

## CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007

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 In thousands of U.S.\$  
(except share amounts)

	2008	2007
<b>ASSETS</b>		
Investments		
Fixed maturity investments available for sale, at fair value (amortized cost: \$4,047,368 and \$4,556,061 at December 31, 2008 and 2007, respectively)	\$ 3,875,137	\$ 4,589,054
Short-term investments, available for sale at fair value (amortized cost: \$111,322 and \$12,646 at December 31, 2008 and 2007)	111,333	12,646
Preferred equity securities, available for sale at fair value	25,360	58,536
Other investments	284,263	358,128
<b>Total investments</b>	<b>4,296,093</b>	<b>5,018,364</b>
Cash and cash equivalents	1,061,994	567,825
Premiums receivable, net	609,387	723,832
Deferred acquisition costs	160,870	168,968
Securities lending collateral	112,940	173,041
Prepaid reinsurance premiums	149,591	122,594
Losses recoverable	557,834	187,354
Accrued investment income	30,872	38,543
Goodwill and intangible assets	200,791	206,632
Deferred tax asset	20,691	-
Other assets	71,407	64,000
<b>Total assets</b>	<b>\$ 7,272,470</b>	<b>\$ 7,271,153</b>
<b>LIABILITIES</b>		
Reserve for losses and loss expenses	\$ 3,235,456	\$ 2,892,224
Reserve for unearned premiums	885,488	855,085
Deposit liabilities	58,622	108,943
Reinsurance balances payable	233,561	162,899
Securities lending payable	115,603	173,041
Debt	447,468	448,753
Deferred tax liability	-	922
Other liabilities	88,989	117,027
<b>Total liabilities</b>	<b>5,065,187</b>	<b>4,758,894</b>
Commitments and contingent liabilities		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares		
Series A, non-cumulative – Par value \$1.00 - 8,000,000 issued and outstanding (2007 – 8,000,000); aggregate liquidation preference \$200,000 (2007 – \$200,000)	8,000	8,000
Common shares		
Ordinary – 57,203,454 issued and outstanding (2007 – 60,364,488)	57,203	60,364
Additional paid-in capital	1,029,363	1,165,300
Accumulated other comprehensive (loss) income	(132,665)	57,725
Retained earnings	1,245,382	1,220,870
<b>Total shareholders' equity</b>	<b>2,207,283</b>	<b>2,512,259</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,272,470</b>	<b>\$ 7,271,153</b>

The financial information presented in this report should be reviewed in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission.