

2010 Annual Report



50% Agility



25% Creativity



25% Capacity



Reinsurance Cocktail

Reinsurance Company

### HISTORY



### Reinsurance Company



Barents Re Panama started operations.

2001

Developed first niche reinsurance portfolio.

2002

Evolution in to monoline Political Risk Reinsurer.

2005

Develop strategy to become a multiline niche market direct reinsurer.

2009

Creation of a joint venture underwriting and risk analysis office in Miami, Florida.

2010

Rated by A.M. Best with Financial Strength Rating of **A- (Excellent).** 

2011

Continue expansion through Latin America, Europe, Middle East and North Africa countries.

### **About Us**

As one of the world's leading independent reinsurance groups, Barents Re offers a range of services associated with the structuring and execution of reinsurance and other forms of risk transfer.

Barents Re is one of the world's premier specialty reinsurance groups with special focus on massive products and specialty financial risk structures.

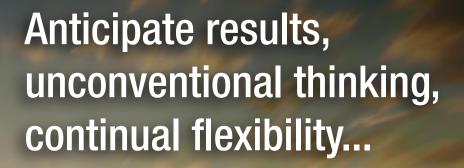
Customers include most of the world's major insurance and reinsurance companies as well as financial institutions and global corporations.

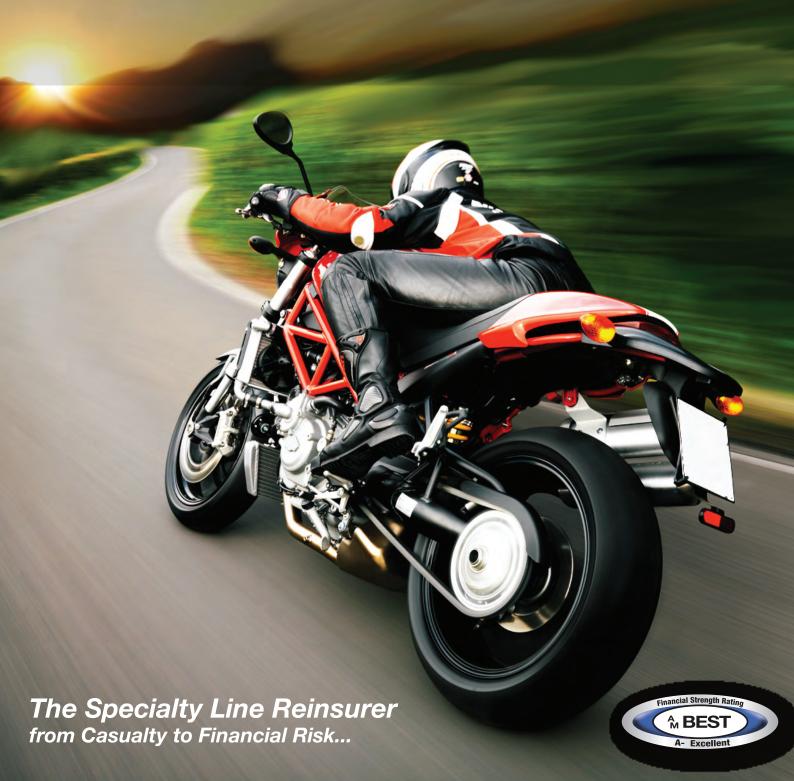


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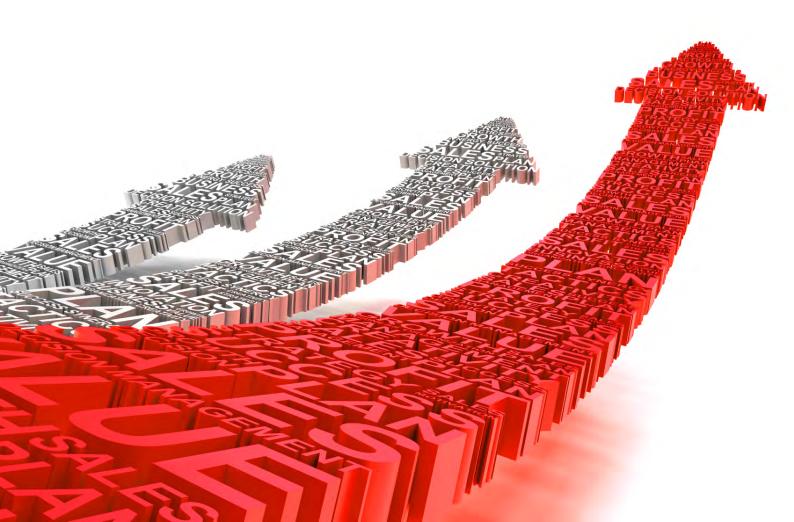
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# Overview



### **Overview**

From regional hubs in Panama, Miami, Paris, and Beirut, Barents Re provides a wide range of niche and specialty reinsurance products for corporations, public entities, casualty and life insurers.

We expect to create value by generating an underwriting profit, and by utilizing an investment strategy that combines investment in traditional high-grade fixed income securities, tailored to the underlying insurance liabilities, with an allocation to alternative investment classes.

Our multi-line approach to underwriting, coupled with regional know-how, continues to build the Company's position in the marketplace.

Ultimately, however, we believe it is our unswerving commitment to maintain highest levels of service with our clients and continue our ability to build long-term relationships that will ensure Barents Re's continued success.

Barents Re is a multinational specialty reinsurer with operations in Latin America, Middle East, North Africa and Europe.

We mainly provide specialty facultative, capacity products, and for specialty clients, we provide treaty Reinsurance in Key Business areas.

We have achieved profitable growth and favorable returns on equity through our focus on specialty Reinsurance markets, in which we have accumulated the "know-who" in risk management and claims handling expertise. In addition, we have experienced growth with the development of proprietary applications and niche product development underwriting on businesses for key clients such as banks, large multinationals, and industrial companies.

### General Director's Message

Our strategy, performance and operational review

Following a year of changes, the Group is well positioned with a clear strategy, competitive position, and opportunities for future growth and development.

The group manages to increase profitability during 2011.

Premium income was reduced to USD 173,314,590 following our portfolio steering strategy and successful exit of our health portfolio. Net profits increase by 91%.

The company also increased its capital during the year by USD 30.8mm, and closed 2010 with a total equity of USD 101,765,561. We remain focused on delivering our strategy to build Barents Re into one of the world's leading reinsurance niche specialist company, while continuing to closely manage costs and integrate business expansion.

Revenue for the year was USD 21,053,038 compared to USD 11,049,142 in 2009.

The second half reflected a return on a year growth in premiums and an improved loss ratio of 62%. The group is on target for 2011 geographic expansion into the MENA region and Europe.

Early in 2011, both our Paris and Beirut offices were created and staffed with market underwriters to develop our market strategy.

### **Specialize Strategy**

The strategic review of our businesses has identified significant opportunities for the Group to develop.

With this specialize strategy, Barents Re has a clear competitive position for the future that differentiates us from other market based reinsurers. We operate in differentiated and niche markets that require products with detailed technical development support and value added services that are not widely available elsewhere.

Our customers appreciate the niche products and services that we are able to provide, and our business partners appreciate our specialize expertise.

The Group sees opportunities for growth, both organically and through the acquisition of complementary, specialist businesses either cedant or specific reinsurance portfolios especially in a market place that has become fragmented and commoditized.

The implementation of our specialist strategy is well underway, although by no means complete. Within our native region we are changing the focus of the business towards personal accident and general third party liability. We are redirecting our resources to support the growth areas, and reducing resources in non-core areas. We have made changes to some core operating processes; for example, in the way we underwrite and manage risk; and by establishing specialist business units to differentiate across a range of product lines.

Our strategy of creating geographic circles of excellence in underwriting is being implemented and we should have concrete results by the end of 2011.

### The year ahead

As identified last year, our future lies as a specialist niche reinsurer.

Despite the global economic difficulties, the group's activities over the past twelve months have set us resolutely on the path. As a result, and as reflected on our second half results, Barents Re has increased profitability and growth. The board remains confident in the group's strategy to deliver further opportunities for both organic and acquisitive growth.



