



002423 - XL Insurance America, Inc.

Report Revision Date: 07/31/2013

Rating and Commentary ¹	Financial ²	General Information ³
Best's Credit Rating: 10/04/2012 Rating Rationale: 10/04/2012 Report Commentary: 07/31/2013	Time Period: 2nd Quarter - 2013 Last Updated: 08/24/2013 Status: Quality Cross Checked	Corporate Structure: N/A States Licensed: 07/31/2013 Officers and Directors: 07/31/2013
 Best's Credit Rating Methodology	Disclaimer	 Best's Rating Guide

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¹The Rating and Commentary date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report.

²The Financial date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process.

³The General Information date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Ultimate Parent: [XL Group plc](#)

XL Insurance America, Inc.

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AMB #: 002423

Ultimate Parent: [052919](#)

NAIC #: 24554

FEIN#: 75-6017952

Best's Credit Ratings

Best's Financial Strength Rating: A

Outlook: Stable

Best's Issuer Credit Rating: a

Outlook: Stable

Rating Effective Date: 10/04/2012

Financial Size Category: XV

Report Revision Date: 07/31/2013

Rating Rationale

Rating Rationale: The rating of XL Insurance (Bermuda) Ltd has been extended to XL Insurance America, Inc., based on its key role in the U.S. market. This is further supported by explicit support, internal reinsurance, common ownership and common management.

The following text is derived from A.M. Best's Credit Report on XL Insurance (Bermuda) Ltd (AMB# 085633).

The ratings reflect XL Insurance (Bermuda) Ltd.'s (XLIB) diverse earnings base, excellent capitalization and well-recognized position as a leading worldwide provider of coverage for insurance, reinsurance and services through its subsidiaries.

The XLIB management team has implemented strategies to enhance its risk management program and continue its focus on underwriting as the key component of the group's business approach. Management's focus on its core underwriting strengths has been exhibited by the additions of a substantial number of new senior underwriters. Furthermore, as a result of XLIB's de-risking of its investment portfolio, the organization has successfully reduced the level of market volatility in its investment results, which overshadowed the solid operating performance of its core businesses in several past years.

A.M. Best believes that XLIB continues to maintain adequate financial flexibility and expects the company to maintain financial leverage as measured by debt and preferred-to-total capital below 30%, while fixed charge coverage is anticipated to be maintained in the mid- to upper-single-digit range.

Partially offsetting these positive factors is XLIB's exposure to large severity events and the current soft pricing stage of the underwriting cycle. Additionally, investment returns are expected to be muted by low interest rates and financial market variability.

A positive rating action could occur if over the next several years XLIB exhibits consistency in annual earnings and retained earnings growth. A negative rating action could occur if the operating performance is consistently below the market by a significant margin for several years or if capital erosion due to operating performance or investment volatility exceeds A.M. Best's expectations.

The ratings apply to XL Insurance (Bermuda) Ltd. and its core insurance and reinsurance group members, which include XL Re Ltd., XL Re Europe Ltd., XL Insurance Switzerland Ltd., XL Insurance Company Limited, XL Re Latin America Ltd., as well as the U.S. insurance pool, which consists of XL Reinsurance America Inc., XL Insurance Company of New York, Inc., Greenwich Insurance Company, Indian Harbor Insurance Company, XL Specialty Insurance Company, XL Insurance America, Inc., and XL Select Insurance Company. A.M. Best considers these companies integral to the group's strategy and critical to its success and viability. In addition, these companies -- which generate most of the group's total business -- are material contributors to its market profile, operating performance and financial strength and are generally well established in their individual market segments.

Five Year Rating History

Date	BEST'S	
	FSR	ICR
10/04/2012	A	a
09/21/2011	A	a
02/22/2011	A	a
09/09/2009	A	a
08/25/2008	A	a
07/29/2008	A u	a u
01/25/2008	A	a
12/20/2007	A+	aa-

[View 25 Year Rating History](#)

Key Financial Indicators

Period Ending	Statutory Data (\$000)					
	Premiums Written		Pre-tax Operating Income	Net Income	Total Admitted Assets	Policyholder's Surplus
	Direct	Net				
2012	470,255	129,414	5,868	16,678	775,649	252,999
2011	411,569	114,965	5,235	6,040	686,329	223,432
2010	289,653	107,828	14,233	10,514	674,094	245,296
2009	300,028	117,779	9,469	1,321	662,978	234,084
2008	340,062	179,444	39,733	4,366	647,687	248,347
06/2013	310,033	65,459	22,715	19,673	722,720	232,325
06/2012	262,414	56,841	6,893	5,489	748,723	236,331

Period Ending	Profitability			Leverage			Liquidity	
	Combined Ratio	Investment Yield (%)	Pre-Tax ROR (%)	Non-Affiliated Investment Leverage	NPW to PHS	Net Leverage	Overall Liquidity (%)	Operating Cash-flow (%)
2012	110.9	2.0	4.7	...	0.5	2.5	151.3	133.6
2011	114.5	2.3	4.6	...	0.5	2.5	151.8	142.5
2010	106.8	2.5	12.3	4.9	0.4	2.1	160.7	120.5
2009	111.8	2.6	7.5	...	0.5	2.2	160.3	159.2
2008	83.5	3.4	26.8	2.0	0.7	2.3	166.0	176.0
5-Yr Avg	104.1	2.5	11.8	...	...	...	...	...
06/2013	98.9	3.6	34.2	1.1	0.6	2.6	150.5	39.4
06/2012	106.1	2.2	11.7	1.2	0.5	2.6	149.3	128.9

Key Financial Indicators (Continued ...)

- (*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.
(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

Business Profile

XL Insurance America, Inc. (XLIA), targets large national and multinational business. The company's profile includes a globally integrated network, innovative underwriting and top administrative quality as well as global risk capacity.

XL Insurance America Inc. is a member of the XL America Group Pooling Agreement ("The Pooling Agreement"), and also participates in a Quota Share Reinsurance Agreement ("QS Agreement") with XLIB. Under the terms of the QS Agreement, as well as the terms of the Pooling Agreement, all of the member companies cede 100% of their gross premiums, losses and related underwriting expenses to the Pool Leader, XL Reinsurance America Inc. (XLRA). After placement of specific unaffiliated reinsurance, the Pool Leader then will reinsure 50% of the remaining post-1/1/2008 accident date-related pool results, and 75% of all accident date-related pool results from 7/1/1999 to 12/31/2007 under the terms of the QS Agreement. After application of the QS Agreement, the Pool Leader has recorded additional loss recoveries under an Excess of Loss Adverse Development Cover with XL Re, Ltd. ("XLRE ADC"). The XLRE ADC provides protection for adverse development - net of all other available reinsurance - which occurred during the calendar period January 1, 2004 to December 31, 2005, on the Pool Leader's pre-pooled net retained reserves held at December 31, 2003 related to losses on policies written or assumed during underwriting years 1985 through 2000. After application of the XLRE ADC, 35% of the remaining net pool results are redistributed among the Pool Members based on percentages determined in the Pooling Agreement.

Scope of Operations

Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)
2012	470,255	14.3	167,987	13.0	508,829	14.3	129,414	12.6
2011	411,569	42.1	148,615	21.7	445,219	46.5	114,965	6.6
2010	289,653	-3.5	122,110	-8.3	303,935	-3.6	107,828	-8.4
2009	300,028	-11.8	133,151	-32.3	315,399	-11.7	117,779	-34.4
2008	340,062	3.8	196,749	108.1	357,367	4.0	179,444	128.2
5-Yr CAGR	...	7.5	...	12.2	...	8.2	...	10.5
06/2013	310,033	18.1	92,302	22.6	336,876	19.9	65,459	15.2
06/2012	262,414	9.6	75,295	9.4	280,868	9.2	56,841	11.4

Territory

The company is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands and all states.

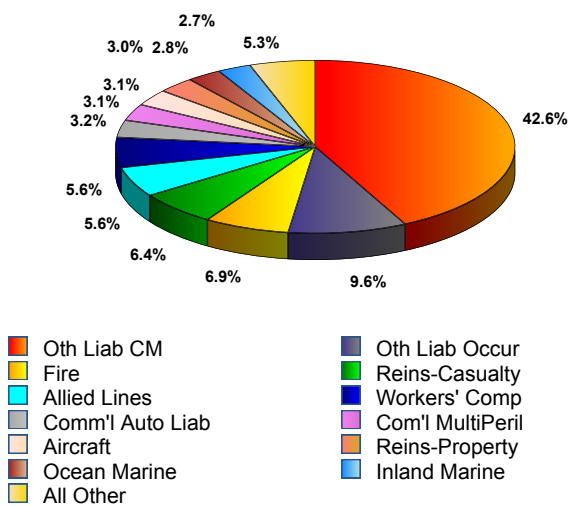
Business Trends

Business Trends (Continued ...)

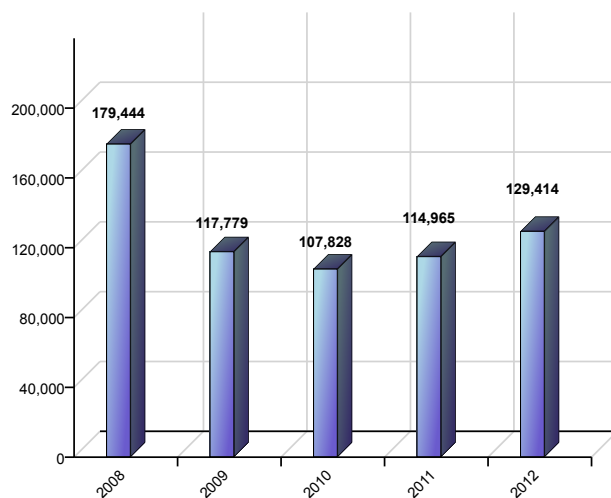
2012 By-Line Business (\$000)

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention %
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	
Oth Liab CM	1,200	0.3	55,099	32.8	1,200	0.2	55,099	42.6	100.0
Oth Liab Occur	130,166	27.7	12,416	7.4	130,166	25.6	12,416	9.6	9.5
Fire	124,953	26.6	30,403	18.1	146,436	28.8	8,920	6.9	6.1
Reins-Casualty	...	...	8,334	5.0	...	...	8,334	6.4	100.0
Allied Lines	80,060	17.0	17,457	10.4	90,249	17.7	7,268	5.6	8.1
Workers' Comp	24,961	5.3	7,266	4.3	24,961	4.9	7,266	5.6	29.1
Comm'l Auto Liab	21,553	4.6	4,171	2.5	21,553	4.2	4,171	3.2	19.4
Com'l MultiPeril	72	0.0	4,050	2.4	72	0.0	4,050	3.1	100.0
Aircraft	338	0.1	3,975	2.4	338	0.1	3,975	3.1	100.0
Reins-Property	...	...	3,883	2.3	...	...	3,883	3.0	100.0
Ocean Marine	...	...	3,631	2.2	...	...	3,631	2.8	100.0
Inland Marine	15,712	3.3	4,230	2.5	16,432	3.2	3,509	2.7	21.4
All Other	71,241	15.1	13,072	7.8	77,423	15.2	6,891	5.3	8.9
Total	470,255	100.0	167,987	100.0	508,829	100.0	129,414	100.0	25.4

2012 Top Product Lines of Business (Net Premiums Written)



5 Years of Net Premiums Written (\$000)



Business Trends (Continued ...)

By-Line Reserve (\$000)

Product Line	2012	2011	2010	2009	2008
Oth Liab CM	128,211	127,036	118,676	102,086	75,213
Oth Liab Occur	51,876	47,066	44,894	40,800	36,204
Fire	7,479	7,807	2,425	2,383	3,132
Reins-Casualty	63,669	65,789	67,964	77,118	75,732
Allied Lines	8,736	8,852	6,106	5,691	7,151
Workers' Comp	16,897	12,907	9,642	8,079	7,112
Comm'l Auto Liab	5,060	4,264	4,461	4,827	4,954
Com'l MultiPeril	5,877	3,046	2,998	1,731	1,201
Aircraft	11,993	12,097	11,851	13,139	11,902
Reins-Property	8,345	7,234	5,099	5,258	6,326
Ocean Marine	7,181	7,525	7,308	7,590	9,124
Inland Marine	3,172	2,207	1,714	1,603	1,803
All Other	22,398	23,170	23,687	21,996	19,419
Total	340,895	329,000	306,827	292,300	259,273

Market Share / Market Presence

Geographical Breakdown By Direct Premium Writings (\$000)

	2012	2011	2010	2009	2008
California	62,561	46,829	36,136	35,151	50,824
Texas	34,468	27,918	17,985	16,200	15,758
New York	31,126	46,241	21,190	40,519	55,746
Illinois	28,332	27,495	17,148	16,181	20,507
Pennsylvania	23,591	19,590	15,806	12,679	12,441
New Jersey	20,204	14,642	13,217	13,825	20,011
Florida	18,962	13,838	9,081	9,479	7,684
Ohio	16,127	11,294	9,955	9,202	11,446
Aggregate Alien	15,596	16,349	15,600	14,953	-1,610
Michigan	13,259	9,648	8,794	7,142	10,602
All Other	206,028	177,725	124,740	124,696	136,654
Total	470,255	411,569	289,653	300,028	340,062

Risk Management

The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

XL Group plc (XL Group) has a well-established, formal enterprise risk management program that is well embedded in the corporate oversight and decision making process, and extends into the operating companies. The risk management framework establishes accountabilities for particular risks. The risk management program is led by the company's Chief Risk Officer who is a member of the senior management team and reports directly to the CEO. The CRO acts as a liaison between the company's various risk committees and the XL Group Board of Directors. The company expects and promotes an atmosphere among its employees that expects the timely identification and management of risks and promotes the enhancement of the quality and effectiveness of enterprise risk management.

As part of its enterprise risk management process, XL Group continually assesses its overall risk position across its major risk categories and runs various scenarios to highlight any potential correlation exposure. In certain cases, the risks assumed by XL Group are partially reinsured with third party reinsurers. Reinsurance ceded varies by location and line of business based on a number of factors, including market conditions. The benefits of ceding risks to third party reinsurers include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. XL Group has taken steps to reduce its susceptibility to shock losses through discontinuing some of its catastrophe-related programs and through certain other risk mitigation arrangements.

Subject to a premium-based deductible and provided that XL Group has otherwise complied with all the requirements as specified in the Terrorism Risk Insurance Program Reauthorization Act, the company is eligible for reimbursement of up to 85% of its covered terrorism-related losses arising from a certified terrorist attack. Such payment by the government will, in effect, provide reinsurance protection on a quota share basis and entitlement to such reimbursement ends once the aggregated insured losses for the entire insurance industry exceed \$100 billion in a single program year.

Operating Performance

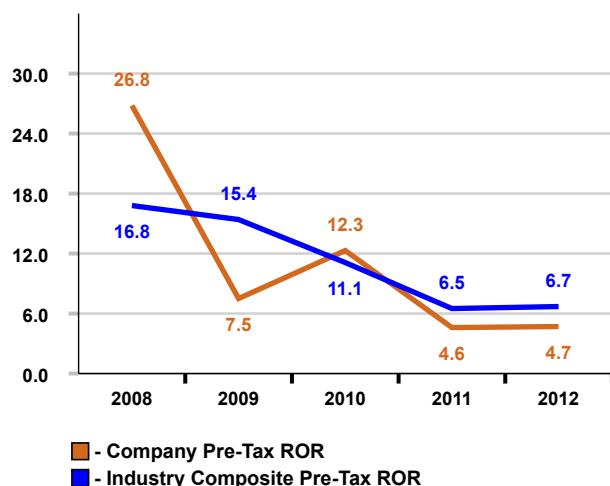
The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

Operating Results: XLRA's returns on equity (ROE) have lagged behind the industry over the past five years. The net underwriting loss for 2012 decreased from 2011 due to an increase in net premium earned net of ceding commission of \$74.6 million and a decrease in loss and loss adjustment expenses of \$22.5 million. Results in 2011 were affected by the multiple US catastrophes that occurred during the year. 2009 results were reduced by catastrophe losses from hurricanes Ike and Gustav, while capital losses in the group's investment portfolio affected results in 2008. The Pool Members have expanded rapidly into select insurance lines of business in recent years. The expansion emphasized lines with price adequacy and underwriting discipline. A.M. Best believes that this strategy coupled with a solid capital base should enhance and diversify the earnings base of the Pool Members, enabling them to generate long-term consistency in overall earnings.

Profitability Analysis

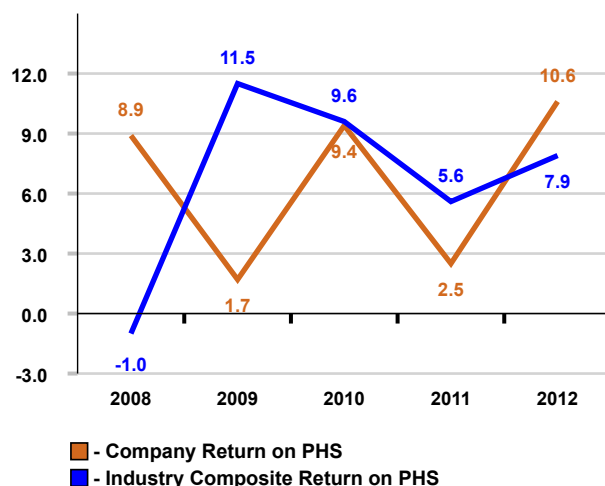
Period Ending	Company							Industry Composite		
	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2012	5,868	6,498	16,678	25,342	4.7	10.6	100.5	6.7	7.9	92.4
2011	5,235	3,369	6,040	5,795	4.6	2.5	102.1	6.5	5.6	93.1
2010	14,233	12,263	10,514	22,539	12.3	9.4	93.9	11.1	9.6	88.2
2009	9,469	5,990	1,321	4,020	7.5	1.7	99.9	15.4	11.5	84.6
2008	39,733	20,675	4,366	20,477	26.8	8.9	72.1	16.8	-1.0	83.6
5-Yr Avg/Tot	74,539	48,795	38,919	78,172	11.8	6.6	92.4	11.3	6.8	88.4
06/2013	22,715	19,662	19,673	7,505	34.2	10.0	72.7	XX	XX	XX
06/2012	6,893	3,556	5,489	9,471	11.7	3.8	93.8	XX	XX	XX

Pre-Tax ROR Comparison with Industry Composite



* Industry Composite - Commercial Casualty Composite

Return on PHS Comparison with Industry Composite



* Industry Composite - Commercial Casualty Composite

Underwriting Results

Underwriting Results: Underwriting results have been below breakeven in four of the past five years. Net underwriting losses decreased in 2012 due to some offsetting factors. Net premiums earned increased in the past three years as a result of the earn-through of increased premiums written. Loss and LAE expenses decreased in 2012 driven by an increase in favorable prior year development. CAT losses did increase in 2012 by \$4.7 million due to Storm Sandy and multiple tornado events. Underwriting expenses were the highest reported in the past five years. This increase was driven by compensation costs associated with new hires as well as professional fees and IT expenses. 2011 results were affected by the multiple US catastrophes that occurred during the year while 2010 results were affected by losses from Deepwater Horizon. In 2009 underwriting results reflect losses from hurricanes Ike and Gustav. Underwriting results for other years benefited from benign US hurricane seasons and improved property pricing. The group does maintain an advantage in its five and ten year average expense ratios as compared to its peer group. Operating ratios for the Pool Members have been favorable over the past five years as a result of the strong investment returns which averaged 4.7% over the past five years.

For the years beginning in 2008, results reflect the amended offshore quota share agreement which cedes 50% of the group's accident year net retained book of business to XLIB, an affiliated company. Accident date results from 7/1/1999 through 12/31/2007 are ceded 75% to XLIB as per the previous quota share agreement. A.M. Best expects operating results to continue stabilizing over the near term, excluding the effect of any extraordinary events, as the group has expanded into primary lines of business and fully integrated acquisitions.

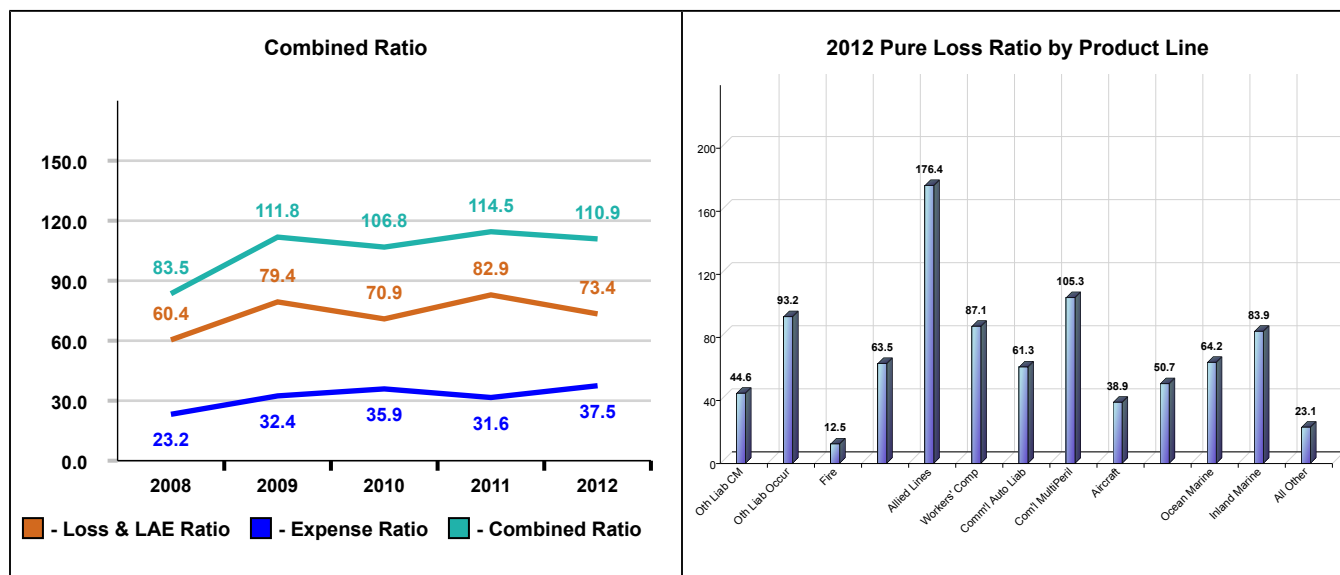
Underwriting Experience

Year	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb. Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2012	-15,461	60.1	13.4	73.4	-4.4	42.0	37.5	...	110.9
2011	-16,748	69.9	13.0	82.9	-3.4	35.0	31.6	...	114.5
2010	-5,033	58.9	12.1	70.9	-3.1	39.0	35.9	...	106.8
2009	-12,107	68.0	11.4	79.4	-6.6	39.0	32.4	...	111.8
2008	17,167	47.8	12.5	60.4	0.1	23.1	23.2	...	83.5
5-Yr Avg	-32,182	60.3	12.5	72.8	-3.2	34.5	31.3	...	104.1
06/2013	1,115	51.2	9.9	61.1	XX	XX	37.8	...	98.9
06/2012	-2,763	53.2	9.9	63.0	XX	XX	43.1	...	106.1

Underwriting Results (Continued ...)

Loss Ratio By Line

Product Line	2012	2011	2010	2009	2008	5-Yr. Avg.
Oth Liab CM	44.6	57.7	62.4	68.3	45.0	55.5
Oth Liab Occur	93.2	53.9	52.6	60.5	25.2	53.4
Fire	12.5	116.0	23.1	20.3	41.2	40.2
Reins-Casualty	63.5	64.3	38.8	92.3	49.8	61.2
Allied Lines	176.4	151.5	64.3	93.7	75.1	111.5
Workers' Comp	87.1	91.9	76.8	52.5	31.1	71.6
Comm'l Auto Liab	61.3	44.5	43.6	62.4	63.7	56.4
Com'l MultiPeril	105.3	60.1	74.4	65.1	41.3	72.5
Aircraft	38.9	53.1	37.3	67.5	46.8	50.1
Reins-Property	50.7	95.2	41.4	39.4	58.0	56.9
Ocean Marine	64.2	65.7	56.5	27.0	74.8	58.7
Inland Marine	83.9	62.8	48.6	59.8	34.4	54.3
All Other	23.1	80.3	95.2	100.0	123.0	81.1
Total	60.1	69.9	58.9	68.0	47.8	60.3



Underwriting Results (Continued ...)

Direct Loss Ratios By State

	2012	2011	2010	2009	2008	5-Yr. Avg.
California	30.2	7.8	10.1	47.9	44.4	28.3
Texas	48.8	194.8	70.0	82.4	139.2	104.5
New York	420.1	42.2	10.4	31.5	-3.4	96.7
Illinois	45.9	34.2	0.0	35.0	-29.0	19.7
Pennsylvania	113.5	301.8	23.9	75.7	-58.6	109.7
New Jersey	409.7	29.7	15.5	169.5	-57.3	118.7
Florida	18.9	12.6	14.2	10.4	-33.1	6.1
Ohio	27.6	7.1	-27.9	56.5	-61.4	1.2
Aggregate Alien	312.3	168.6	-14.9	82.4	59.5	115.7
Michigan	9.1	43.7	6.9	47.7	-76.1	4.7
All Other	16.0	96.4	34.2	58.2	15.9	43.2
Total	89.6	86.5	21.1	58.7	9.2	56.0

Investment Results

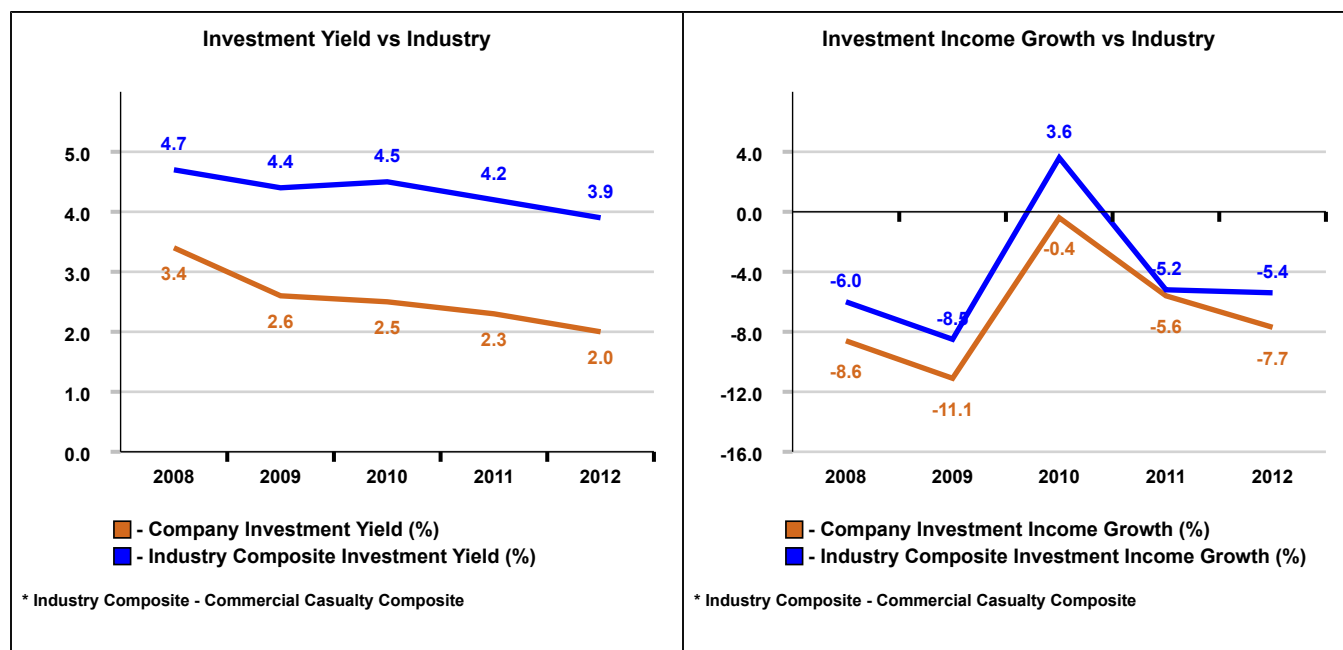
Investment Results: The overall investment yield has decreased over the past three years as the prevailing interest rates continue to be lackluster. In 2012, XLRA entered into two separate rounds of asset transfers with its affiliates. On June 27, 2012, the Company received approval from the New York Department of Financial Services (the Department) to enter into a series of transactions involving the exchange of assets with affiliates up to an amount not to exceed \$200 million. In return for cash, XLRA received admitted assets as defined in the New York Insurance Law ("NYIL") and consistent with NYIL Article 14. The first series of transactions was closed on August 23, 2012. The fair value of the assets received was \$117.4m. The second series was closed in the fourth quarter on October 16, 2012. The fair value of the assets received was \$80.3m, for a grand total of \$197.7m. On December 14, 2012, the Company received approval from the Department to enter into a series of transactions involving the exchange of assets with affiliates up to an amount not to exceed \$736 million. As a result of these transactions, XLRA received admitted assets as defined in the NYIL and consistent with NYIL Article 14. The series of transactions was closed on December 21, 2012. The fair value of the assets received was \$710.6m.

