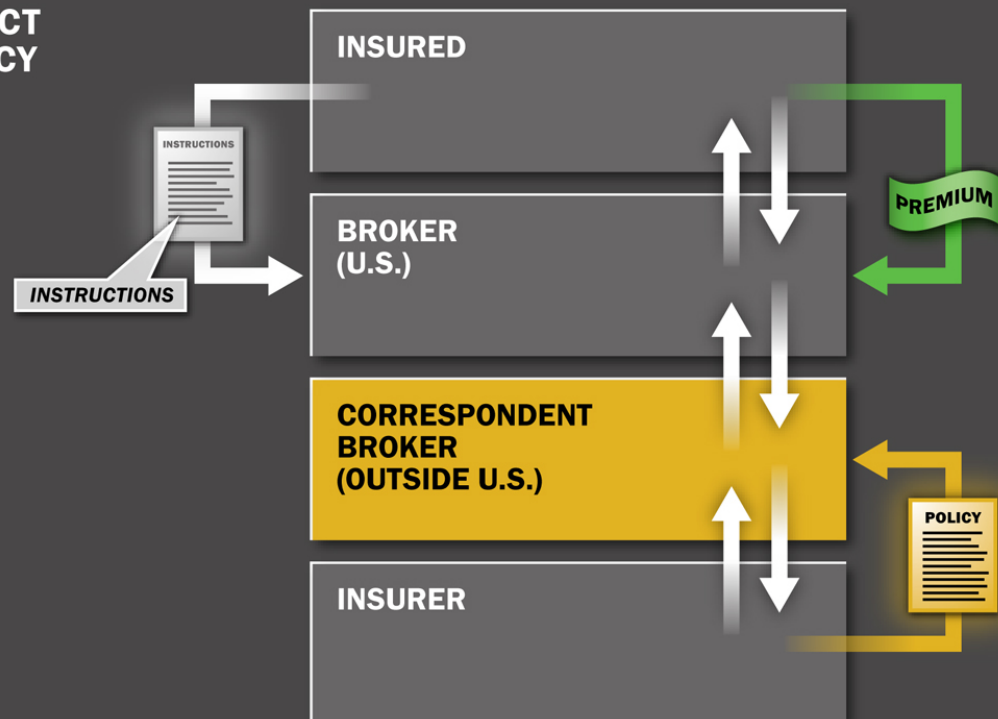
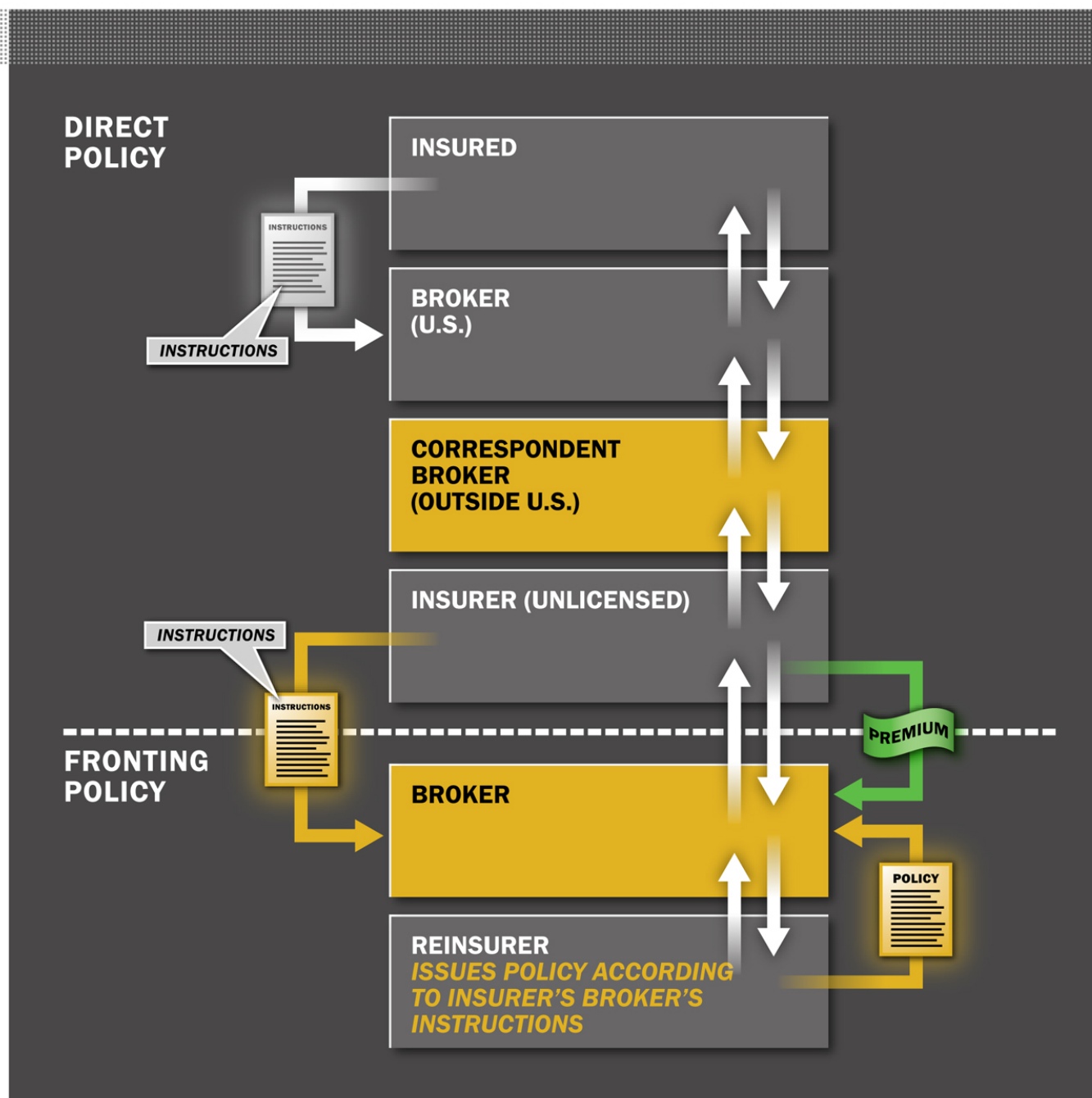


***It Is Customary  
for Brokers to Act  
in More than One  
Capacity When  
Placing Insurance  
and Reinsurance  
on the Same Risk***

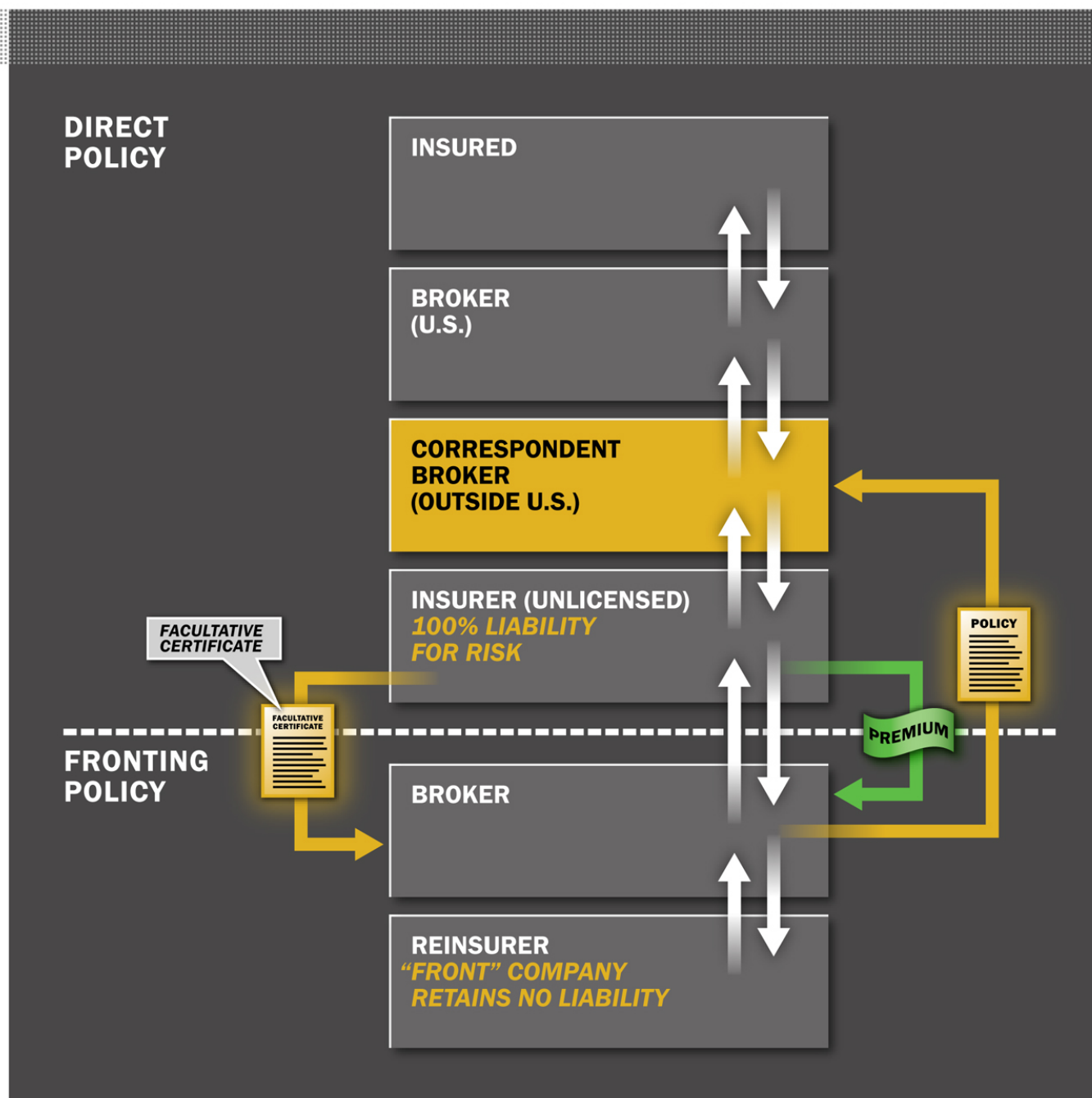
**DIRECT  
POLICY**



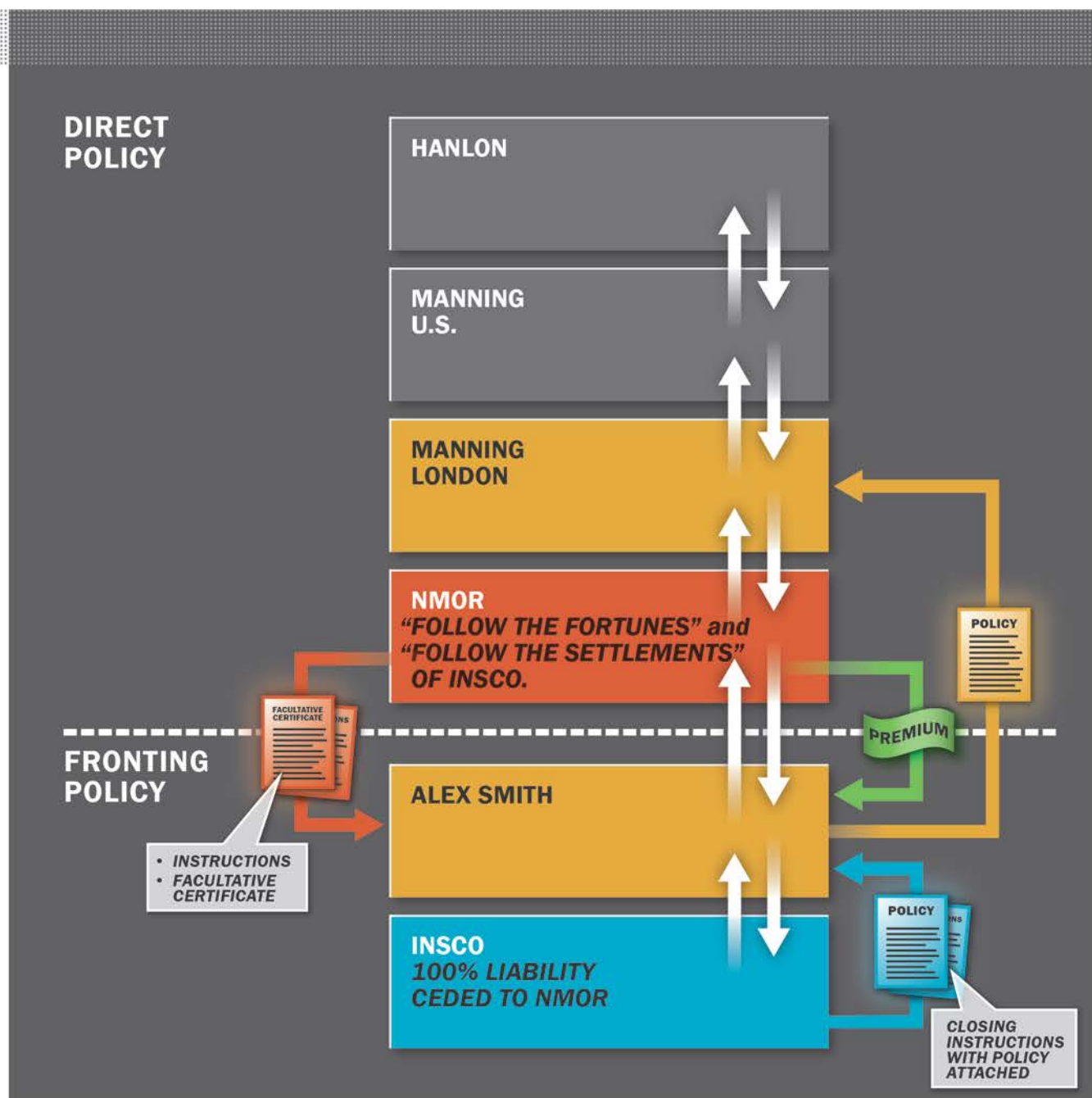
***It Is Customary  
for Brokers to Act  
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***It Is Customary  
for Brokers to Act  
in More than One  
Capacity When  
Placing Insurance  
and Reinsurance  
on the Same Risk***



**Alex Smith and Manning London Acted on Behalf of NMOR in Arranging for INSCO to Issue a Fronting Policy**





**NMOR and INSCO  
Both Expected that  
Manning London  
and Alex Smith  
Would Provide the  
Same Placement  
Information to  
Each of Them**



**CLAUDE RAINES**  
NMOR UNDERWRITER



**HELEN STACK-PETIT**  
NMOR UNDERWRITER



**ANTHONY STEFFA**  
INSCO UNDERWRITER

**CLAUDE RAINES**

**NMOR UNDERWRITER**

**FEBRUARY 20, 2009 DEPOSITION TESTIMONY**

Q. Okay. And what instructions did you give INSCO regarding the Hanlon account in terms of the paper, as you put it, that it was to issue?

**A. We didn't give any instructions to INSCO.**

Q. "We" being NMOR?

**A. Yes.**

Q. So how was INSCO to know what paper to issue?

**A. They — I don't know.**

Q. **Manning should tell them?**

**A. Yeah, of course, yeah.**

Q. In fact, that was one of Manning's responsibilities; correct?

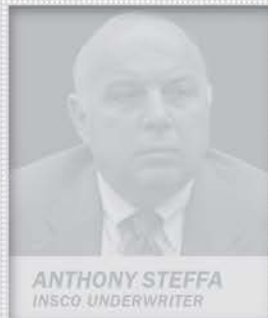
**A. Yes. This is what NMOR has written, please issue the paper corresponding to this — to these terms and conditions.**

Q. **That's a communication you expected Manning to give to INSCO?**

**A. Yeah.**

*Tr. at Pp. 74: 12 – 75: 8*

***NMOR and INSCO  
Both Expected that  
Manning London  
and Alex Smith  
Would Provide the  
Same Placement  
Information to  
Each of Them***



**BARBARA STACK**

**NMOR UNDERWRITER**

**FEBRUARY 18, 2009 DEPOSITION TESTIMONY**

Q. ...But to the extent Manning is giving INSCO some level of information regarding the Hanlon account, would you expect that Manning would give INSCO information that is consistent with the information it's giving NMOR?

**A. I would expect that Manning provide the exact same information to INSCO as the information accepted by NMOR.**

*Tr. at Pp. 96: 24 – 97:9*



***NMOR and INSCO  
Both Expected that  
Manning London  
and Alex Smith  
Would Provide the  
Same Placement  
Information to  
Each of Them***



CLAUDE STANISIERE  
NMOR UNDERWRITER



HELEN STACK-PETIT  
NMOR UNDERWRITER



ANTHONY ROMANO  
INSCO UNDERWRITER

**ANTHONY ROMANO**

**INSCO UNDERWRITER**

**SEPTEMBER 26, 2008 DEPOSITION TESTIMONY**

- Q. When you issued the formal binder on August 3rd, 2001, was it your understanding that NMOR had agreed to the Primary form?
- A. I, I would have no idea. I was told that this was the form that was going to be used and I just, you know, you just feel and trust that this is the form that's going to be used for the entire program. I mean to use different forms on the placement, I don't know. It's hard to even fathom something like that, especially a program of this size. **What I'm being told, my producer, I'm assuming he in turn is telling Manning and in turn telling NMOR, so I would have no reason to believe otherwise.**

Tr. at Pg. 84: 3-17

# It Is Clear from the July 26, 2001 Slip that NMOR Agreed to Reinsure the Policy Issued by INSCO

JULY 26, 2001

**TYPE:** ALL RISKS OF PHYSICAL LOSS OR DAMAGE including Flood, Earthquake and Boiler Explosion & Machinery Breakdowns insofar as may be more fully defined in the original policy wording.

**FORM:** Slip Policy (DMA 1779) or Company equivalent.

**INSURED:** Associated and Subsidiary and Affiliated Companies and Corporations (if applicable) as now exist or may hereafter be constituted or acquired including their interest as may appear in partnerships and joint ventures as per Original Policy Wording.

**ADDRESS:** New York, NY 10125.

**PLACEMENT:** Insurance Company

**PERIOD:** 12 Months at 11<sup>th</sup> July 2001, 12.01 a.m. Local Standard Time, and/or as original.

**INTEREST:** ALL REAL AND PERSONAL PROPERTY of every kind and description, including, but not limited to, Improvements and Property of others in the Care, Custody or Control of the Assured or for which the Assured is Legally Liable to assure; Property of the Assured in the Care, Custody or Control of others; Property Wholly in the Course of Construction, Installation, Erection or Assembly; Property wholly in the due Course of Transit; Fine Arts; Valuable Papers and Records; Automatic Remittance; Electronic Data Processing Equipment and Media; BUSINESS INTERRUPTION (including, but not limited to contingent); Rental Value Surveys; Losses and Interest; Extra Expenses and Expenses (including, but not limited to contingent); and/or as may be more fully defined in the Original Policy Wording.

**SUBSIDIARY:** USD 3,248,000,000 per occurrence and sub-limited as attached.  
Only to Pay Excess Of:  
USD 1,860,000 per occurrence and is spread aggregate for Flood & Earthquake separately.

**SITUATION:** Various North America and/or as may be more fully defined in the original Policy Wording.

710904001 Page 3

CONFIDENTIAL 00000684

**CONDITIONS:** This policy to follow all terms and conditions of the original and to follow all payments of whatever nature of the Reinsured, within the limit of this reinsurance.

Agreed after 12.37% loading fee to Insurance Company.

Cancellation Clause as original + 30 days

The original policy wording includes but is not limited to the following:

Service of Suit Clause as per original wording.

90 Day Cancellation Clause as per original wording.

Exclusionary Contamination Exclusion Clause as per original Wording.

War & Civil War Exclusion as per original Wording.

In the event of a loss hereunder the Assured may appoint an adjuster named in the original Policy Wording. Any other adjuster to be agreed Loading Underwriter only.

Seepage and Pollution Clause as per original wording.

Debris Removal, Demolition, Increase Cost of Construction and Building Lapse Clause as per original Wording.

Off Premises Services Deprivation Clause as per original Wording.

Automatic Acquisition Clause as per original Wording.

Replacement Cost Valuation Basis or as per original Wording.

Extended Period of Indemnity - 2 years.

Ignition/Lightning Clause as per original wording.

Tax Clause as applicable.

Loss Payees and Mortgagees and Additional Named Assureds automatically included herein with advice as Underwriters waived and permission given to WGA, New York to issue evidence of insurance, if required.

If applicable, Final Original Value, Premium and Basis of Coverage to be agreed Loading Underwriter only.

Page 4

00000685

**PROGRAM LIMITS:**

Earthquake	USD 100,000,000 per policy year
Flood	USD 100,000,000 per policy year
Property in the Course of Construction	USD 25,000,000
Property in Transit	USD 1,600,000

Agree, if required, to extend the period of this contract for up to any calendar month at expiry at per rate of existing premium and terms set as agreed Loading Underwriter only, irrespective of any Notice of Cancellation or non-renewal Date hereon, all as original.

Adjustment, legal and other costs and fees involving those the Insureds as original.

USD 5,694,075 (100%) Amount.

200% net equivalent (drawdowns only) to be advised to Loading Underwriter only plus transaction charges if any.

Underwriting data on file with and agreed by Underwriters Insure.

Page 6

00000687

710904001 Page 5

CONFIDENTIAL 00000686

A0028



***It Is Clear from the July 26, 2001 Slip that NMOR Agreed to Reinsure the Policy Issued by INSCO***

**JULY 26, 2001**



# It Is Clear from the July 26, 2001 Certificate of Facultative Reinsurance that NMOR Agreed to Reinsure the Policy Issued by INSCO

## DECLARATIONS

**SPECIMEN**  
**CERTIFICATE OF FACULTATIVE REINSURANCE**

Issued By: \_\_\_\_\_  
INSURER'S NAME AND ADDRESS  
3408 Riverside Drive  
Burbank, California 91505-4609  
Telephone: (818) 572-8000

Reinsured By: \_\_\_\_\_  
INSURED'S NAME AND ADDRESS  
Invisible Man  
1 Avenue  
92074 Paris, France

Reinsurance Effective Date: 18 July 2001 and/or as shown in the Original Policy(ies)  
Reinsurance Expiration Date: 17 July 2002 and/or as shown in the Original Policy(ies)

Type of Reinsurance: Proportional ☒ Excess of Loss ☐

All risks of physical loss or damage to property, including time element coverages as shown in the Original Policy(ies)  
As shown in the Original Policy(ies)

18. Gross Premium: \$1,004,075 (100% annual)  
This covers a facultative reinsurance of nuclear risks (actual)

RCGL (ED. 08/99) 00000694

**DECLARATIONS (CONTINUED)**  
12.5%  
As shown in the Original Policy(ies)

**Original Policy(ies)**  
**Original Policy(ies)**  
**Original Policy(ies)**  
**Original Policy(ies)**  
**Original Policy(ies)**  
**Original Policy(ies)**  
**Original Policy(ies)**

**The Company's Original Policy Number:**

27/10/01  
10% share  
Paris, la

27/10/01  
10% share  
Paris, la

Page 2 of 7

A0028  
CONFIDENTIAL

## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

MILLIONS  
OF DOLLARS

\$700

\$630

\$560

\$490

\$420

\$350

\$280

\$210

\$140

\$70

NMOR'S REPORTED  
GROSS RESERVES

Q4 2004

**CURRENT:** \$4,276

**POSSIBLE  
OUTCOME:** —



## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

MILLIONS  
OF DOLLARS

\$700

\$630

\$560

\$490

\$420

\$350

\$280

\$210

\$140

\$70

NMOR'S REPORTED  
GROSS RESERVES

Q4 2004

Q4 2005

CURRENT:

\$4,276

\$4,829

POSSIBLE  
OUTCOME:

—

—



## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

MILLIONS  
OF DOLLARS

\$700

\$630

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\$280

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\$140

\$70

NMOR'S REPORTED  
GROSS RESERVES

Q4 2004

Q4 2005

Q1 2006

CURRENT:

\$4,276

\$4,829

\$4,829

POSSIBLE  
OUTCOME:

—

—

—

## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

MILLIONS  
OF DOLLARS

\$700

\$630

\$560

\$490

\$420

\$350

\$280

\$210

\$140

\$70

NMOR'S REPORTED  
GROSS RESERVES

Q4 2004

Q4 2005

Q1 2006

Q2 2006

**CURRENT:**

\$4,276

\$4,829

\$4,829

\$5,585

**POSSIBLE  
OUTCOME:**

—

—

—

\$6,218

# NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

MILLIONS  
OF DOLLARS

\$700

\$630

\$560

\$490

\$420

\$350

\$280

\$210

\$140

\$70

**NMOR'S REPORTED  
GROSS RESERVES**

**NMOR'S RESERVE: UNCHANGED**

**Based on "Partial Reconstruction  
Factor" Approach:**

**70% × \$5.86bn = \$4.1bn**

**70% × \$6.38bn = \$4.47bn**

Q4 2004

Q4 2005

Q1 2006

Q2 2006

Q3 2006

**CURRENT:**

\$4,276

\$4,829

\$4,829

\$5,585

\$5,855

**POSSIBLE  
OUTCOME:**

—

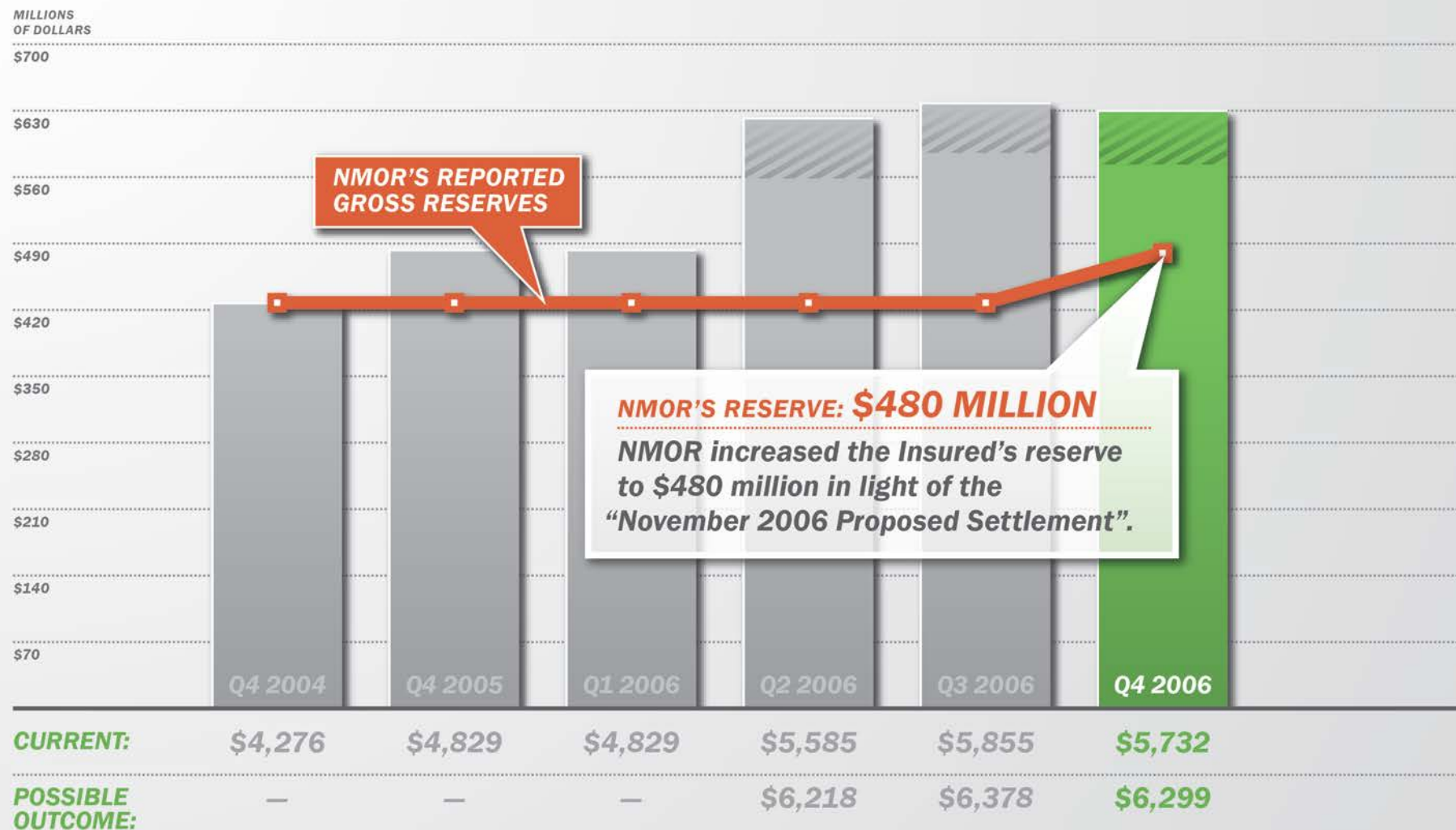
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—

\$6,218

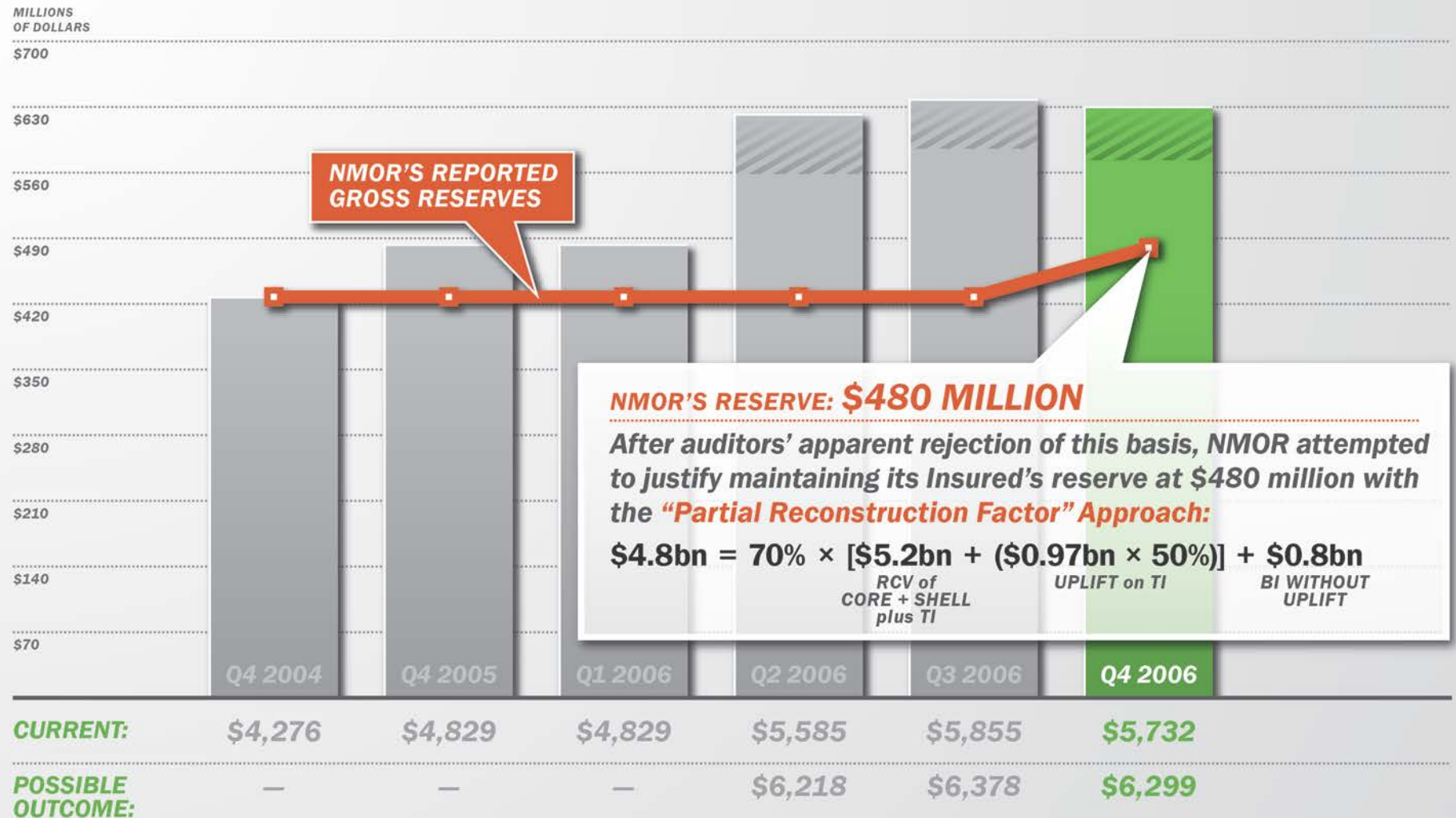
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## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