The first Latin American regional reinsurer to establish a MENA regional operation



image of Dubai in UAE

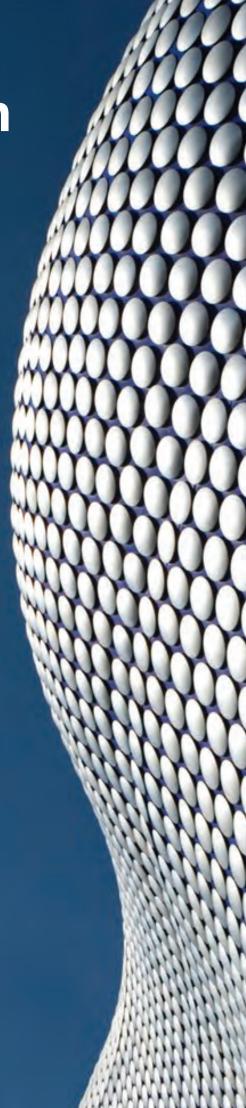
**General information** 

Our Corporate Philosophy communicates our mission, core values and guiding principles. It is a behavior standard and as such, shapes the way we relate to clients, business partners, professional colleagues and other stakeholders'. It creates a sense of trust and, ultimately, makes us a transparent and dependable business partner and hence maintaining our stakeholder's trust in our ability to deliver based on our promises.

### **Our Mission**

To be the authority on managing capital and risk. We intend to offer our clients unique products that are not readily available in their markets by innovatively tailoring time-tested lines to their specific needs.

Our core values Excellence We rely on profound knowledge and expertise on doing business.



## Structure





### **Organizational Chart**

### **MENA**



### **Executive Committee**



**LATAM** 



Klaus Bultmann Deputy Director







Alain-Jean Lamirand Paris Office Representative



Rayker Perez Reinsurance Underwriter





Felipe Martin Executive VP Projects



Marukel Higuero



Cesar Ujueta Chief Financial Officer



John Barrett Underwriting Director



Irene Bruni Paris Office Manager





Hikaru Uno Reinsurance and Market Strategy



Eduardo Caballero VP Planning









Keith Goymer Property and Technical Lines



Jhon Jairo Pena Risk Management



Danilo Adames Legal Advisor Jr.



Rogelio Solis Finance & Investments













Marcos Chiari IT Manager





Jacqueline Conte Executive Secretary



■ Planning and Risk Management

Legal Compliance and Consulting Accounting, HR, Administration and IT

### We look for opportunities where they are.

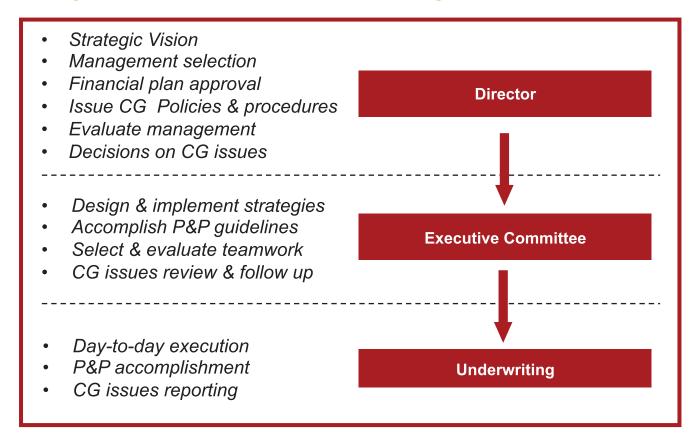
In the Bolivian salt flats we develop an innovative reinsurance product to cover liability and allow for exploration of lithium and other rare earth metals.

"In our business development in Bolivia, Barents Re has been an invaluable partner, developing new and innovative reinsurance products in the commodities area that have allow us to develop and grow our business in this remote part of the world."

Janet Lara
Regional Representative
Santa Fe Construction Group



### Corporate Structure – CG Responsibilities



### Management perspective on Key Risks





### Geographic Scope

### Strong Market Risk Diversification

Individual clients and small individualized risk frecuency

With a combined reinsurance premium of USD 173,314,590\*

Presence in 47 Countries

BONDS
SPECIALTY LINES
GENERAL THIRD PARTY LIABILITY
PERSONAL ACCIDENT / A & H
PROPERTY
BANCASSURANCE & AFFINITY
MASSIVE
TERM-LIFE



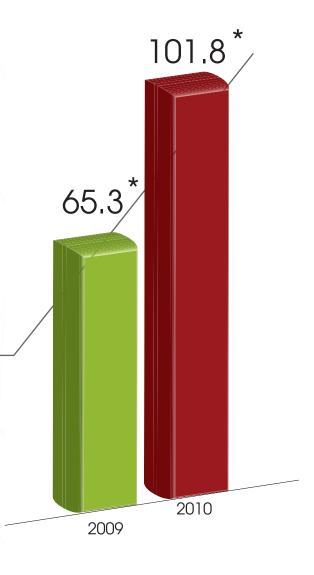
The Specialty Line Reinsurer from Casualty to Financial Risk...