The bond portfolio increase in 2012 was partially due to the first asset transfer in which XLRA received bonds in exchange for cash. The large increase in realized capital gains in 2012 was driven by the second asset transfer. Historically, XLRA's investment income has been generally consistent, although lagging behind the industry average. This is reflective of its more recent conservative investment strategies and philosophy of building long-term value. The Company's investment yield has fluctuated over the years in response to some variability in the interest rate environment. The Company has focused on asset/liability matching to mitigate the impact of interest rate fluctuations. In recent years, management has steadily increased its holdings in tax-exempt securities to optimize after-tax investment returns despite a lower interest rate environment.

Investment Results (Continued ...)

Investment Gains (\$000)

Year	Company							Industry Composite	
	Net Investment Income (\$000)	Realized Capital Gains (\$000)	Unrealized Capital Gains (\$000)	Investment Income Growth (%)	Investment Yield (%)	Return on Invested Assets (%)	Total Return (%)	Investment Income Growth (%)	Investment Yield (%)
2012	13,033	10,180	8,664	-7.7	2.0	3.6	5.0	-5.4	3.9
2011	14,113	2,671	-245	-5.6	2.3	2.8	2.8	-5.2	4.2
2010	14,956	-1,749	12,025	-0.4	2.5	2.2	4.3	3.6	4.5
2009	15,011	-4,669	2,698	-11.1	2.6	1.8	2.3	-8.5	4.4
2008	16,883	-16,309	16,111	-8.6	3.4	0.1	3.3	-6.0	4.7
5-Yr Avg/Tot	73,996	-9,876	39,253	-6.8	2.5	2.2	3.6	-4.4	4.4
06/2013	17,421	12	-12,168	140.1	3.6	4.9	3.7	XX	XX
06/2012	7,254	1,933	3,983	10.0	2.2	2.4	2.4	XX	XX



Balance Sheet Strength

Capitalization

The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

Capitalization: XLRA's ability to generate capital internally has varied over the past five years. For the five-year period 2008-2012, dividend payments to the parent company were made in 2009, 2010 and 2011. The Pool Members are simultaneously focusing on expanding into certain primary lines of business. XLIB has continued to support the Pool Members' growth over the past several years through the QS Agreement.

XLRA maintains excellent capitalization as measured by Best's Capital Adequacy Ratio (BCAR). Its capitalization is reflective of its conservative net underwriting leverage and low-risk asset profile. XLRA's net underwriting leverage is in line with levels maintained by companies with similar business mix and size; however, gross and ceded leverage are above average. Net leverage is lower than its peers reflective of the QS Agreement with XLIB. A.M. Best acknowledges that the overall financial flexibility of XLRA is enhanced by its access to XL Group's financial, marketing and intellectual resources.

Capital Generation Analysis (\$000)

Year	Source of Surplus Growth							
	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Net Contributed Capital	Other Changes	Change in PHS	% Change in PHS
2012	5,868	10,180	-630	8,664	...	4,225	29,567	13.2
2011	5,235	2,671	1,866	-245	-24,000	-3,660	-21,865	-8.9
2010	14,233	-1,749	1,970	12,025	-23,000	11,673	11,212	4.8
2009	9,469	-4,669	3,480	2,698	-22,000	3,717	-14,263	-5.7
2008	39,733	-16,309	19,058	16,111	...	16,298	36,775	17.4
5-Yr Total	74,539	-9,876	25,744	39,253	-69,000	32,253	41,426	3.6
06/2013	22,715	12	3,054	-12,168	-25,300	-2,879	-20,674	-8.2
06/2012	6,893	1,933	3,338	3,983	...	3,428	12,899	5.8

Quality of Surplus (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2012	185,599	67,399	252,999	10,114	263,113
2011	190,456	32,975	223,432	10,738	234,169
2010	190,328	54,969	245,296	9,381	254,677
2009	188,486	45,599	234,084	15,416	249,500
2008	185,599	62,748	248,347	9,111	257,459
06/2013	185,599	46,725	232,325	10,114	242,439
06/2012	185,599	50,731	236,331	10,738	247,068

