

### Research Update:

## Harbor Point Re Ltd. And Harbor Point Re U.S. Outlook Revised To Stable From Negative; 'A-' Ratings Affirmed

#### Primary Credit Analyst:

Laline Carvalho, New York (1) 212-438-7178;laline\_carvalho@standardandpoors.com

#### Secondary Credit Analyst:

Tracy Dolin, New York (1) 212-438-1325;tracy\_dolin@standardandpoors.com

### Table Of Contents

---

Overview

Rating Action

Rationale

Outlook

Related Research

Ratings List

## Research Update:

# Harbor Point Re Ltd. And Harbor Point Re U.S. Outlook Revised To Stable From Negative; 'A-' Ratings Affirmed

## Overview

- Harbor Point has met our expectations over the past year.
- The group has reported strong operating results through the first nine months of 2009.
- We are revising the outlook on Harbor Point Re Ltd. and Harbor Point Re U.S. to stable from negative.
- We are also affirming our ratings on these companies.
- The stable outlook reflects our expectation that operating results will remain strong in 2010, assuming a normal level of catastrophe losses.

## Rating Action

On Nov. 4, 2009, Standard & Poor's Ratings Services revised its outlook on Bermuda-based reinsurer Harbor Point Re Ltd. and its U.S.-based subsidiary Harbor Point Reinsurance U.S. Inc. to stable from negative. At the same time, Standard & Poor's affirmed the 'A-' counterparty credit and financial strength ratings on both companies (together Harbor Point).

## Rationale

The change in Harbor Point's outlook to stable reflects the fact that the group has met our expectations as laid out in our outlook published on Jan. 27, 2009 (see summary analysis on Harbor Point Re Ltd. And Harbor Point Reinsurance U.S. Inc.). The group has reported a strong year-to-date combined ratio of 79% and return on revenue (ROR) of 30%. Harbor Point's operating results have been good since 2006 (its first full year of operations), particularly considering significant start-up costs in 2006 and 2007. The group reported a three-year (2006-2008) average combined ratio of 94% and ROR of 23%. Considering year-to-date 2009 operating results on an annualized basis, Harbor Point's pro forma four-year combined ratio improves to 90% and ROR is strong at 25%.

Other factors supporting the stable outlook include our view that Harbor Point's 11% drop in net premium volume in 2008 was largely indicative of its willingness to let go of underpriced business at the expense of premium volume, and not of security concerns by clients and brokers after the switch, in January 2008, of its casualty writings to Harbor Point Re U.S. paper from Chubb paper (which had been used in 2006 and 2007 through a fronting arrangement with Chubb).

We believe Harbor Point's management has been successful in maintaining

its position as a strong partner in the casualty reinsurance sector because of its long-standing relationships in this market. During the first nine months of 2009, the group had strong growth in casualty and specialty lines owing to new business opportunities in specific areas such as professional lines, non-standard-auto, and new specialty writings stemming from its recently established London office.

The ratings on Harbor Point are based on the group's strong competitive position, particularly its long-standing relationships in the casualty market through the book of casualty business inherited from Chubb Re. Harbor Point has also been successful in expanding its business platform beyond its casualty franchise over the last four years, with property and specialty lines currently representing 54% of the business mix. Other rating strengths include Harbor Point's cohesive management team with a proven track record in casualty, very strong capital adequacy, conservative investment portfolio, and strong liquidity. These strengths are offset in part by the group's moderate volatility in premium volume and operating results through its first four years of operations, relatively short track record in property lines, limited operating history, and potential exposure to client/account concentration in the book of business.

## Outlook

Assuming a normalized level of catastrophe losses, Standard & Poor's expects Harbor Point to report a strong combined ratio in the 85%-88% range for the full 2009 year, and ROR in the 25% area. Operating results should remain strong and less volatile in 2010 (also assuming a normal level of catastrophe losses), reflecting a maturing book of business and reduced start-up costs. We expect capital adequacy to remain in the very strong range for the rating over the next two years.

We expect new business opportunities to contribute to growth in consolidated gross premiums in the 20% to 25% range for the full 2009 year. For 2010, we expect Harbor Point's premium volume to see modest declines, reflecting expected modest reductions in premium rates for property and casualty reinsurance lines, and the expectation that management will remain committed to underwriting prudence and profitability metrics. Over the longer-term, we expect premium volume to fluctuate as a result of management's strong commitment to cycle management.

We view Harbor Point's long-standing and historically profitable casualty book as a key differentiating factor for the group compared with other insurance start-ups formed in the wake of the storms of 2005 (collectively referred to as the Class of 2005/2006). The ratings on Harbor Point are based on our expectation that the company's long-standing relationships with its casualty customers will remain a strength and will translate into strong earnings for the organization. In addition, although we expect the property book to remain a source of volatility for the group, the diversification that book provides should contribute to Harbor Point reporting strong consolidated operating results in the long term.

## Related Research

- "Table Of Contents: Standard & Poor's Insurance Ratings Criteria," Oct. 19, 2009

## Ratings List

Ratings Affirmed; Outlook Action

	To	From
Harbor Point Re Ltd.		
Harbor Point Reinsurance U.S. Inc.		
Counterparty Credit Rating	A-/Stable/--	A-/Negative/--
Financial Strength Rating	A-/Stable/--	A-/Negative/--

Complete ratings information is available to RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating.

Copyright © 2009 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third-party providers have exclusive proprietary rights in the information, including ratings, credit-related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third-party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD-PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit-related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge) and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).

Copyright © 1994-2009 by Standard & Poors Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All Rights Reserved.