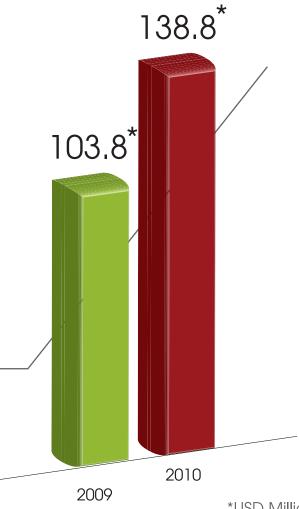
### Financial Performance

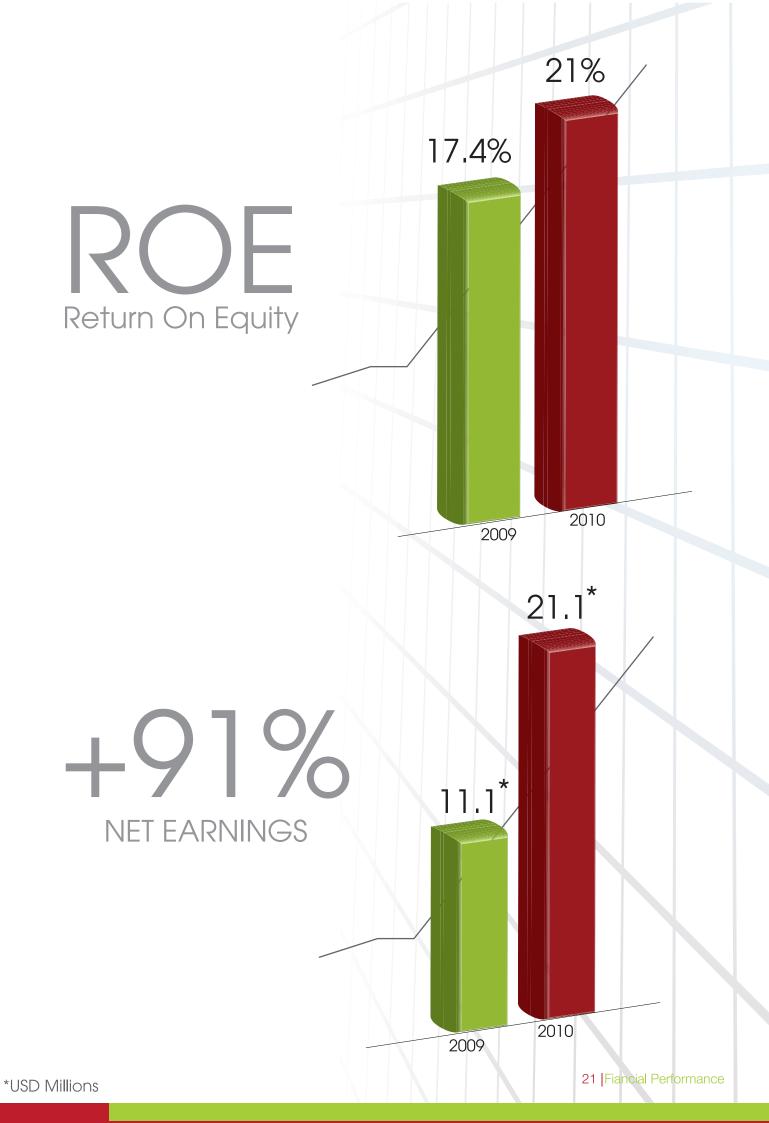


+56%
TOTAL EQUITY



+34%
TOTAL ASSETS

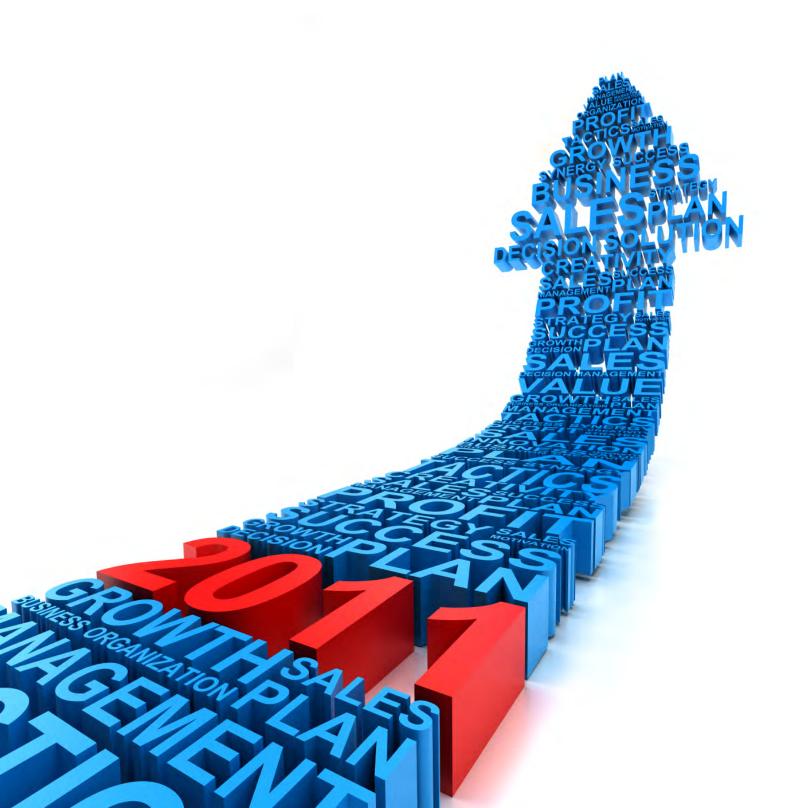




# 62% LOSS RATIO 2010 2010

### Consolidated financial statements

for the year ended December 31, 2010 and Independent Auditors' Report of April 29, 2011



### **Deloitte.**

### Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated financial statements for the year ended December 31, 2010 and Independent Auditors' Report of April 29, 2011

(Free English Language Translation from Spanish Version)



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### (Free English Language Translation of Spanish Version)

### INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors

Barents Re Reinsurance Company, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of **Barents Re Reinsurance Company**, **Inc. and Subsidiary**, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies applied and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting requirements of the insurance industry in the Republic of Panama established by the Superintendency of Insurance and Reinsurance of the Republic of Panama for monitoring purposes and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatements.

An audit involves performing procedures selectively to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Barents Re Reinsurance Company**, **Inc. and Subsidiary** at December 31, 2010, and the results of its operations and cash flows for the year then ended, in accordance with accounting requirements of the Superintendency of Insurance and Reinsurance of the Republic of Panama, for monitoring purposes, as described in Note 2 of these consolidated financial statements.

A member firm of Deloitte Touche Tohmatsu

### Deloitte.

### Matter of Emphasis

The Company is a member of a group of related companies, and as disclosed in Notes 1 and 6 of the consolidated financial statements, has significant balances, transactions and relationships with members of the Company. Because of these relationships, it is possible that the terms of such transactions are different from those that could result among wholly unrelated entities.

The Company prepares its financial statements based on accounting requirements specific to the insurance industry in the Republic of Panama, which could differ in certain respects from International Financial Reporting Standards and practices of other jurisdictions. Therefore, the accompanying financial statements are not intended to present financial position, results of operations and cash flows of the Company in accordance with International Financial Reporting Standards and generally accepted practices in countries and jurisdictions different to those of the Republic of Panama.

This report is intended solely for the information and use of the Board of Directors and Management of the Company and to comply with regulations established by the Superintendency of Insurance and Reinsurance of the Republic of Panama and should not be used by any other persons except the parties specified herein.

Deloitte (signed)

April 29, 2011 Panama, Republic of Panama

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### **Barents Re Reinsurance Company, Inc. and Subsidiary**

### Consolidated statement of financial position For the year ended December 31, 2010

(In United States of America dollars)