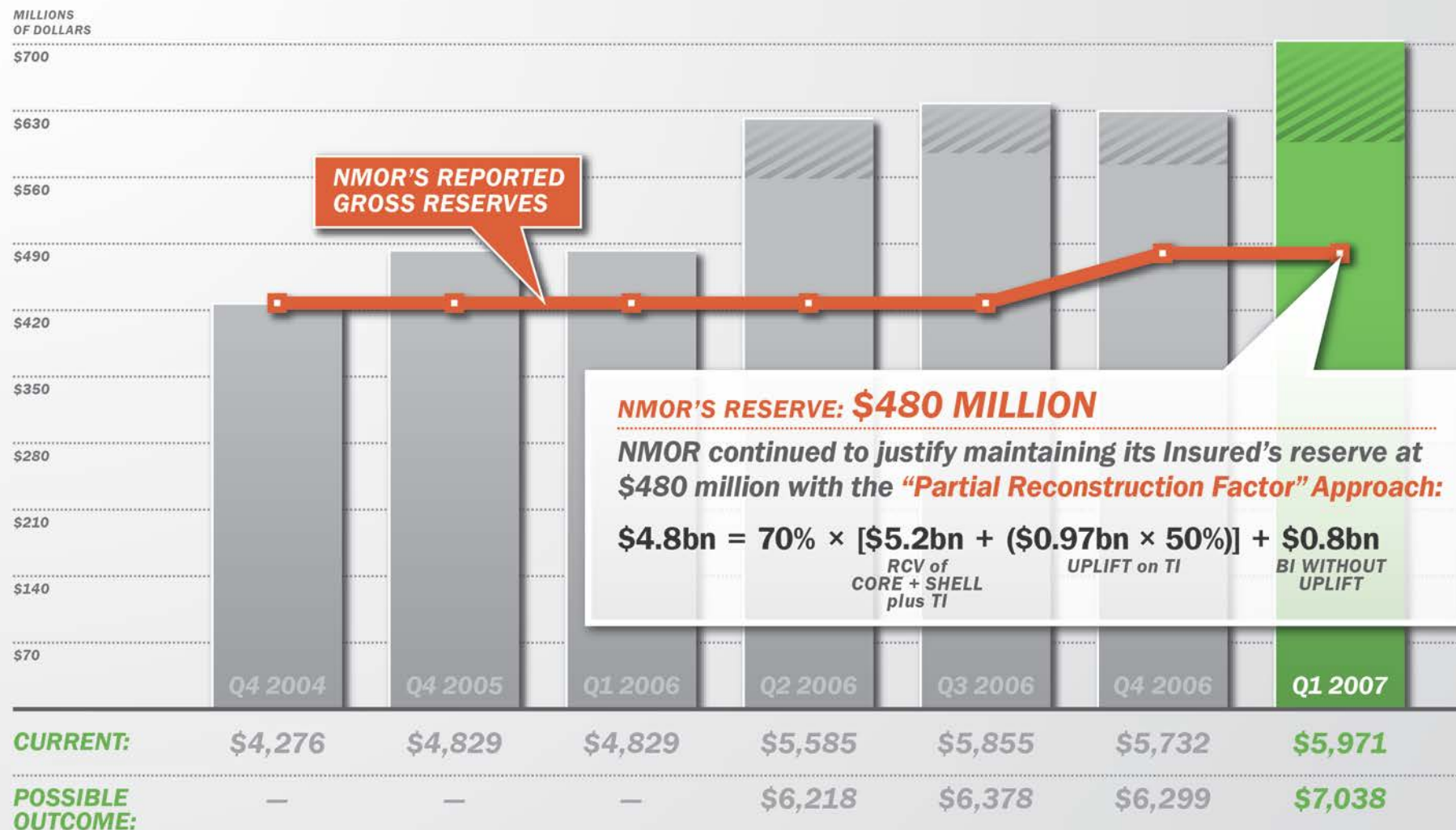




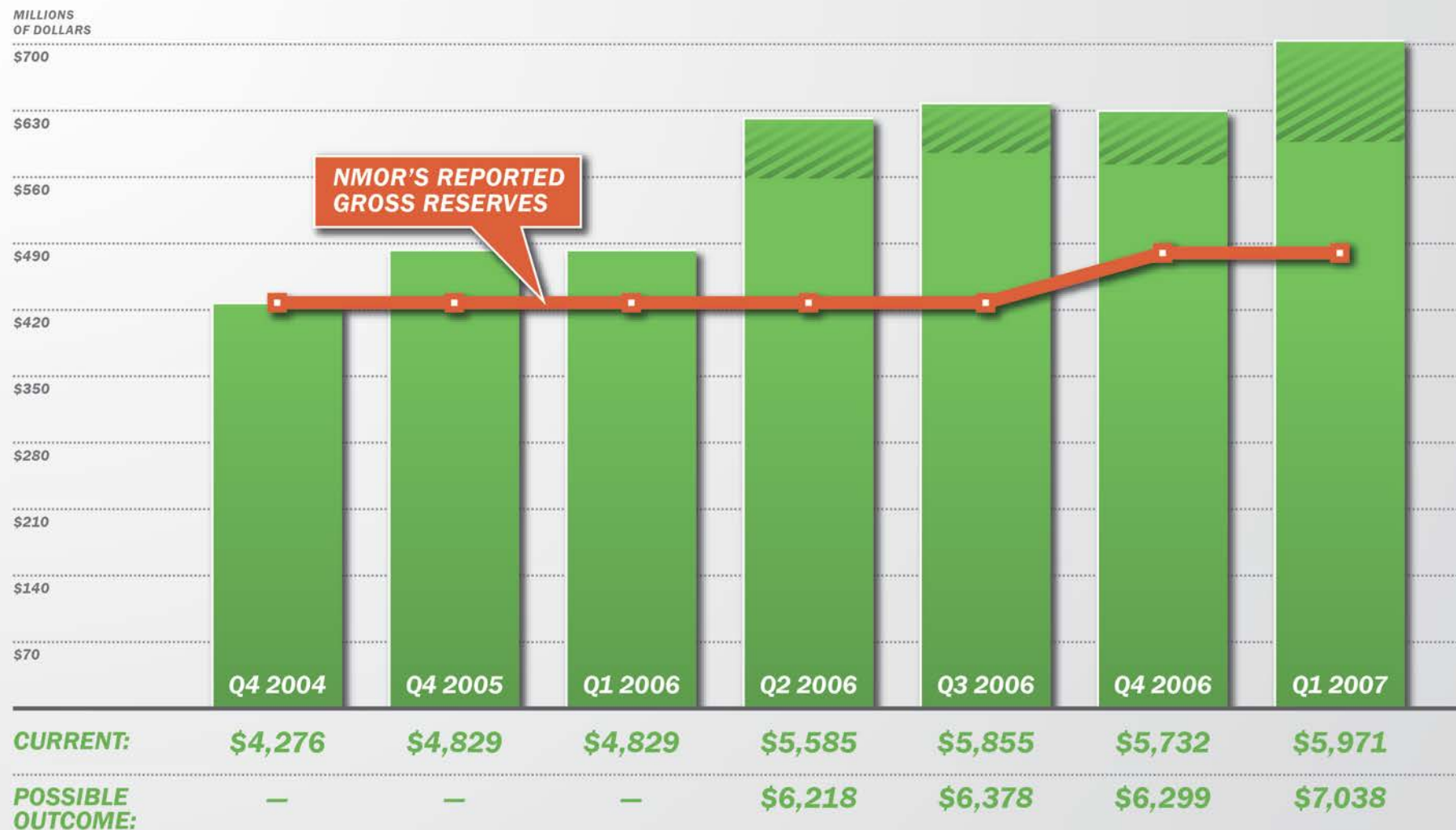
# NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology



# NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

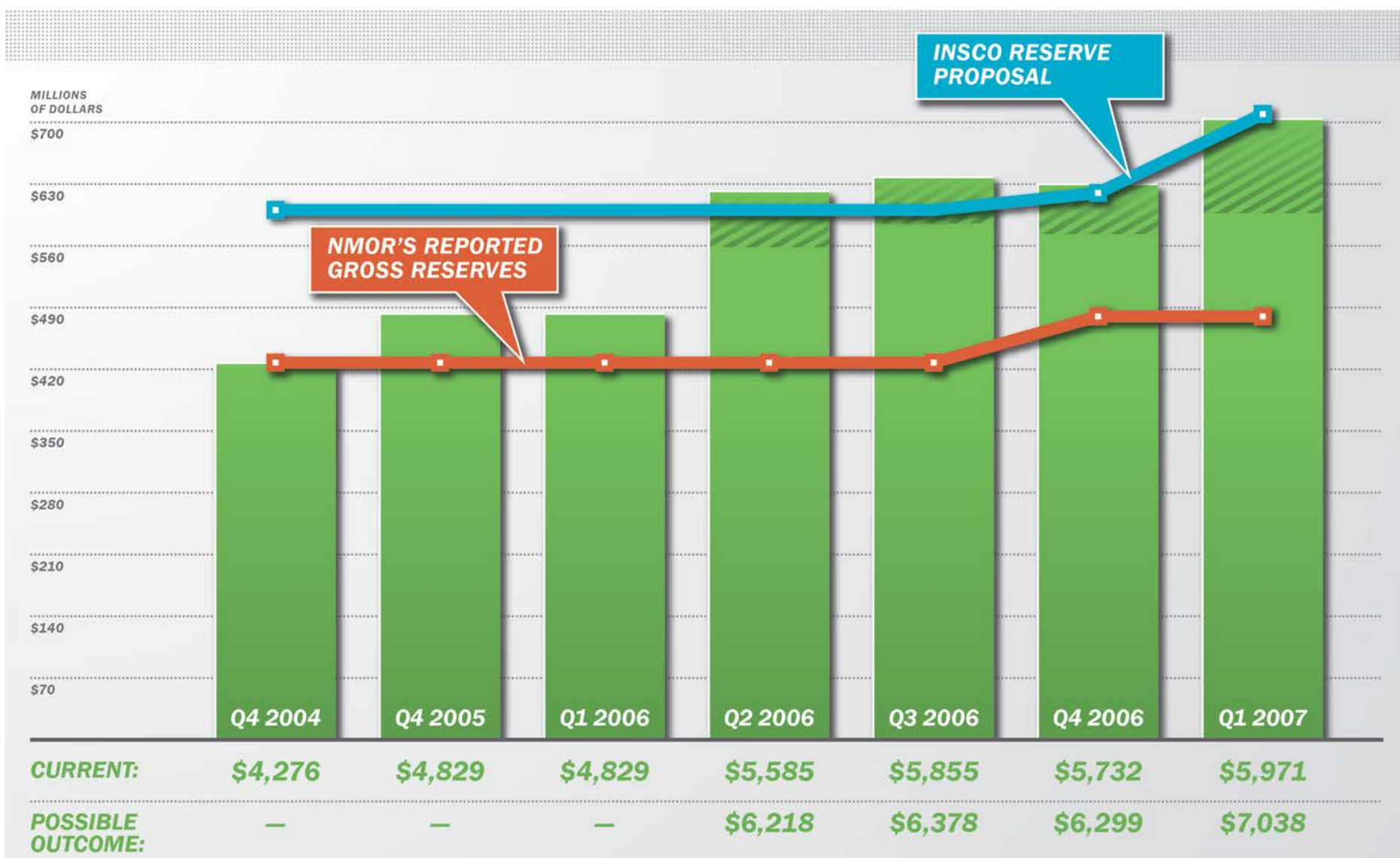


## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology



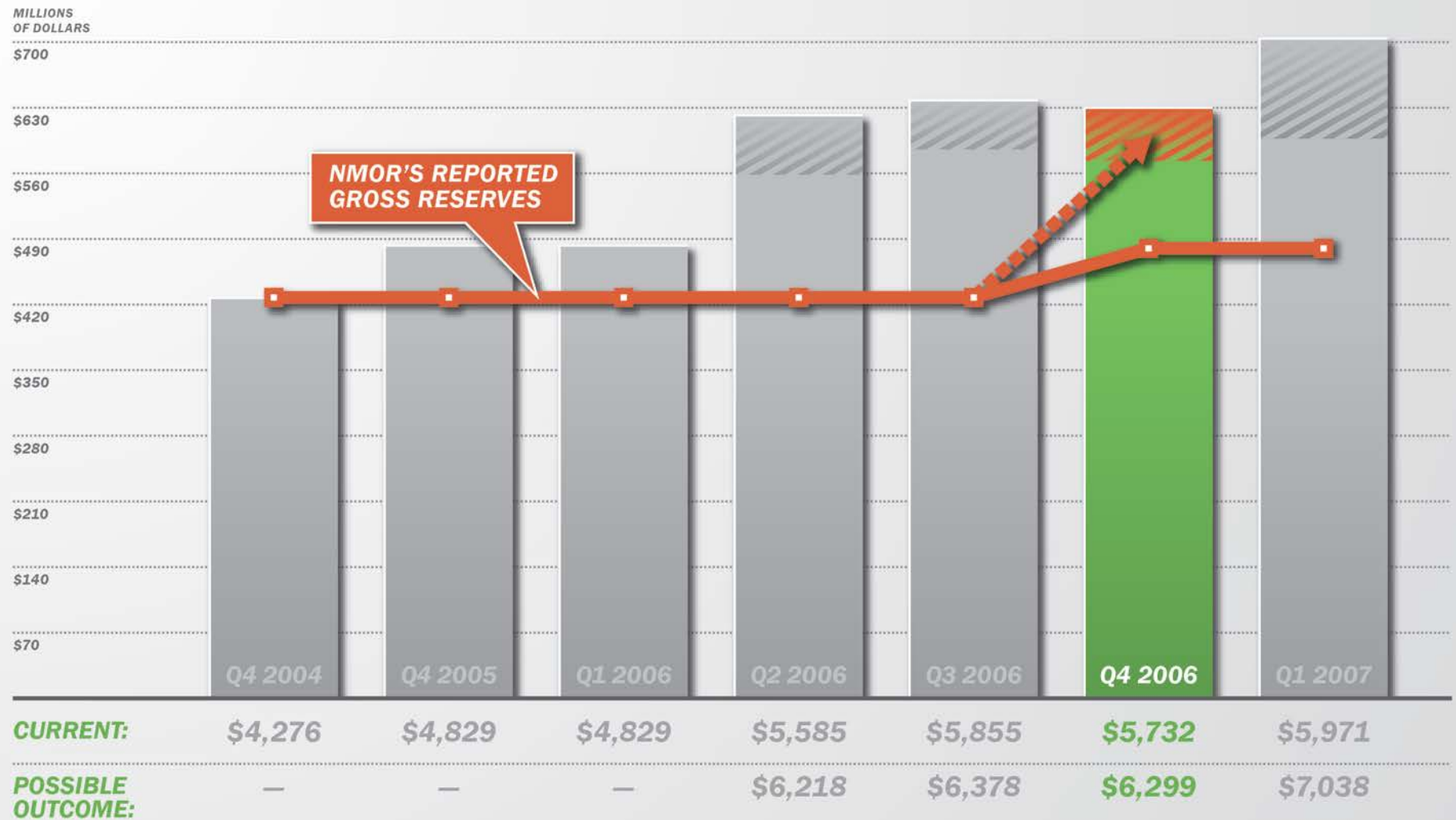


# NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

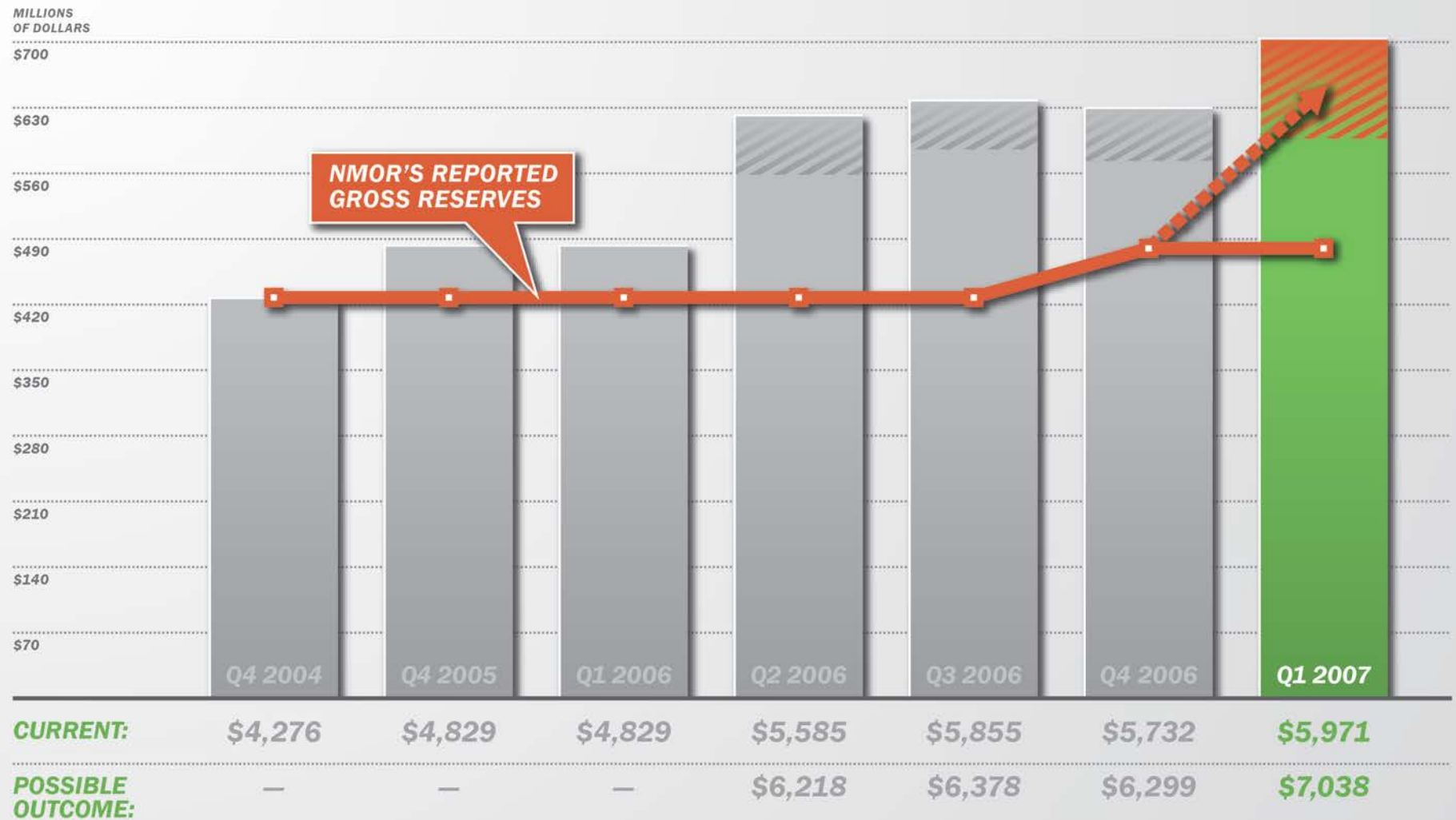




## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology



## NMOR's Departure from the "Appraisal Process RCV + BI" Approach Reserving Methodology

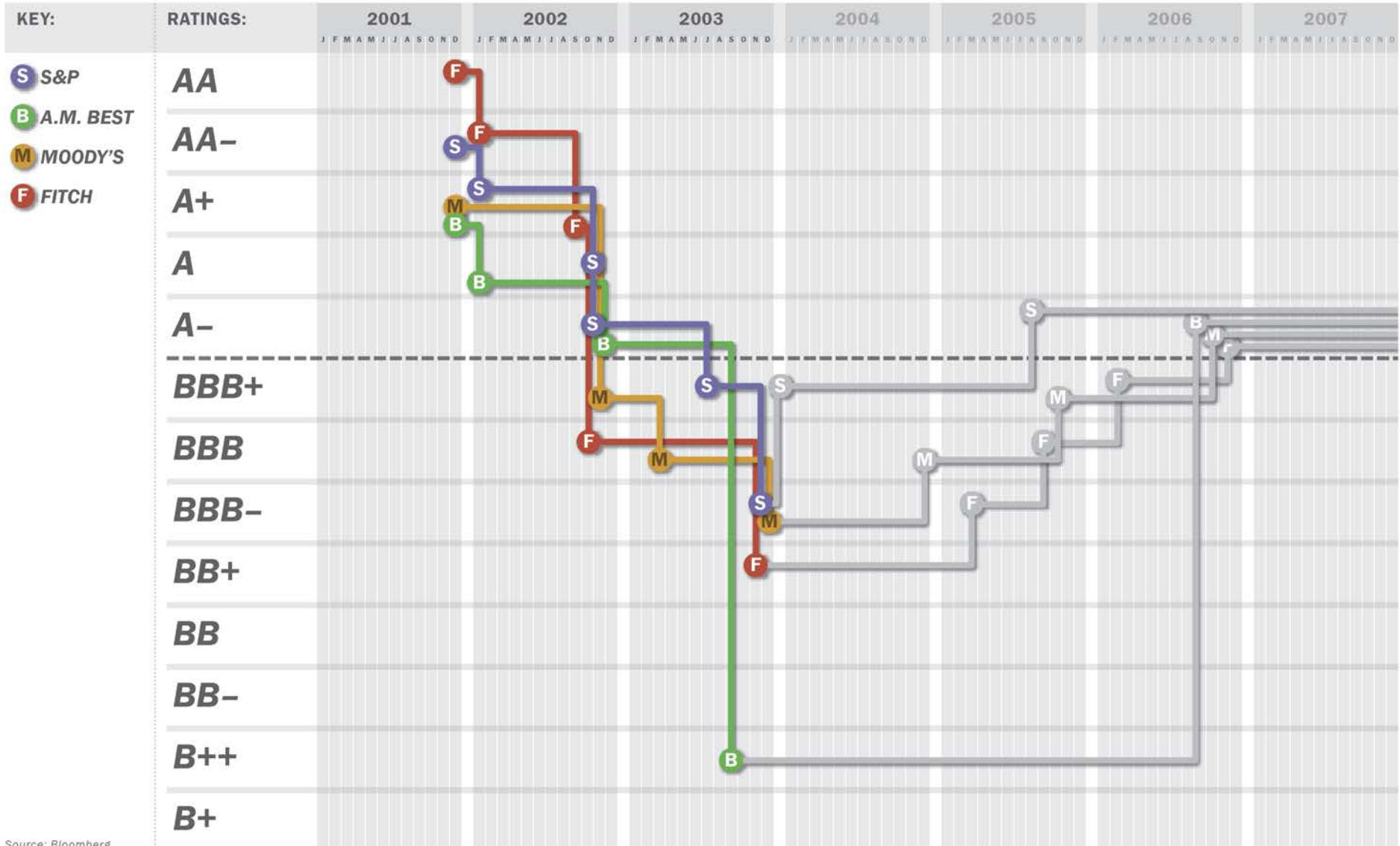


## NMOR's Weak Capital Levels Led to Ratings Downgrades

Date	S&P	A.M. BEST	MOODY'S	FITCH
Jan 2003	A-	A-	BBB+ (Baa1)	BBB
Mar 12, 2003			BBB (Baa2) ↓	
Jul 14, 2003	BBB+ ↓			
Sep 10, 2003		B++ ↓		
Nov 6, 2003	BBB- ↓			
Nov 19, 2003				BB+ ↓
Dec 2, 2003	BBB+ ↑			
Dec 15, 2003			BBB- (Baa3) ↓	