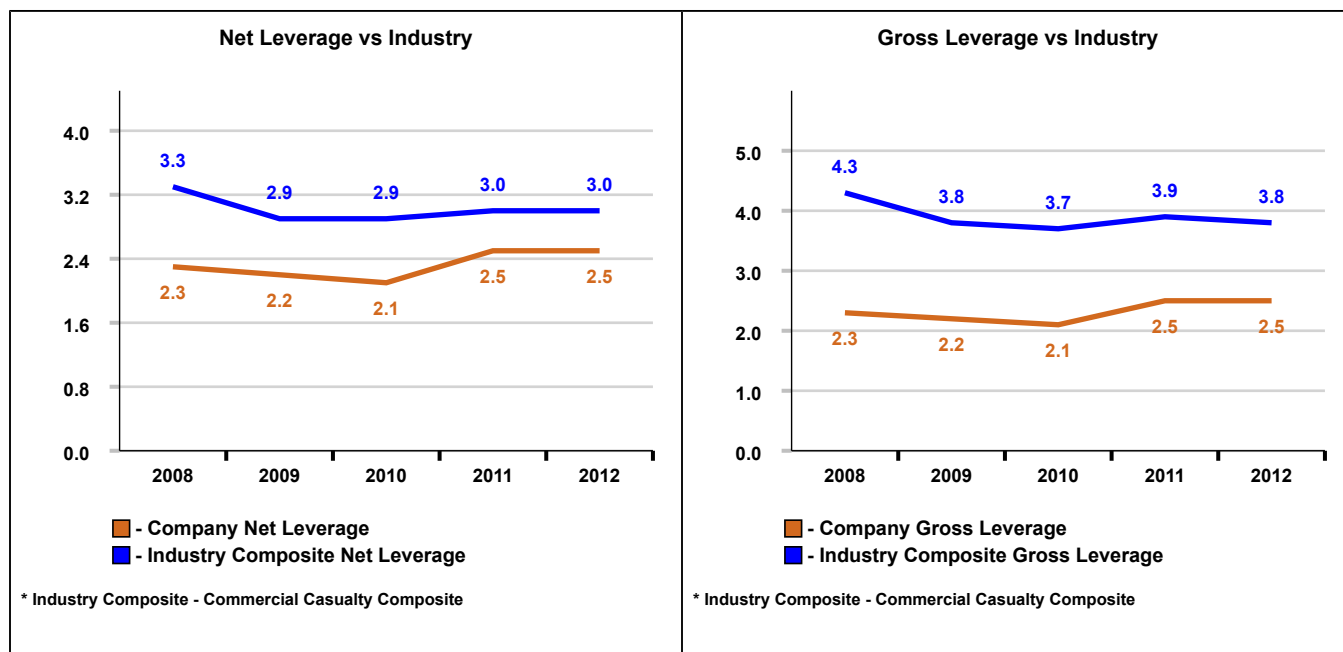
Underwriting Leverage

Underwriting Leverage: Net premium leverage remains acceptable and has been consistent over the past five years primarily due to the QS Agreement with XLIB. XLRA's gross premiums written (including assumed premium from both affiliates and non-affiliates) has grown in each of the past two years. It had previously declined for the 3 year period from 2008-2010. XLRA continues to seek out opportunities for profitable growth. Management's policy is to cease writing lines not producing necessary returns and wait for a market turn to refocus on potentially profitable business.

Leverage Analysis

Year	Company				Industry Composite			
	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage
2012	0.5	1.3	2.5	2.5	0.8	1.5	3.0	3.8
2011	0.5	1.5	2.5	2.5	0.8	1.5	3.0	3.9
2010	0.4	1.3	2.1	2.1	0.7	1.5	2.9	3.7
2009	0.5	1.2	2.2	2.2	0.7	1.5	2.9	3.8
2008	0.7	1.0	2.3	2.3	0.9	1.6	3.3	4.3
06/2013	0.6	1.4	2.6	XX	XX	XX	XX	XX
06/2012	0.5	1.4	2.6	XX	XX	XX	XX	XX

Current BCAR: 183.6



Underwriting Leverage (Continued ...)

Ceded Reinsurance Analysis (\$000)

Year	Company				Industry Composite		
	Ceded Reinsurance Total	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)
2012	...	25.4	...	...	82.6	59.1	84.5
2011	...	25.8	...	...	81.6	59.4	84.5
2010	...	35.5	...	...	81.2	57.6	80.4
2009	...	37.3	...	...	82.6	61.2	84.8
2008	...	50.2	...	...	84.6	70.6	97.6

2012 Reinsurance Recoverables (\$000)

	Paid & Unpaid Losses	Incurred But Not Reported (IBNR) Losses	Unearned Premiums	Other Recoverables *	Total Reinsurance Recoverables
US Affiliates	281,632	701,166	237,800	-90,523	1,130,075
Grand Total	281,632	701,166	237,800	-90,523	1,130,075

* Includes Commissions less Funds Withheld

Loss Reserves

Loss and ALAE Reserve Development: Calendar Year (\$000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Development to PHS (%)	Development to NPE (%)	Unpaid Reserves @ 12/2012	Unpaid Reserves to Development (%)
2012	342,850	342,850	...	...	275.4	342,850	100.0
2011	331,380	327,509	-1.2	-1.7	286.3	261,589	79.9
2010	310,723	307,495	-1.0	-1.3	265.3	203,762	66.3
2009	297,478	292,794	-1.6	-2.0	231.4	158,907	54.3
2008	267,535	271,321	1.4	1.5	183.1	119,167	43.9
2007	248,832	225,614	-9.3	-11.0	286.7	86,621	38.4

Loss Reserves (Continued ...)

Loss and ALAE Reserve Development: Accident Year (\$000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Unpaid Reserves @ 12/2012	Accident Year Loss Ratio	Accident Year Comb. Ratio
2012	81,261	81,261	...	81,261	75.9	113.5
2011	78,542	78,776	0.3	57,827	81.2	112.8
2010	69,972	70,311	0.5	44,855	71.4	107.3
2009	74,912	75,588	0.9	39,740	71.0	103.3
2008	88,911	94,286	6.0	32,546	74.4	97.6
2007	46,455	42,629	-8.2	12,798	63.9	80.5

Asbestos And Environmental Reserves Analysis

Year	Company						Industry Composite		
	Net A&E Reserves (\$000)	Reserve Retention (%)	Net Incurred But Not Reported (IBNR) Mix (%)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)
2012	6,353	48.4	65.0	7.3	0.4	0.1	9.1	0.6	0.6
2011	6,395	45.0	55.7	6.4	...	...	9.1	0.5	0.6
2010	6,922	45.4	61.2	7.0	...	0.0	7.2	0.7	0.5
2009	8,509	48.8	65.0	...	...	...	...	0.6	...
2008	9,384	48.5	62.4	...	0.0	...	...	0.3	...

Liquidity

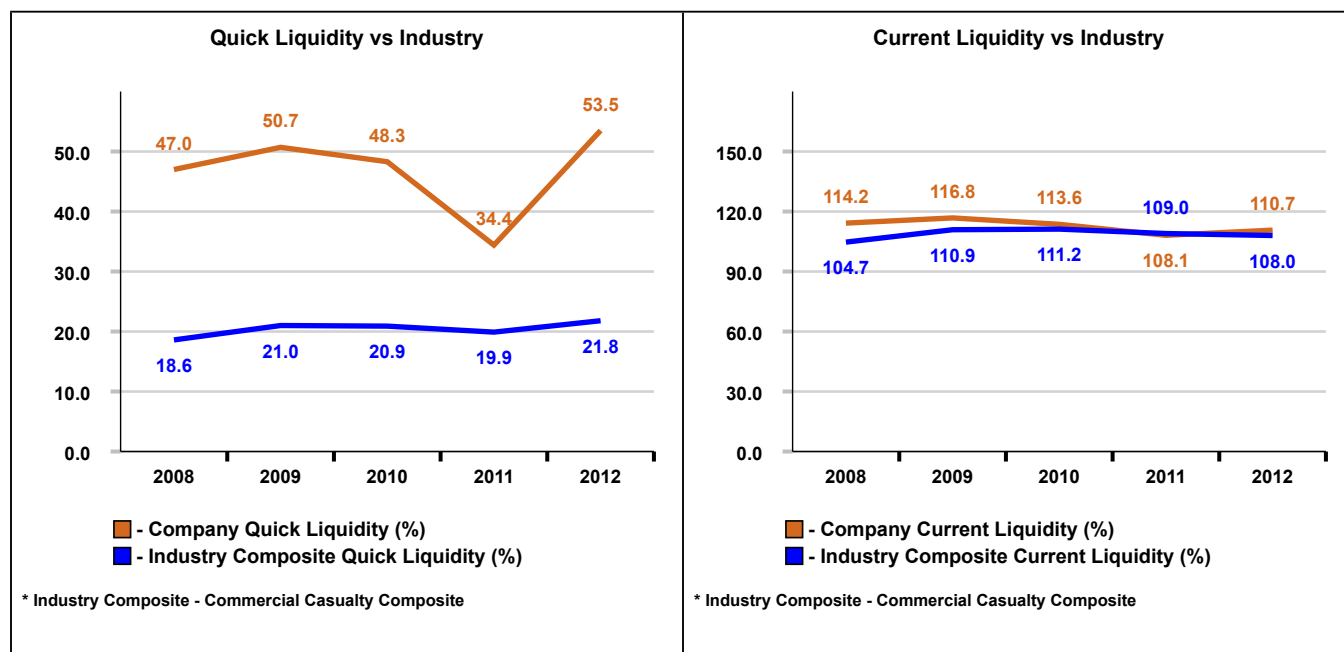
The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

Liquidity: Overall, XLRA's liquidity measures have generally varied and fall below the industry average. XLRA through asset liability matching invests policyholder premiums in assets whose maturities are similar to the expected payouts of losses. Approximately fifty-four percent of the bonds and short term investments mature within the next five years. Operating cash flows have been positive over the five-year period, with the substantial 2008 increase in volume attributable to the increased retention following the amended quota share agreement with XLIB. XLRA also maintains access to capital markets and lines of credit through its ultimate parent company, XL Group plc.