	Notes	2010	2009
Assets			
Deposits in banks	7	7,218,386	9,962,277
Premiums receivable	6 y 8	3,933,261	5,291,553
Securities available for sale	6 y 9	109,259,846	82,962,986
Other investments	10	11,078,952	-
Investments in associates	6 y 12	1,813,000	4,101,327
Accounts receivable - related companies	6	3,038,196	166,300
Acounts receivable - shareholders	6	168,144	38,585
Interest receivable	6	278,017	1,172,635
Other accounts receivable		1,172,286	-
Property, furniture, equipment and improvements, net	11	810,058	75,578
Other assets		10,462	88,759
Total assets		138,780,608	103,860,000
Liabilities and equity			
Liabilities:			
Technical premiums reserve	13	19,748,174	23,426,902
Reserve for contingencies in process	14	17,169,747	14,725,482
Reinsurances payable		-	363,385
Accounts payable		1,500	-
Accounts payable shareholders	6	83,741	-
Other accounts payable		10,755	5,940
Accrued expenses		1,130	5,282
Total liabilities		37,015,047	38,526,991
Shareholders' equity:			
Common shares	15	63,925,044	33,100,000
Net changes in securities available for sale		1,283,598	1,024,128
Foreign currency translation		14,295,000	, , , <u>-</u>
Legal reserve		99,150	74,267
Retained earnings		22,162,769	31,134,614
Total shareholders' equity		101,765,561	65,333,009
Total shareholders equity			05,555,009
Total liabilities and shareholders' equity		138,780,608	103,860,000

The accompanying notes are an integral part of these consolidated financial statements.

### Barents Re Reinsurance Company, Inc. and Subsidiary

### Consolidated statement of income For the year ended December 31, 2010

(In United States of America dollars)

	Notes	2010	2009
Net income from premiums:		172 214 500	101 010 700
Subscribed premiums Retroceded premiums	6	173,314,590 (118,198,282)	181,918,789 (114,966,612)
Total retained premiums net		55,116,308	66,952,177
Increase in technical premiums reserve		1,209,803	11,944,040
Increase in reserve		_	6,244,408
Net claims paid		31,689,562	37,780,054
Total accrued premiums		22,216,943	10,983,675
Other income (expenses)			
Interest earned	6	2,055,365	2,311,147
Commissions paid		(2,701,815)	(2,721,025)
Gain in securities and other investments		2,697,319	_
Other income	6	91,105	1,678,799
Total income, net		24,358,917	12,252,596
General and administrative expenses:			
Salaries and other employee benefits	6	1,785,916	853,531
Professional fees		812,880	157,477
Travel expenses		47,702	96,274
Rentals		11,036	-
Depreciation	11	25,597	2,658
Insurance	15	2,435	-
Taxes		21,394	2,724
Telephone and telecomunications		10,543	-
Electricity		16,169	-
Client's attention		25,075	24,319
Repairs and maintenance		34,082	24,268
Bank charges		24,307	7,813
Legal and notarial expenses		49,633	15,573
Others		439,110	18,817
Total general and administrative expenses		3,305,879	1,203,454
Net profit		21,053,038	11,049,142

The accompanying notes are an integral part of these consolidated financial statements.

# Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in shareholders' equity For the year ended December 31, 2010
(In United States of America dollars)

Capitalized profit  Capital contribution  Increase of legal reserve  Balance at December 31, 2010  101,765,561	ne of the year	Comprehensive income consists of:  Net profit of the year  Changes in securities  Foreign currency translation  14.295,000	Contribution to capital 10,950,000  Decrease of reserve for contingencies	Comprehensive income consists of:  Net profit of the year  Changes in securities  Total net comprehensive income of the year  11,049,142  1,159,573  12,208,715	Balance at December 31, 2008 42,174,294	Total Note equity
30,000,000 825,044	1	1 1 1	0 10,950,000 - 33,100,000		22,150,000	Common
1 282 508	259,470	259,470 -	1,024,128	1,159,573 1,159,573	(135,445)	Changes in securities available for sale
14 205 000	14,295,000	14.295.000			1	Foreign currency translation
24,883		1 1 1	74,267		74,267	Legal reserve
1 1 1		1 1 1	(8,576,978)		8,576,978	Reserve for contingencies
(30,000,000) - (24,883) 22,162,769	21,053,038	21,053,038	8,576,978 31,134,614	11,049,142	11,508,494	Retained earnings

The accompanying notes are an integral part of these consolidated financial statements.

### **Disclaimer**

The information in this annual report is for general guidance on matters of interest only. While we have made every attempt to ensure that the information contained in this annual report reflects careful analysis and investigations on our side before publication of this report, we are neither responsible for any errors or omissions nor for the results obtained from the use of this information.

The information in this annual report does not contain nor imply a warranty as to the completeness, accuracy, timeliness or otherwise stated. Barents Re, its related partnerships or corporations, or the directors, partners, agents or employees thereof, will in no event be liable to you or anyone regarding any decision made or action taken in compliance with the information of this annual report or for any consequential, special or similar damages.

### IRI BARENTS Re Reinsurance Company















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