



**A World Class Specialty  
Insurer and Reinsurer**

**Investor Presentation  
Fourth Quarter 2009**

BERMUDA IRELAND UNITED STATES LLOYD'S LATIN AMERICA

# INFORMATION CONCERNING FORWARD LOOKING STATEMENTS

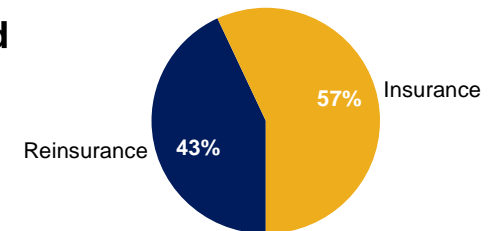
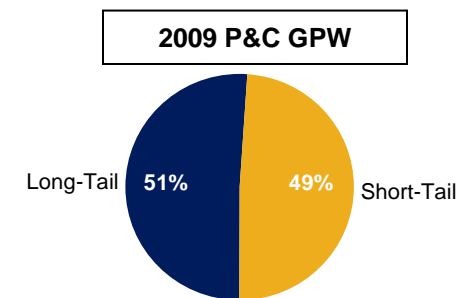
## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This presentation includes statements about future economic performance, finances, expectations, plans and prospects of the Company that constitute forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those suggested by such statements.

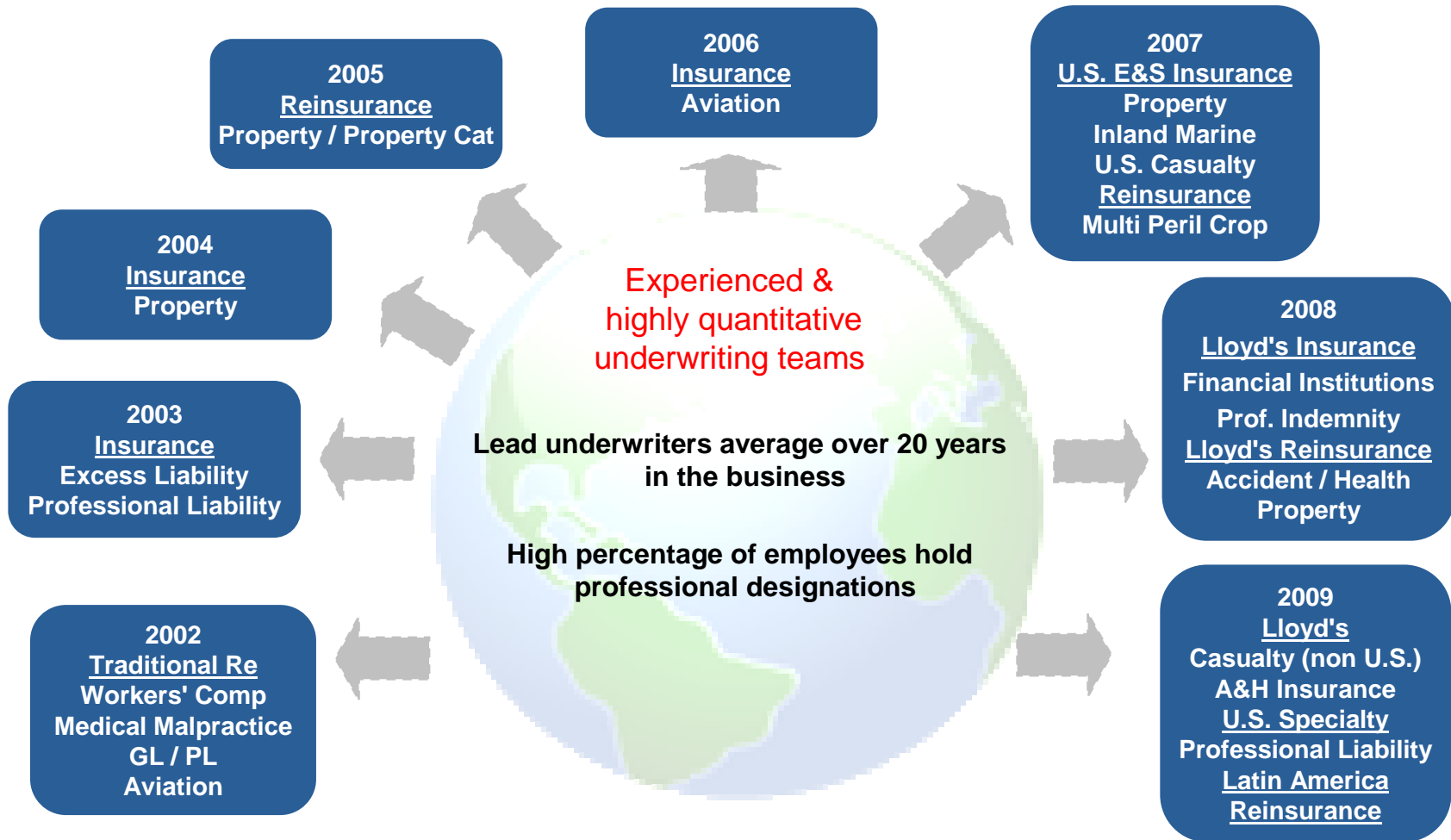
For further information regarding cautionary statements and factors affecting future results, please refer to the Company's most recent Annual Report on Form 10-K , Quarterly Reports on Form 10-Q filed subsequent to the Annual Report and other documents filed by the Company with the SEC. The Company undertakes no obligation to update or revise publicly any forward-looking statement whether as a result of new information, future developments or otherwise.