Liquidity (Continued ...)

Liquidity Analysis

Year	Company				Industry Composite			
	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS(%)	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)
2012	53.5	110.7	151.3	10.7	21.8	108.0	144.9	10.9
2011	34.4	108.1	151.8	9.5	19.9	109.0	144.5	10.3
2010	48.3	113.6	160.7	6.7	20.9	111.2	146.2	9.0
2009	50.7	116.8	160.3	5.8	21.0	110.9	146.0	9.1
2008	47.0	114.2	166.0	8.9	18.6	104.7	140.8	11.9
06/2013	XX	105.4	150.5	15.0	XX	XX	XX	XX
06/2012	XX	106.3	149.3	14.1	XX	XX	XX	XX



Liquidity (Continued ...)

Cash Flow Analysis (\$000)

Year	Company					Industry Composite	
	Underwriting Cash Flow	Operating Cash Flow	Net Cash Flow	Underwriting Cash Flow (%)	Operating Cash Flow (%)	Underwriting Cash Flow (%)	Operating Cash Flow (%)
2012	-5,045	43,049	33,811	95.9	133.6	98.2	110.7
2011	1,797	48,106	20,316	101.6	142.5	96.5	107.6
2010	-2,995	25,341	-22,137	97.3	120.5	96.6	108.6
2009	22,148	66,856	-3,125	121.2	159.2	98.4	109.5
2008	91,081	92,398	18,441	185.7	176.0	101.2	112.6
5-Yr Total	106,986	275,749	47,306	...	...	...	...
06/2013	-15,569	-45,548	-30,356	78.2	39.4	XX	XX
06/2012	-22,035	19,482	37,811	67.4	128.9	XX	XX

Investments

The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

Investment Leverage: XLRA has positioned its portfolio to achieve a matched duration with its liabilities as well as afford it the flexibility to take advantage of favorable yield curve opportunities. The group's investment strategy is more conservative than its peers with 13.6% of its portfolio invested in common stocks (all of wholly-owned subsidiaries) and 2.8% of its bond portfolio invested in non-investment grade offerings. Admitted affiliated investments represent less than 1% of surplus.

Investment Leverage Analysis (% of PHS)

Year	Company						Industry Composite	
	Class 3-6 Bonds	Real Estate / Mortgages	Other Invested Assets	Common Stock	Non - Affiliated Investment Leverage	Affiliated Investments	Class 3-6 Bonds	Common Stock
2012	...	...	...	...	...	56.6	7.1	10.3
2011	...	...	...	...	...	60.2	7.4	9.5
2010	4.9	...	...	...	4.9	54.9	7.2	9.0
2009	...	...	...	...	...	53.1	6.0	8.2
2008	2.0	...	...	...	2.0	48.3	5.4	9.1

Investments - Bond Portfolio

Investments - Bond Portfolio (Continued ...)

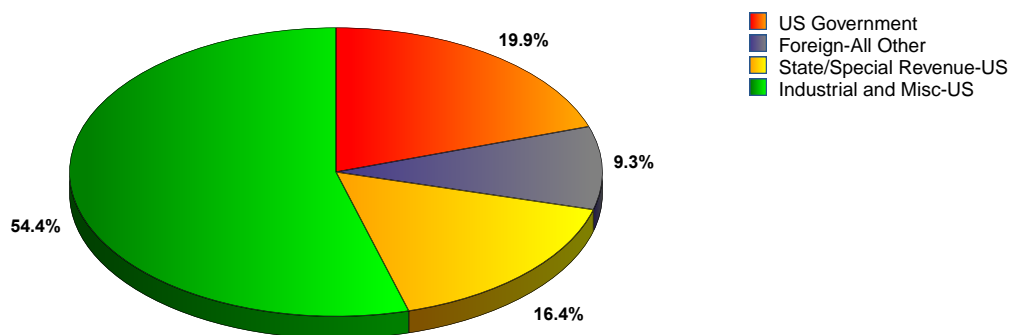
2012 Distribution By Maturity

	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	4.3	13.6	1.2	1.3	1.6	5.1
Government Agencies & Muni.	4.3	5.4	3.9	1.4	0.9	5.7
Industrial & Misc.	15.8	43.3	1.9	0.1	1.1	3.0
Total	24.4	62.2	7.0	2.8	3.6	3.8

Bond Distribution By Issuer Type

	2012	2011	2010	2009	2008
Bonds (000)	446,370	406,240	412,490	396,412	358,265
US Government	19.9	9.7	25.3	25.1	34.5
Foreign-All Other	9.3	15.5	9.3	5.8	1.9
State/Special Revenue-US	16.4	38.0	24.1	31.9	10.7
Industrial and Misc-US	54.4	36.8	41.3	37.2	52.9

2012 Bond Distribution By Issuer Type



Bond Percent Private vs Public

	2012	2011	2010	2009	2008
Private Issues	24.1	26.0	5.0	3.3	1.5
Public Issues	75.9	74.0	95.0	96.7	98.5

Investments - Bond Portfolio (Continued ...)

Bond Quality Percent

	2012	2011	2010	2009	2008
Class 1	90.8	92.8	93.5	97.2	95.7
Class 2	9.2	7.2	3.7	2.8	3.0
Class 3	...	...	2.8	...	1.1
Class 5	...	...	...	...	0.1
Class 6	...	...	...	...	0.1

Investments - Equity Portfolio

	2012	2011	2010	2009	2008
Total Stocks(000)	143,071	134,407	134,778	124,381	119,980
Affiliated Common	100.0	100.0	100.0	100.0	100.0

Investments - Other Invested Assets

	2012	2011	2010	2009	2008
Other Invested Assets(000)	106,905	73,095	52,779	74,915	78,040
Cash	90.7	71.0	70.7	100.0	65.2
Short-Term	9.3	29.0	29.3	...	34.8
All Other	...	...	...	...	...

History

The Company was incorporated on November 10, 1945 under the laws of Texas and began business on December 31, 1945. Organized as a wholly owned affiliate of the Republic Insurance Company of Dallas under the title of Republic Indemnity Company, the title was changed on May 1, 1950 to Republic Casualty Company and, on December 31, 1954, to Vanguard Insurance Company.

