specifically, managing catastrophe risk and optimizing our portfolio to generate attractive returns on capital while controlling our exposure to risk, and assembling a management team with the experience and expertise to do so. The Company's proprietary models are current with emerging scientific trends. This has enabled the Company to gain a competitive advantage over those reinsurers who rely exclusively on commercial models for pricing and portfolio management. The Company has made a significant investment in expertise in the risk modeling area to capitalize on this opportunity. The Company has assembled an experienced group of professional experts who operate in an environment designed to allow them to use their expertise as a competitive advantage. While the Company uses both proprietary and commercial probabilistic models, catastrophe risk is ultimately subject to absolute aggregate limitations as discussed above.

*Commercial Vendor Models:* The Company licenses two major commercial vendor models (RMS and AIR) to assess the adequacy of risk pricing and to monitor its overall exposure to risk in correlated geographic zones. The vendor models enable the Company to aggregate exposures by correlated event loss scenarios, which are probability-weighted. This enables the generation of exceedance probability curves for the portfolio and major geographic areas. Once exposures are modeled using one of the vendor models, the other model is used as both a reasonability check and as validation of the loss scenarios developed and reported by the first. The two commercial models each have

unique strengths and weaknesses. For example, it is sometimes necessary to impose changes to frequency and severity.

The Company also uses its quantitative expertise to improve the reliability of the vendor model outputs and expedite scientific review and operationalization of their findings to formulate its view of risk in the following areas:

- Ceding companies may often report insufficient data and many reinsurers may not be sufficiently critical in their analysis of this data. The Company generally scrutinizes data for anomalies that may indicate insufficient data quality. These circumstances are addressed by either declining the program or, if the variances are manageable, by modifying the model inputs and outputs and pricing to reflect insufficient data quality;
- Performing independent checks on the accuracy of reported building characteristics through third-party tools;
- Prior to making overall adjustments for changes in climate variables, other variables are carefully examined (for example, demand surge, storm surge, and secondary uncertainty); and
- To properly quantify risk, we frequently adjust vendor models in advance of their updates based on the latest scientific studies and claims data.

In addition, many risks, such as second-event covers, aggregate excess of loss, or attritional loss components, cannot be fully evaluated using the vendor models. In order to better evaluate and price these risks, the Company has developed proprietary analytical tools, such as VCAPS and other models and data sets.

*Proprietary Models:* In addition to making frequency and severity adjustments to the vendor model outputs, the Company has implemented a proprietary pricing and risk management tool, VCAPS, to assist in pricing submissions and monitoring risk aggregation.

To supplement the analysis performed using vendor models, VCAPS uses the gross loss output of catastrophe models to generate a 100,000-year simulation set, which is used for both pricing and risk management. This approach allows more precise measurement and pricing of exposures. The two primary benefits of this approach are:

- VCAPS takes into account annual limits, event/franchise/annual aggregate deductibles, and reinstatement premiums. This allows for more accurate evaluation of treaties with a broad range of features, including both common (reinstatement premium and annual limits) and complex features (second or third event coverage, aggregate excess of loss, attritional loss components, covers with varying attachment across different geographical zones or lines of businesses and covers with complicated structures); and
- VCAPS use of 100,000-year simulations enables robust pricing of catastrophe-exposed business. This is possible in real-time operation because the Company has designed a computing hardware platform and software environment to accommodate the significant computing needs.

In addition to VCAPS, the Company uses other proprietary models and other data in evaluating exposures. The Company cannot assure that the models and assumptions used by the software will accurately predict losses. Further, the Company cannot assure that the software is free of defects in the modeling logic or in the software code. In addition, the Company has not been granted copyright or other legal protection for VCAPS.

***Geographic Diversification:*** The Company actively manages its aggregate exposures by geographic or risk zone to maintain a balanced and diverse portfolio of underlying risks. The coverage the Company is willing to provide for any risk located in a particular zone is limited to a predetermined level, thus limiting the net aggregate loss exposure from all contracts covering risks believed to be located in any zone. Contracts that have “worldwide” territorial limits have exposures in several geographic zones. Generally, if a proposed contract would cause the limit to be exceeded, the contract would be declined, regardless of its desirability, unless the Company buys reinsurance or retrocessional coverage, thereby reducing the net aggregate exposure to the maximum limit permitted or less.