# Max Capital – Core Operations

- **Global underwriter of specialty insurance and reinsurance**
  - Multiple operating platforms - Bermuda, Dublin, United States, Lloyd's, Latin America
  - Diversified business profile across specialty classes of business
  - Highly experienced management with proven track record
- **Opportunistic and disciplined underwriting strategy**
  - Analytical and quantitative underwriting orientation
  - 5 year average combined ratio, with cats, of 92%
  - Generates more stable underwriting results and ROE
- **Strong, liquid balance sheet with conservative reserving track record**
  - Shareholders equity - \$1.56 billion at 12/31/09
  - Prudent capital management – \$350 million in dividends/repurchases over last 5 years
  - Significant expansion of underwriting platforms with minimal goodwill
- **Gross premiums written 2009 of \$1.375 billion**
- **High quality investment portfolio repositioned to reflect traditional underwriting base**
  - Hedge funds are now a much smaller part of Max's invested asset base at 6%



# Identifying & Recruiting "Franchise Players" Has Been Instrumental In Our Success



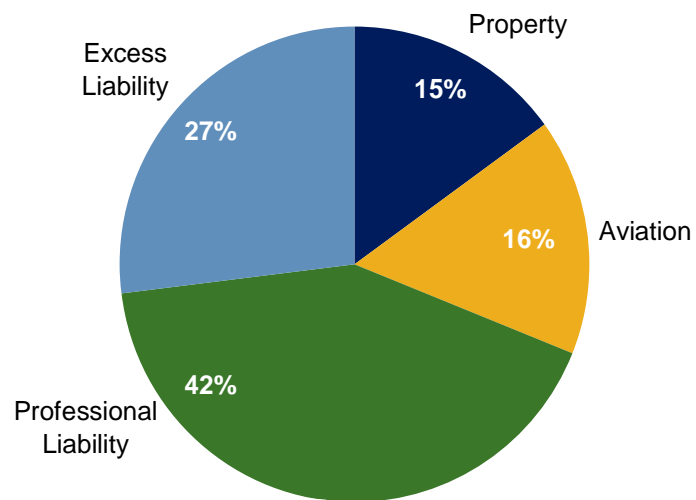
# Global Reach Through Established Platforms

