

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

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In thousands of U.S.\$

	2008	2007	2006
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES :			
Net income	\$ 98,624	\$ 521,107	\$ 498,126
Adjustments to reconcile net income to net cash			
Provided by operating activities:			
Amortization of net (discount) premium on investments	(306)	3,731	12,485
Amortization of other intangibles and depreciation	22,594	17,045	15,809
Net realized investment losses	57,366	18,302	20,342
Deferred taxes	(35,439)	8,727	18,968
Stock-based compensation expense	17,395	10,837	8,053
Equity in loss (earnings) of unconsolidated ventures	111,570	(21,286)	(29,073)
Premiums receivable, net	114,445	32,828	(85,461)
Deferred acquisition costs	8,098	(6,263)	(6,217)
Prepaid reinsurance premiums	(26,997)	16,197	(77,926)
Losses recoverable	(370,480)	(7,632)	(26,996)
Accrued investment income	7,671	2,214	(6,958)
Other assets	(9,371)	(7,105)	2,549
Reserve for losses and loss expenses	343,232	48,122	98,096
Reserve for unearned premiums	30,403	(33,386)	39,573
Deposit liabilities	(50,321)	(52,081)	68,501
Reinsurance balances payable	71,159	(62,909)	93,576
Other liabilities	89,795	(7,932)	(13,328)
Net cash provided by operating activities	479,438	480,516	630,328
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:			
Proceeds from sales of fixed maturity investments	3,109,607	3,112,796	1,819,637
Proceeds from sales of short term investments	33,240	—	—
Proceeds from maturities and calls on fixed maturity investments	753,055	676,498	563,164
Proceeds from maturities and calls on short term investments	132,446	—	—
Proceeds from redemptions of other investments	15,345	5,126	—
Purchases of fixed maturity investments	(3,430,195)	(3,652,611)	(2,765,056)
Purchases of short term investments	(264,320)	(12,646)	—
Purchase of other investments	(53,050)	(88,900)	(62,112)
Purchases of fixed assets	(10,275)	(17,734)	(18,294)
Change in securities lending collateral received	60,101	53,721	181,901
Net cash paid in acquisitions	(24,545)	(109,813)	(16,042)
Net cash provided by (used in) investing activities	321,409	(33,563)	(296,802)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Issuance of common shares	1,588	10,072	9,253
Repurchase of common shares	(155,463)	(309,503)	(10,008)
Change in securities lending collateral	(57,438)	(53,721)	(181,901)
Settlement of equity awards	(5,065)	(3,444)	(3,498)
Offering and registration costs paid	(1,504)	(715)	(134)
Proceeds from bank debt	784	—	—
Bank debt repaid	(2,159)	—	—
Dividends on preferred shares	(15,500)	(15,500)	(15,500)
Dividends on common shares	(58,708)	(64,073)	(66,262)
Net cash used in financing activities	(293,465)	(436,884)	(268,050)
Effect of exchange rate changes on cash and cash equivalents	(13,213)	9,984	14,281
Net increase in cash and cash equivalents	494,169	20,053	79,757
Cash and cash equivalents, beginning of year	567,825	547,772	468,015
Cash and cash equivalents, end of year	\$1,061,994	\$ 567,825	\$ 547,772

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.