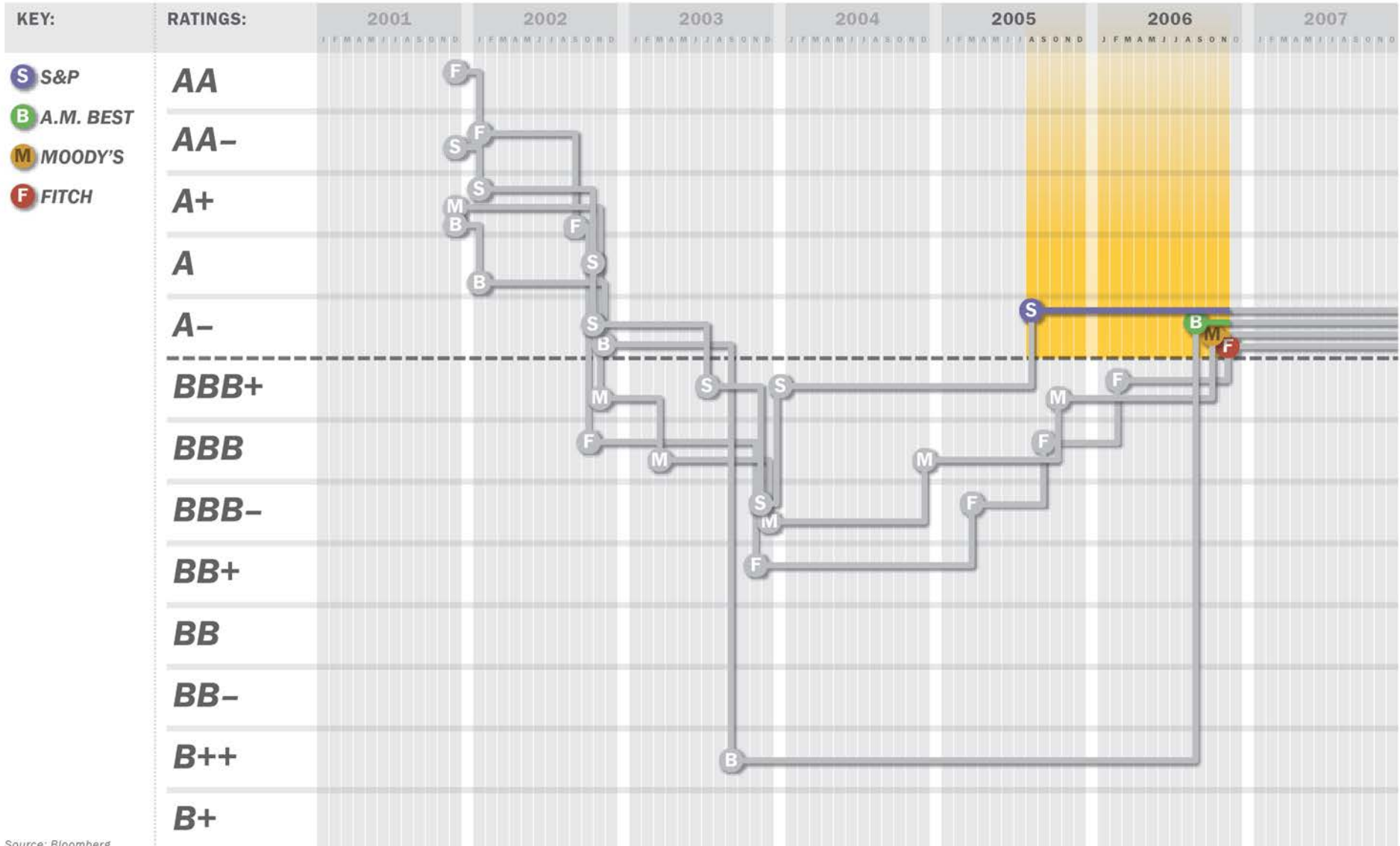
Source: Bloomberg

## NMOR's Weak Capital Levels and Deteriorating Performance Were Damaging to NMOR's Credit Profile

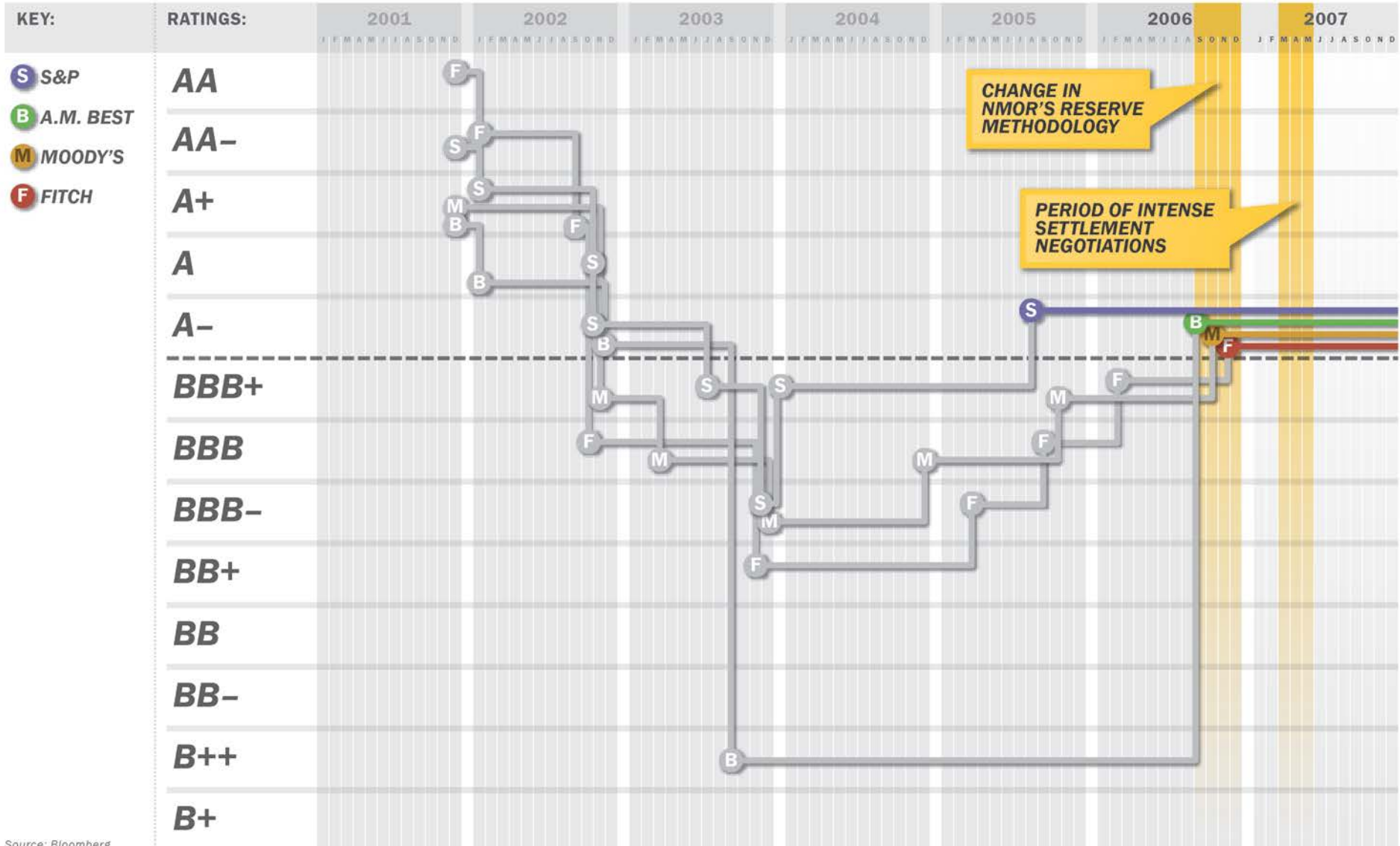




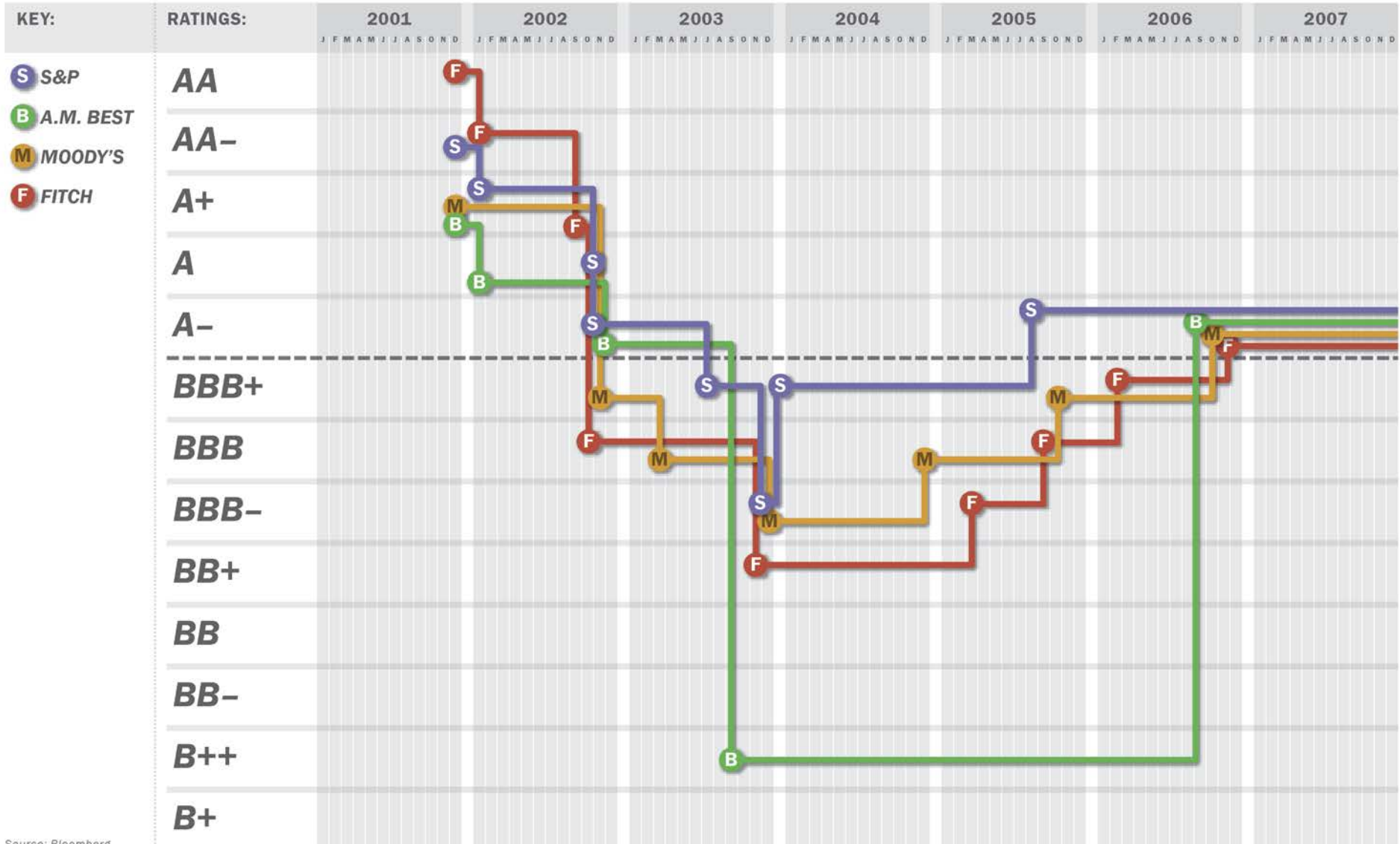
## NMOR Did Not Achieve a Return to an "A" Rating Across the Board Until November 20, 2006



## An Increase in NMOR's Insured's Reserves in Late 2006 or 2007 Would Have Threatened the Company's Financial Strength Rating



# NMOR's Financial Strength Rating 2001 – 2007



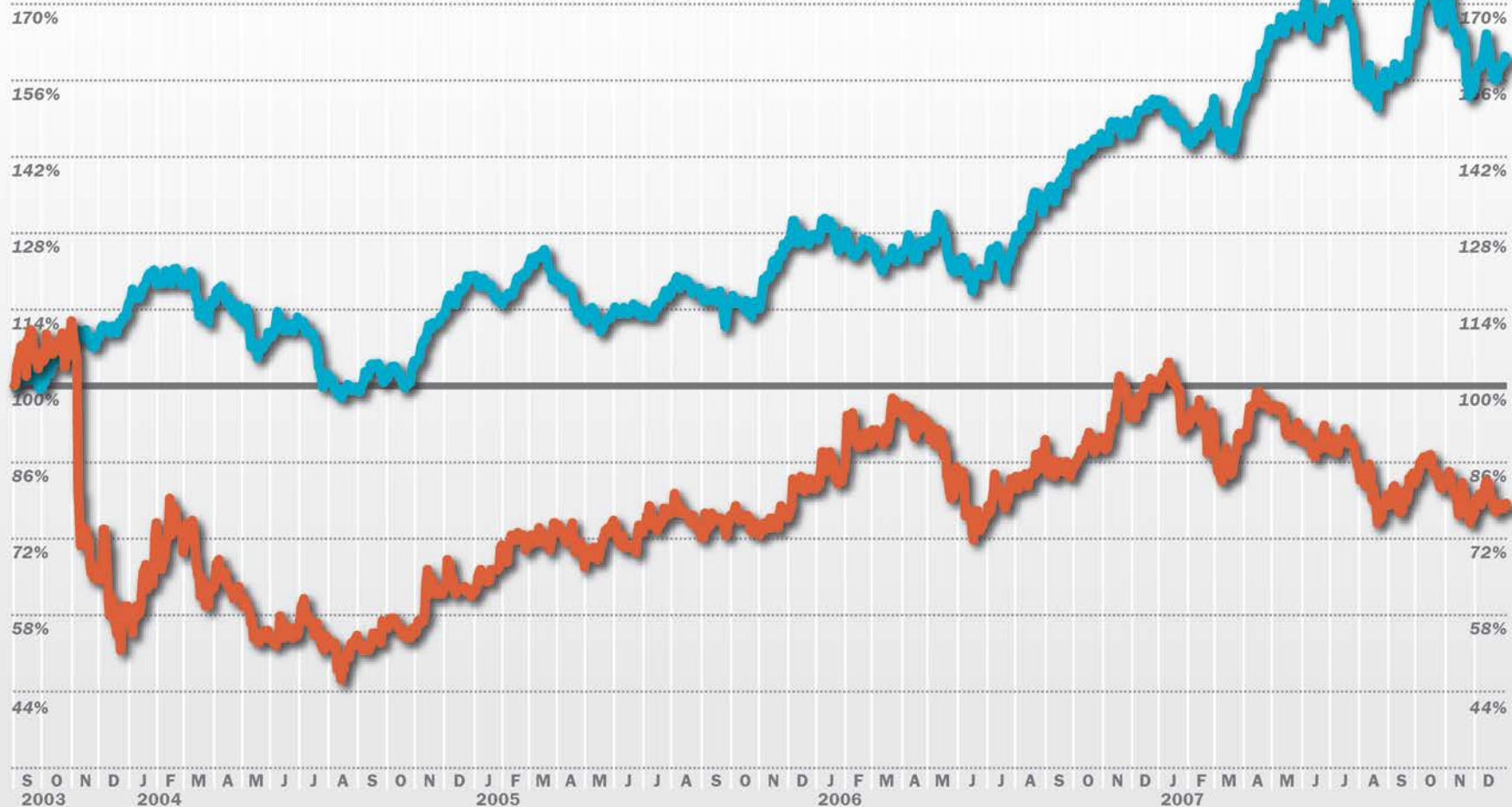


## NMOR's Share Price vs. Comparable Company Index

■ NMOR ■ COMPARABLE COMPANY INDEX

SEPTEMBER 1, 2003 – DECEMBER 31, 2007

RELATIVE PERFORMANCE %



## NMOR's Share Price vs. Comparable Company Index

■ NMOR ■ COMPARABLE COMPANY INDEX

RELATIVE PERFORMANCE %

170%

156%

142%

AREA OF  
ENLARGEMENT



128%

114%

100%

86%

72%

58%

44%

S O N D J F M A M J J A S O  
2003 2004 2005

SEPTEMBER 1, 2003 – NOVEMBER 5, 2003

RELATIVE  
PERFORMANCE %

110%

108%

106%

104%

102%

100%

98%

96%

94%

92%

90%

***Prior to NMOR's S&P downgrade,  
NMOR's stock returns had been  
on par with the broader market.***

## NMOR's Share Price vs. Comparable Company Index

■ NMOR ■ COMPARABLE COMPANY INDEX

RELATIVE PERFORMANCE %

170%

156%

142%

AREA OF  
ENLARGEMENT

114%

100%

86%

72%

58%

44%

S O N D J F M A M J J A S O  
2003 2004 2005

NOVEMBER 5, 2003 – NOVEMBER 7, 2003

RELATIVE  
PERFORMANCE %

112%

108%

104%

100%

96%

92%

88%

84%

80%

76%

72%

**S&P downgraded NMOR to BBB– one day following the announcement of the company's second proposed rights offering on November 6, 2003.**