	Bermuda / Dublin Reinsurance	Bermuda / Dublin Insurance	Lloyd's	U.S Specialty Insurance
<b>Major Classes</b>	<ul style="list-style-type: none"> <li>■ Agriculture</li> <li>■ Aviation</li> <li>■ Excess liability</li> <li>■ Medical malpractice</li> <li>■ Professional liability</li> <li>■ Property</li> <li>■ Marine and energy</li> <li>■ Whole account</li> <li>■ Workers' comp</li> <li>■ Life and annuity</li> </ul>	<ul style="list-style-type: none"> <li>■ Aviation</li> <li>■ Excess liability</li> <li>■ Professional liability</li> <li>■ Property</li> </ul>	<ul style="list-style-type: none"> <li>■ Personal accident</li> <li>■ Financial institutions</li> <li>■ Professional liability</li> <li>■ Property</li> <li>■ International casualty treaty reinsurance</li> </ul>	<ul style="list-style-type: none"> <li>■ General liability</li> <li>■ Marine</li> <li>■ Property</li> <li>■ Miscellaneous professional liability</li> </ul>
<b>Operating Regions</b>	<ul style="list-style-type: none"> <li>■ United States</li> <li>■ Latin America</li> <li>■ Canada</li> <li>■ European Union</li> <li>■ Japan</li> <li>■ Australia</li> <li>■ New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>■ United States</li> <li>■ European Union</li> </ul>	<ul style="list-style-type: none"> <li>■ United Kingdom</li> <li>■ Japan</li> <li>■ Denmark</li> <li>■ Latin America</li> </ul>	<ul style="list-style-type: none"> <li>■ United States</li> </ul>
<b>Offices</b>	<ul style="list-style-type: none"> <li>■ Bermuda</li> <li>■ Dublin</li> <li>■ Bogota</li> </ul>	<ul style="list-style-type: none"> <li>■ Bermuda</li> <li>■ Dublin</li> <li>■ Hamburg</li> </ul>	<ul style="list-style-type: none"> <li>■ London</li> <li>■ Leeds</li> <li>■ Tokyo</li> <li>■ Copenhagen</li> <li>■ Rio de Janeiro</li> </ul>	<ul style="list-style-type: none"> <li>■ New York</li> <li>■ Philadelphia</li> <li>■ Richmond</li> <li>■ Atlanta</li> <li>■ Dallas</li> <li>■ San Francisco</li> </ul>

# Max Has a Strong Market Position in Specialty Classes ...

## Bermuda / Dublin Insurance

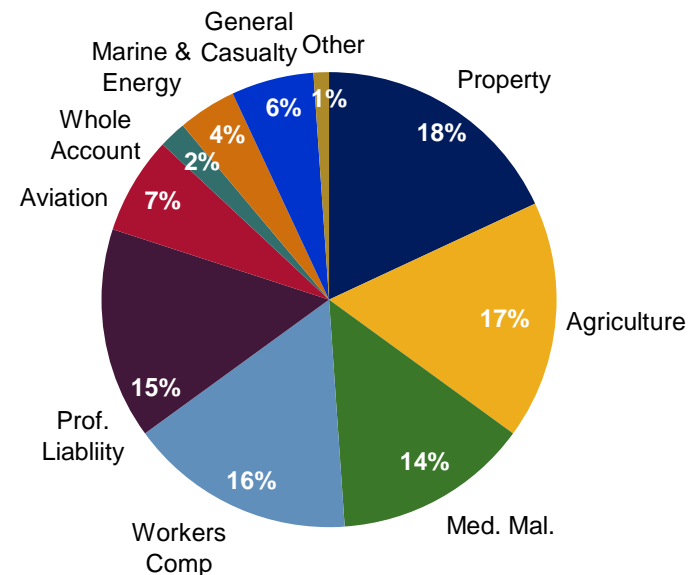
2009 GPW - \$427.8 million



- Working layer excess business
- Focus on Fortune 1000 customers
- 2009 combined ratio = 75.6%

## Bermuda / Dublin Reinsurance

2009 GPW - \$489.0 million

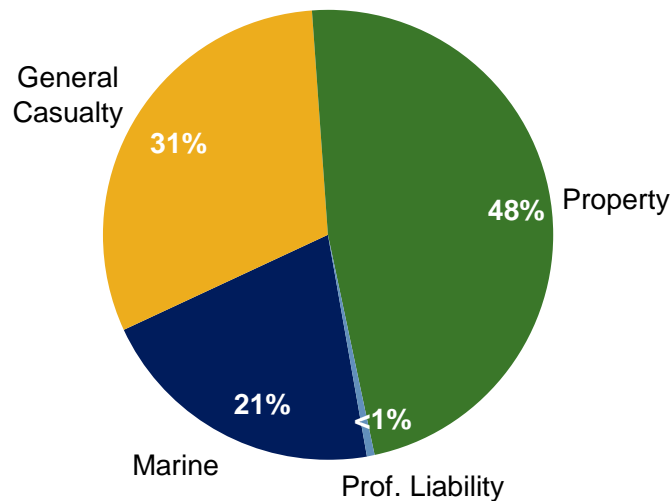


- Working layer excess / quota share business
- Cross class capability
- 2009 combined ratio = 92.1%