The following table sets forth the gross premiums written allocated to the territory of coverage based on Validus Re segment reporting for the Validus Group Consolidated Financial Statements:

(US Dollars in thousands)	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)
United States	\$ 442,314	38.9%	\$ 524,776	42.2%
Worldwide excluding United States (a)	76,129	6.7%	63,643	5.1%
Australia and New Zealand	20,257	1.8%	22,275	1.8%
Europe	58,236	5.1%	65,861	5.3%
Latin America and Caribbean	54,053	4.8%	50,522	4.1%
Japan	43,310	3.8%	42,729	3.4%
Canada	3,670	0.3%	3,688	0.3%
Rest of the world (b)	21,467	1.9%	24,337	2.0%
Sub-total, non United States	277,122	24.4%	273,055	22.0%
Worldwide including United States (a)	179,564	15.8%	177,539	14.3%
Other locations non-specific (c)	237,910	20.9%	267,152	21.5%
<b>Total</b>	<b>\$ 1,136,910</b>	<b>100.0%</b>	<b>\$ 1,242,522</b>	<b>100.0%</b>

(a) Represents risks in two or more geographic zones.

(b) Represents risk in one geographic zone.

(c) The Other locations non-specific category refers to business for which an analysis of exposure by geographic zone is not applicable, such as marine and aerospace risks, since these exposures can span multiple geographic areas and, in some instances, are not fixed locations.

The following table sets forth the gross premiums written by line of business and allocated to the territory of coverage for the Singapore Branch based on information provided in the MAS Insurance Company Returns:

(Singapore Dollars in thousands)	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Gross Premiums Written	Gross Premiums Written (%)	Gross Premiums Written	Gross Premiums Written (%)
China	S\$ 21,674	54.2%	S\$ 18,313	46.9%
Japan	9,588	24.0%	5,379	13.8%
Korea	7,409	18.5%	5,439	13.9%
Thailand	178	0.4%	2,511	6.4%
Philippines	700	1.7%	1,532	3.9%
Taiwan	1,371	3.4%	1,666	4.3%
India	1,030	2.6%	1,580	4.1%
Australia	- 1,241	-3.1%	1,750	4.5%
Others	- 703	-1.8%	853	2.2%
<b>Total</b>	<b>S\$ 40,006</b>	<b>100.0%</b>	<b>S\$ 39,023</b>	<b>100.0%</b>

The effectiveness of geographic zone limits in managing risk exposure depends on the degree to which an actual event is confined to the zone in question and on the Company's ability to determine the actual location of the risks believed to be covered under a particular insurance or reinsurance contract. Accordingly, there can be no assurance that risk exposure in any particular zone will not exceed that zone's limits. Further control over diversification is achieved through guidelines covering the types and amount of business written in product classes and lines within a class.

*Reinsurance Management:* The Company enters into reinsurance agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks and enable it to underwrite policies with higher limits. The ceding of the insurance risk does not legally discharge the Company from its primary liability for the full amount of the policies, and the Company is therefore required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance agreement.

*Validus Re Retrocession:* Validus Re monitors the opportunity to purchase retrocessional coverage on a continual basis and employs the VCAPS modeling system to evaluate the effectiveness of risk mitigation and exposure management relative to the cost. This coverage may be purchased on an indemnity basis as well as on an index basis (e.g., industry loss warranties ("ILWs")). Validus Re also considers and at times uses alternative retrocessional structures, including collateralized quota share facilities ("sidecars") and other capital markets products (e.g., catastrophe bonds), where the pricing and terms are attractive.

When Validus Re buys retrocessional coverage on an indemnity basis, payment is for an agreed upon portion of the losses actually suffered. In contrast, when Validus Re buys an ILW cover, which is a reinsurance contract in which the payout is dependent on both the insured loss of the policy purchaser and the measure of the industry-wide loss, payment is made only if both Validus Re and the industry suffer a loss, as reported by one of a number of independent agencies, in excess of specified threshold amounts. With an ILW, Validus Re bears the risk of suffering a loss while receiving no payment under the ILW if the industry loss was less than the specified threshold amount.

## **Reserve for Losses and Loss Expenses**

For insurance and reinsurance companies, a significant judgment made by management is the estimation of the reserve for losses and loss expenses. The Company establishes its reserve for losses and loss expenses to cover the estimated incurred liability for both reported and unreported claims.

Loss reserves are established due to the significant periods of time that may lapse between the occurrence, reporting and payment of a loss. To recognize liabilities for unpaid losses and loss expenses, the Company estimates future amounts needed to pay claims and related expenses with respect to insured events. The Company's reserving practices and the establishment of any particular reserve reflects management's judgment concerning sound financial practice and does not represent any admission of liability with respect to any claim. Unpaid losses and loss expense reserves are established for reported claims ("case reserves") and incurred but not reported ("IBNR") claims.