**NMOR's stock price dropped 28.3% in the two day period following the S&P downgrade.**



## NMOR's Share Price vs. Comparable Company Index

■ NMOR ■ COMPARABLE COMPANY INDEX

RELATIVE PERFORMANCE %

170%

156%

142%

AREA OF  
ENLARGEMENT

128%

114%

100%

86%

72%

58%

44%

S O N D J F M A M J J A S O  
2003 2004 2005

NOVEMBER 5, 2003 – DECEMBER 31, 2003

RELATIVE PERFORMANCE %

118%

114%

106%

100%

94%

88%

82%

76%

70%

64%

58%

**NMOR's stock price continued to suffer as other major credit rating agencies downgraded its financial strength.**

NOV 6  
S&P  
BBB-

NOV 19  
FITCH  
BB+

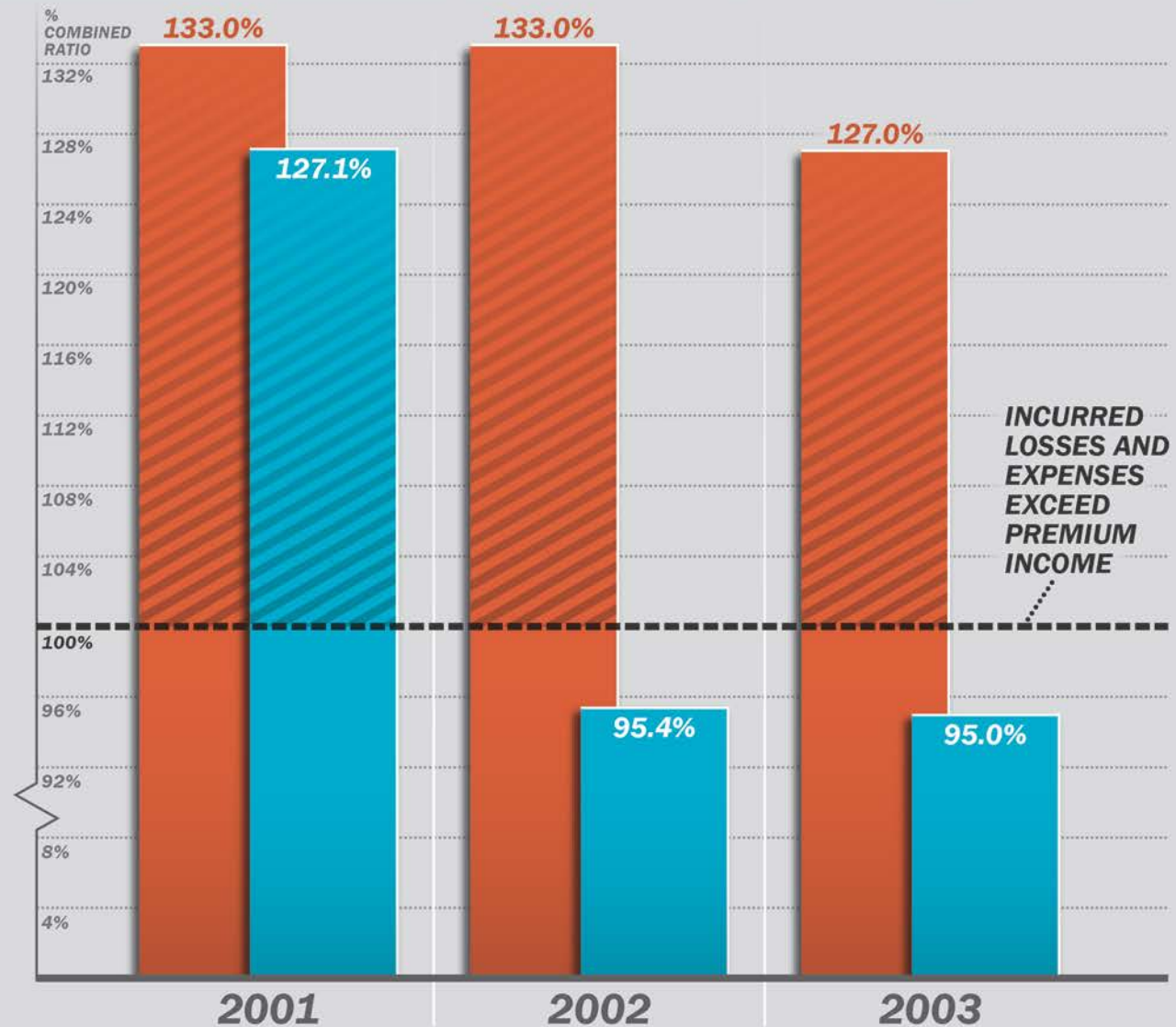
DEC 15  
MOODY'S  
BBB-  
(Baa3)

**Between 2001 and 2003, NMOR's Combined Ratios Were *MUCH HIGHER* than the Median of Its Peers**

**KEY:**

 NMOR

 MEDIAN OF TOP 40 GLOBAL REINSURANCE COMPANIES

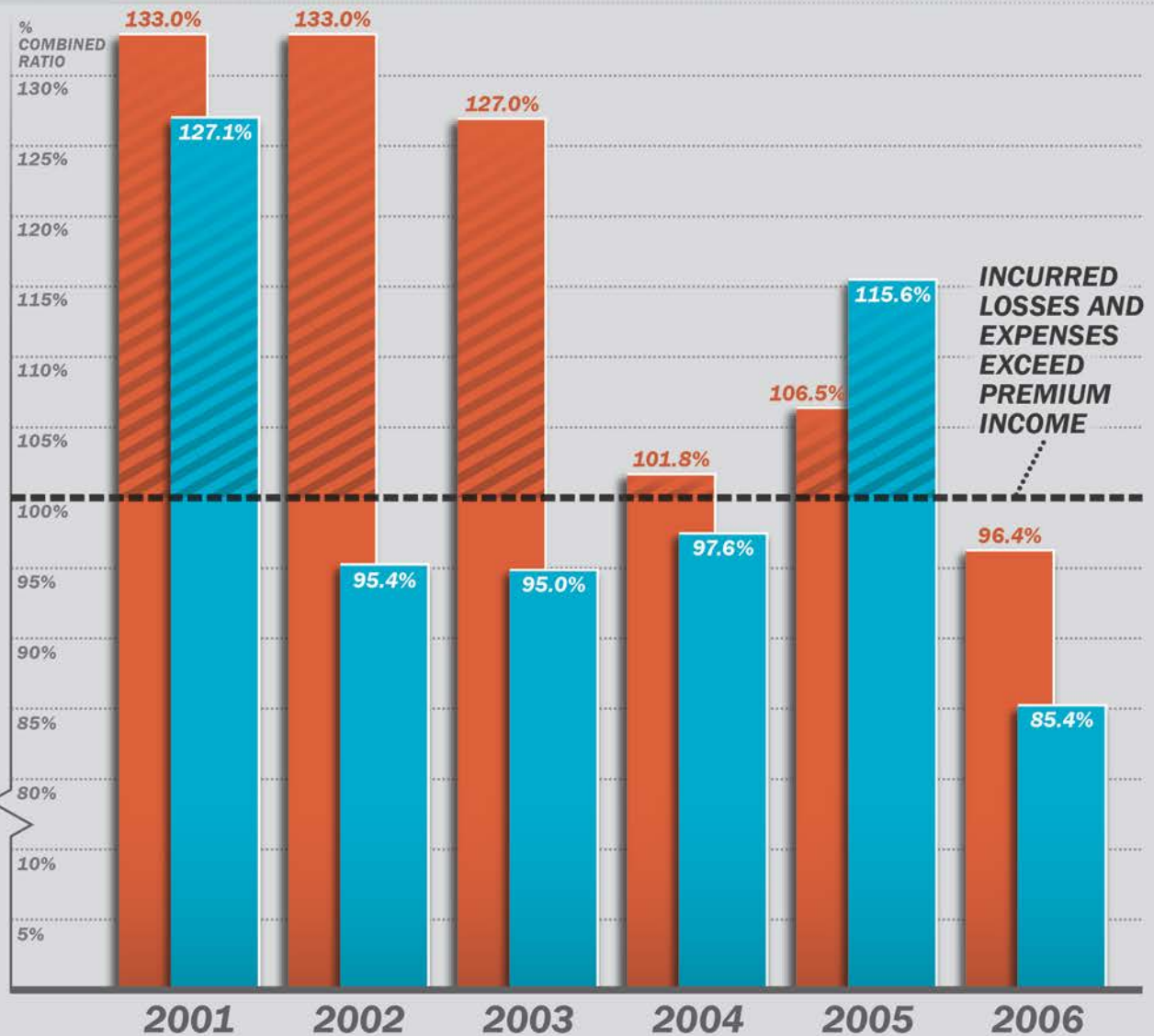


**In General, NMOR's Combined Ratios Were *HIGHER* than the Median of Its Peers, but Were Improving**

**KEY:**

 NMOR

 MEDIAN OF TOP 40 GLOBAL REINSURANCE COMPANIES





**NMOR's 2006  
Combined Ratio  
Was Finally Below  
100% and In Line  
With the Company's  
Stated Goal of  
95% to 97%**  
(less than 96% with  
a margin of  $\pm 1\%$ )

KEY:

 NMOR