Through June 30, 1996, financial control of the company was held by Republic Insurance Company, a wholly owned subsidiary of Republic Financial Services Inc., a holding company. On December 9, 1982, all of the outstanding stock of Republic Financial Services, Inc., had been acquired by Winterthur U.S. Holdings, Inc., (Delaware) a wholly owned subsidiary of Winterthur Swiss Insurance Company Winterthur, Switzerland.

On July 1, 1996, Vanguard Insurance Company was sold by Republic Insurance Company to an affiliate, General Casualty Company of Wisconsin. On January 1, 1997, Vanguard was redomesticated from Texas to Wisconsin. On January 1, 1998, Vanguard Insurance Company's name was changed to Winterthur International America Insurance Company. Effective July 1, 2001, the Company has been an indirect wholly-owned subsidiary of XLIT Ltd., a Cayman Islands domiciled company, formerly known as XL Group Ltd (until November 2011) and XL Capital Ltd (until July 2010), which, in turn, is owned directly by XL Group plc, an Ireland domiciled company, and the ultimate controlling parent of the XL Group of companies. Effective December 24, 2002, the company redomesticated to the State of Delaware and changed its name from Winterthur International America Insurance Company to its present title. Effective December 31, 2002, all of the issued and outstanding shares of the company were contributed by X.L. America, Inc., a Delaware holding company, to XL Reinsurance America Inc. Effective June 30, 2003, the company was contributed to Greenwich Insurance Company, a Delaware domiciled insurer.

Paid in capital of \$5,000,000 consists of 80,000 common shares at \$62.50 par value each. All authorized shares are outstanding.

Officers And Directors

Officers

President and CEO Seraina Maag
SVP and CFO John C. Dougherty
SVP Michael J. Garceau
SVP David S. Hewett
SVP Bernard R. Horovitz
SVP Gary S. Kaplan
SVP Ursula Kerrigan
SVP William J. Mills
SVP Roxanne Mitchell

SVP James M. Norris
SVP Alpa Patel
SVP Robert M. Shine
SVP Andrew Pinkes
Vice President and Secretary Toni A. Perkins
Vice President and Treasurer Gabriel G. Carino III
Vice President and Controller Andrew W. Will
Vice President Todd Zimmerman

Directors

Michael J. Garceau
Bernard R. Horovitz
Seraina Maag
Roxanne Mitchell

James M. Norris
Andrew Pinkes
Robert M. Shine
Todd D. Zimmerman

Regulatory

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Delaware. The 2012 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Jeffrey R. Carlson, Towers Watson.

Reinsurance

The following text is derived from A.M. Best's Credit Report on XL Reinsurance America Inc. (AMB# 002104).

The most material reinsurance contracts (the Pooling Agreement and the QS Agreement) are described in detail in the Business Profile section of this document.

Balance Sheet (\$000)

Admitted Assets	12/31/2012	12/31/2011	2012 %	2011 %
Bonds	446,370	406,240	57.5	59.2
Preferred Stock	...	...	...	...
Common Stock	...	...	...	...
Cash & Short-Term Invest	106,905	73,095	13.8	10.7
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	...	...	...	...
Investments in Affiliates	143,071	134,407	18.4	19.6
Real Estate, Offices	...	...	...	...
Total Invested Assets	696,346	613,742	89.8	89.4
Premium Balances	48,348	36,493	6.2	5.3
Accrued Interest	2,780	2,752	0.4	0.4
Life department	...	...	...	...
All Other Assets	28,176	33,342	3.6	4.9
Total Assets	775,649	686,329	100.0	100.0

Liabilities & Surplus	12/31/2012	12/31/2011	2012 %	2011 %
Loss & LAE Reserves	340,895	329,000	43.9	47.9
Unearned Premiums	62,266	57,324	8.0	8.4
Conditional Reserve Funds	10,114	10,738	1.3	1.6
Derivatives	...	...	...	...
Life department	...	...	...	...
All Other Liabilities	109,376	65,837	14.1	9.6
Total Liabilities	522,651	462,898	67.4	67.4
Surplus notes	...	...	...	...
Capital & Assigned Surplus	185,599	190,456	23.9	27.7
Unassigned Surplus	67,399	32,975	8.7	4.8
Total Policyholders' Surplus	252,999	223,432	32.6	32.6
Total Liabilities & Surplus	775,649	686,329	100.0	100.0

Interim Balance Sheet (\$000)

Admitted Assets	03/31/2013	06/30/2013
Bonds	443,263	426,977
Common Stock	129,855	130,899
Cash & Short-Term Invest	48,801	76,549
Other Investments	...	...
Total Invested Assets	621,919	634,426
Premium Balances	54,509	57,574
Accrued Interest	2,719	2,489
Reinsurance Funds	136	154
All Other Assets	29,423	28,079
Total Assets	708,705	722,720

Liabilities & Surplus	03/31/2013	06/30/2013
Loss & LAE Reserves	337,648	332,438
Unearned Premiums	63,435	61,268
Conditional Reserve Funds	10,114	10,114
All Other Liabilities	68,682	86,575
Total Liabilities	479,880	490,395
Capital & Assigned Surp	185,599	185,599
Unassigned Surplus	43,226	46,725
Total Policyholders' Surplus	228,825	232,325
Total Liabilities & Surplus	708,705	722,720

Summary Of 2012 Operations (\$000)

Statement of Income	12/31/2012	Funds Provided from Operations	12/31/2012
Premiums earned	124,472	Premiums collected	118,760
Losses incurred	74,750	Benefit & loss-related pmts	63,855
LAE incurred	16,619		
Undwr expenses incurred	48,634	LAE & undwr expenses paid	59,950
Other expenses incurred	-71	Other income / expense	...
Dividends to policyholders	...	Dividends to policyholders	...
Net underwriting income	-15,461	Underwriting cash flow	-5,045
		Net transfer	...
Net investment income	13,033	Investment income	16,026
Other income/expense	8,296	Other income/expense	36,569
Pre-tax operating income	5,868	Pre-tax cash operations	47,551
Realized capital gains	10,180		
Income taxes incurred	-630	Income taxes pd (recov)	4,502
Net income	16,678	Net oper cash flow	43,049

Interim Income Statement (\$000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums earned	66,457	58,794	7,663
Losses incurred	34,005	31,252	2,753
LAE incurred	6,604	5,802	802
Undwr expenses incurred	24,735	24,556	179
Other expenses incurred	-1	-52	52
Dividends to policyholders	...	...	...
Net underwriting income	1,115	-2,763	3,878
Net investment income	17,421	7,254	10,167
Other income/expense	4,180	2,402	1,778
Pre-tax operating income	22,715	6,893	15,822
Realized capital gains	12	1,933	-1,921
Income taxes incurred	3,054	3,338	-284
Net income	19,673	5,489	14,185

Interim Cash Flow (\$000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums collected	55,724	45,477	10,247
Benefit & loss-related pmts	35,519	34,370	1,148
LAE & undwr expenses paid	35,775	33,142	2,632
Dividends to policyholders	...	...	...
Underwriting cash flow	-15,569	-22,035	6,466
Net transfer	...	...	...
Investment income	21,097	8,143	12,955
Other income/expense	-47,234	33,374	-80,608
Pre-tax cash operations	-41,706	19,482	-61,187
Income taxes pd (recov)	3,842	...	3,842
Net oper cash flow	-45,548	19,482	-65,029

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Debt/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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