The nature of the Company's high excess of loss liability and catastrophe business can result in loss expenses and payments that are both irregular and significant. Such losses are part of the normal course of business for the Company. Adjustments to reserves for individual years can also be irregular and significant. Conditions and trends that have affected development of liabilities in the past may not necessarily occur in the future. Accordingly, it is inappropriate to extrapolate future redundancies or deficiencies based upon historical experience.

Validus Re's loss reserves are established based upon an estimate of the total cost of claims that have been incurred, including estimates of unpaid liability on known individual claims, the costs of additional case reserves on claims reported but not considered to be adequately reserved in such reporting ("ACRs") and amounts that have been incurred but not yet reported. ACRs are used in certain cases and are calculated based on management's estimate of the required case reserve on an individual claim less the case reserves reported by the client. The Validus Re Loss Reserve Committee follows catastrophe event ultimate loss reserve estimation procedures for the investigation, analysis, estimation and approval of ultimate loss reserving resulting from any material catastrophe event.

For reported losses, Validus Re establishes case reserves within the parameters of the coverage provided in the impacted reinsurance contracts. Where there is a reported claim for which the reported case reserve is determined to be insufficient, Validus Re will book an ACR or individual claim IBNR estimate that is adjusted as claims notifications are received. Information is obtained from various sources including brokers, proprietary and third party vendor models and internal data regarding reinsured exposures related to the geographic location of the event, as well as other sources. Validus Re uses generally accepted actuarial techniques in its IBNR estimation process. Validus Re also uses historical insurance industry loss emergence patterns, as well as estimates of future trends in claims severity, frequency and other factors, to aid it in establishing loss reserves.

Loss reserves represent estimates, including actuarial and statistical projections at a given point in time, of the expectations of the ultimate settlement and administration costs of claims incurred. Such estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends in loss severity and frequency and other variable factors such as inflation, litigation and tort reform. This uncertainty is heightened by the low

frequency high severity nature of the business written by Validus Re, thereby providing limited claims loss emergence patterns that directly pertain to Validus Re's operations. This continues to necessitate the partial use of industry loss emergence patterns in deriving IBNR, which contribute to the inherent uncertainty within the loss reserve estimation process and therefore will differ from actual experience. Further, expected losses and loss ratios are typically developed in part by using outputs from vendor and proprietary computer models and these expected losses and loss ratios are a significant component in the calculation of IBNR. Finally, the uncertainty surrounding estimated costs is greater in cases where large, unique events have been reported and the associated claims are in early stages of resolution. As a result of these uncertainties, it is likely that the ultimate liability will differ from such estimates, perhaps materially.

Additional information relating to the Validus Group's loss reserves held as at December 31, 2014 and the general pattern of loss payment and loss reporting for the Company's business is provided in the 2014 Loss Development Triangles document, which is available on the Company's website at <http://www.validusholdings.com>.

The following table represents an analysis of paid and unpaid losses and loss expenses incurred and a reconciliation of the beginning and ending unpaid loss expenses for Validus Re as at December 31, 2014 and 2013:

(US Dollars in thousands)	December 31, 2014	December 31, 2013
Reserve for losses and loss expenses, beginning of year	\$ 1,723,465	\$ 2,122,895
Losses and loss expenses recoverable, beginning of year	(105,601)	(148,646)
Net reserves for losses and loss expenses, beginning of year	\$ 1,617,864	\$ 1,974,249
Net reserves (disposed) acquired	525,091	(36,519)
Net losses and loss expenses incurred in respect of losses occurring in:		
Current year	457,165	489,284
Prior years (a)	(98,840)	(59,258)
<b>Total net incurred losses and loss expenses</b>	<b>358,325</b>	<b>430,026</b>
<b>Total net paid losses</b>	<b>(688,644)</b>	<b>(734,211)</b>
Foreign exchange	(23,708)	(15,681)
<b>Net reserve for losses and loss expenses, end of year</b>	<b>1,788,928</b>	<b>1,617,864</b>
Losses and loss expenses recoverable, end of year	158,501	105,601
<b>Reserve for losses and loss expenses, end of year</b>	<b>\$ 1,947,429</b>	<b>\$ 1,723,465</b>

(a) Upon closing the acquisition of Western World, an adjustment of \$15,586 was made to increase net reserves to reflect fair value. This adjustment was amortized to income through a reduction in losses and loss expenses of \$4,607 during the year ended December 31, 2014. The remaining fair value adjustment will be amortized in 2015.

Note: Figures provided in the table above are based on Consolidated Financial Statements for Validus Reinsurance, Ltd.

Insurance liabilities of the Singapore Branch are set in accordance with the MAS Insurance (Valuation and Capital) Regulations 2004. For year ended December 31, 2014, premium and claim liabilities, as provided in the MAS Insurance Company Returns, were S\$12.7 million and S\$42.8 million, respectively.

The following table provides a summary of the Singapore Branch's insurance liabilities by claim and premium categories and by line of business as at December 31, 2014 and 2013:

(Singapore Dollars in thousands)	December 31, 2014		December 31, 2013	
<b>Net reserves by claim and premium categories:</b>				
Net reserves for claims reported and loss expenses	S\$	22,603	S\$	20,555
Net reserves for claims incurred but not reported		20,212		28,169
Net unearned premium reserve		12,651		11,798
<b>Total net insurance liabilities</b>	<b>S\$</b>	<b>55,466</b>	<b>S\$</b>	<b>60,522</b>
 <b>Net reserves by line of business:</b>				
Property	S\$	42,407	S\$	51,484
Marine and Aviation		9,827		5,621
Casualty and Others		3,232		3,417
<b>Total net insurance liabilities</b>	<b>S\$</b>	<b>55,466</b>	<b>S\$</b>	<b>60,522</b>

## Capital Adequacy

Validus Re has operations which are subject to laws and regulations in the jurisdictions in which they operate, the most significant of which are Bermuda, the United States and Switzerland.

The Company and its subsidiaries are required to maintain certain measures of solvency and liquidity which provide restrictions on declaring dividends and distributions. The statutory capital and surplus as at December 31, 2014 and 2013 was as follows:

(US Dollars in thousands)	Bermuda (a)		United States (b)		Switzerland (c)	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Required statutory capital and surplus	\$ 569,407	\$ 1,364,566	\$ 95,963	\$ -	\$ 205,563	\$ 312,563
Actual statutory capital and surplus	3,061,412	3,381,304	452,089	-	701,010	939,609

- (a) The Company's Bermuda based insurance subsidiaries are required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") where applicable. The ECR is equal to the higher of each insurer's MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for the relevant insurers for the year ended December 31, 2014 will not be filed with the BMA until April 2015. As a result, the required statutory capital and surplus as at December 31, 2014 is based on the MSM of all relevant insurers, whereas the required statutory capital and surplus as at December 31, 2013 is based on the MSM and ECR where applicable for all relevant insurers. Required statutory capital and surplus includes Validus Reinsurance, Ltd., Validus Reinsurance (Switzerland) Ltd (Bermuda Branch), PaCRe, Ltd., IPCRe Limited, Validus Re Americas, Ltd. and Mont Fort Re Ltd. Actual statutory capital and surplus includes Validus Reinsurance, Ltd. Validus Reinsurance, Ltd. is the parent company of the other five Bermuda based insurance subsidiaries.
- (b) Required statutory capital and surplus is based on the Risk-Based Capital ("RBC") requirements and includes Western World Insurance Company, Tudor Insurance Company and Stratford Insurance Company. Actual statutory capital and surplus includes Western World Insurance Company. Western World Insurance Company is the parent Company of the other two U.S. based insurance subsidiaries. The results of Western World have been included in the Company's consolidated results from the October 2, 2014 date of acquisition.
- (c) Required statutory capital and surplus is based on the Target Capital ("TC") requirements calculated under the Swiss Solvency Test ("SST"). Required and actual statutory capital and surplus includes Validus Reinsurance (Switzerland) Ltd (formerly Flagstone Réassurance Suisse SA)

The Company's principal operating subsidiary in Bermuda maintains a branch office in Singapore. As the branch office is not considered a separate entity for regulatory purposes, the required and actual statutory capital and surplus amount includes amounts, as set out above, related to the applicable branch office. The branch office is subject to additional minimum capital or asset requirements in their country of domicile. At December 31, 2014 and 2013, the actual capital and assets for the branch exceeded the relevant local regulatory requirements.

## **Investment Management**

The Validus Group manages its investment portfolio on a consolidated basis. As we provide predominantly short-tail insurance and reinsurance coverage, we could become liable to pay substantial claims on short notice. Accordingly, we follow a conservative investment strategy designed to emphasize the preservation of invested assets and provide sufficient liquidity for the prompt payment of claims. Our Board of Directors, led by our Finance Committee, Chief Financial Officer and Chief Investment Officer, oversees our investment strategy and has established investment guidelines for us. The investment guidelines dictate the portfolio's overall objectives, benchmark portfolios, eligible securities, duration, use of derivatives, inclusion of foreign securities, diversification requirements and average portfolio rating. Management and the Finance Committee periodically review these guidelines in light of our investment goals and consequently they may change at any time.

Substantially all of the fixed maturity investments held at December 31, 2014 were publicly traded. At December 31, 2014, the average duration of the Company's fixed maturity and short term investment portfolio, excluding assets held in trust on behalf of operating affiliates, was 2.16 years (December 31, 2013: 1.84 years). Management emphasizes capital preservation for the portfolio and maintains a significant allocation of short-term investments. At December 31, 2014, the average rating of the portfolio was AA- (2013: AA-). At December 31, 2014, the total fixed maturity portfolio was \$5.5 billion (2013: \$5.5 billion), of which \$2.5 billion (2013: \$2.5 billion) was rated AAA.

Consistent with U.S. GAAP, the Company recognizes investments at their fair value in the Consolidated Balance Sheets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Detailed information regarding investments and related valuation, risks and accounting policies for the Validus Group and Validus Re can be found in the Annual Report on Form 10-K for Validus Holdings, Ltd. and the Validus Reinsurance, Ltd. Consolidated Financial Statements, respectively.

The Singapore Branch maintains cash or near cash accounts commensurate with its insurance liabilities.

## Financial Performance

The following table provides consolidated statements of operations and comprehensive income for Validus Re for the years ended December 31, 2014 and 2013 (expressed in thousands of U.S. dollars):

(US Dollars in thousands)	December 31, 2014	December 31, 2013
<b>Revenues</b>		
Gross premiums written	\$ 1,206,568	\$ 1,251,319
Reinsurance premiums ceded	(184,510)	(223,049)
Net premiums written	1,022,058	1,028,270
Change in unearned premiums	(22,428)	117,730
Net premiums earned	999,630	1,146,000
Net investment income	97,647	112,890
Net realized gains on investments	16,487	2,641
Net unrealized losses on investments	(55,754)	(38,569)
Income from investment affiliate	8,411	4,790
Other insurance related income and other income	28,518	2,429
Foreign exchange (losses) gains	(6,634)	6,551
<b>Total revenues</b>	<b>1,088,305</b>	<b>1,236,732</b>
<b>Expenses</b>		
Losses and loss expenses	358,325	430,026
Policy acquisition costs	145,915	182,053
General and administrative expenses	125,957	114,489
Share compensation expenses	6,343	1,935
Finance expenses	14,863	16,487
Transaction expenses	8,096	-
<b>Total expenses</b>	<b>659,499</b>	<b>744,990</b>
<b>Net income before taxes and income from operating affiliates</b>	<b>428,806</b>	<b>491,742</b>
Tax benefit (expense)	4,493	255
Income from operating affiliates	17,723	14,289
<b>Net income</b>	<b>451,022</b>	<b>506,286</b>
Net (income) loss attributable to noncontrolling interest	35,464	(9,695)
<b>Net income available to Validus</b>	<b>\$ 486,486</b>	<b>\$ 496,591</b>
Other comprehensive (loss) income	(210)	(4,901)
<b>Comprehensive income available to Validus</b>	<b>\$ 486,276</b>	<b>\$ 491,690</b>

Note: Figures provided in the table above are based on Consolidated Financial Statements for Validus Reinsurance, Ltd. and differ from figures for Validus Re segment reporting for the Validus Group Consolidated Financial Statements.

The following table provides information from Form 2 – Fund Profit and Loss Account, as provided in the MAS Insurance Company Returns, for the years ended December 31, 2014 and 2013 (expressed in Singapore dollars):

(Singapore Dollars in thousands)	December 31, 2014		December 31, 2013	
<b>Income</b>				
Gross premiums	S\$	40,006	S\$	39,023
Less: Outward reinsurance premiums		1,026		981
Investment revenue		(282)		(214)
Less: Investment expenses		-		-
Other income		2		13
<b>Total income</b>		<u>38,700</u>		<u>37,841</u>
<b>Expenses</b>				
<b>Gross claims settled</b>		16,152		9,033
<b>Less: Reinsurance recoveries</b>		201		36
<b>Management expenses</b>		4,709		4,441
<b>Distribution expenses</b>		10,926		8,840
<b>Increase/(decrease) in net policy liabilities</b>		(7,543)		30,047
Provision for doubtful debts/bad debts		-		-
Taxation expenses		(725)		-
Other expenses		487		355
<b>Total Outgo</b>		<u>23,805</u>		<u>52,680</u>
<b>Net Income</b>	<u>S\$</u>	<u>14,895</u>	<u>S\$</u>	<u>(14,839)</u>