# ... With an Attractive Position in the U.S. Market and Lloyd's

## U.S. Specialty

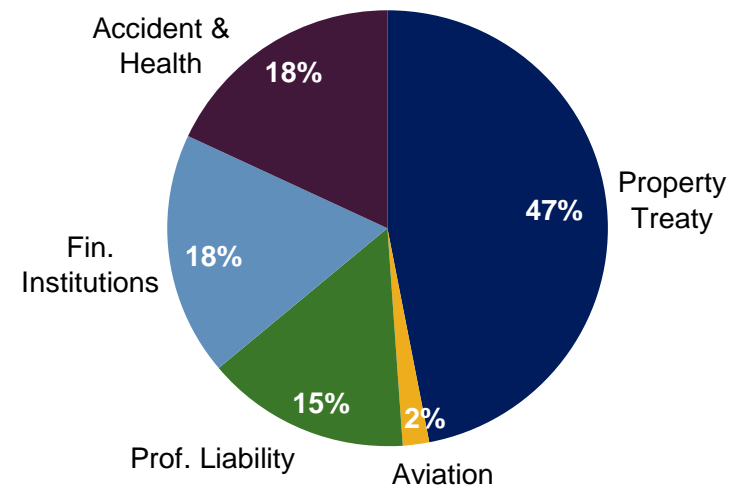
2009 GPW - \$285.5 million



- Launched in 2007
- Nationwide niche E&S underwriter
- Growing into expense base – target combined ratio of 85% to 90%
- 2009 combined ratio = 99.5%

## Max at Lloyd's

2009 GPW - \$129.0 million

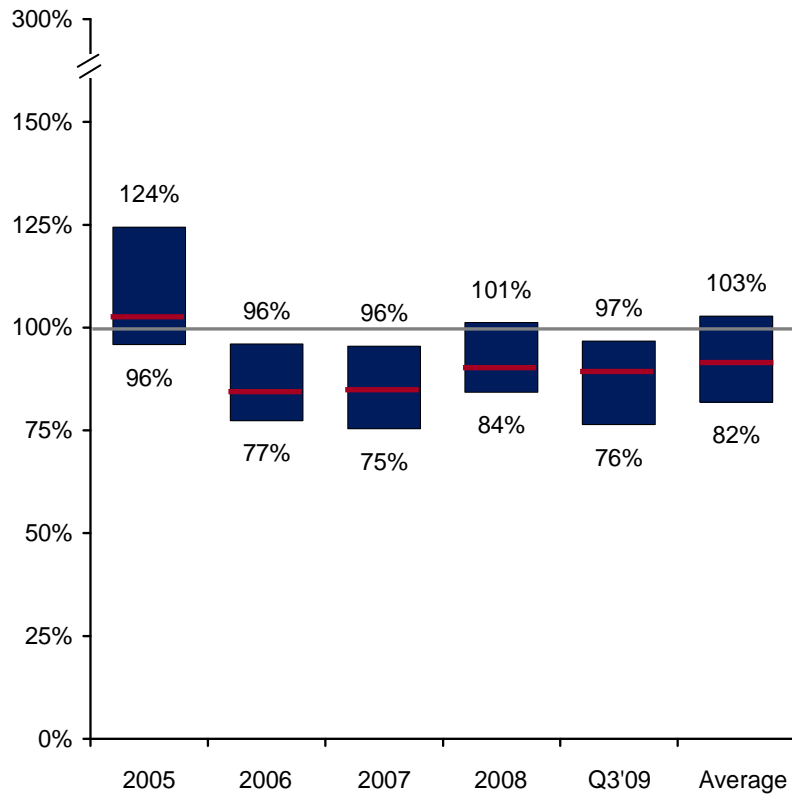


- Acquired in November 2008
- Direct and reinsurance
- 2009 combined ratio = 86.3%

# Diversified Platforms Generate More Consistent Margins

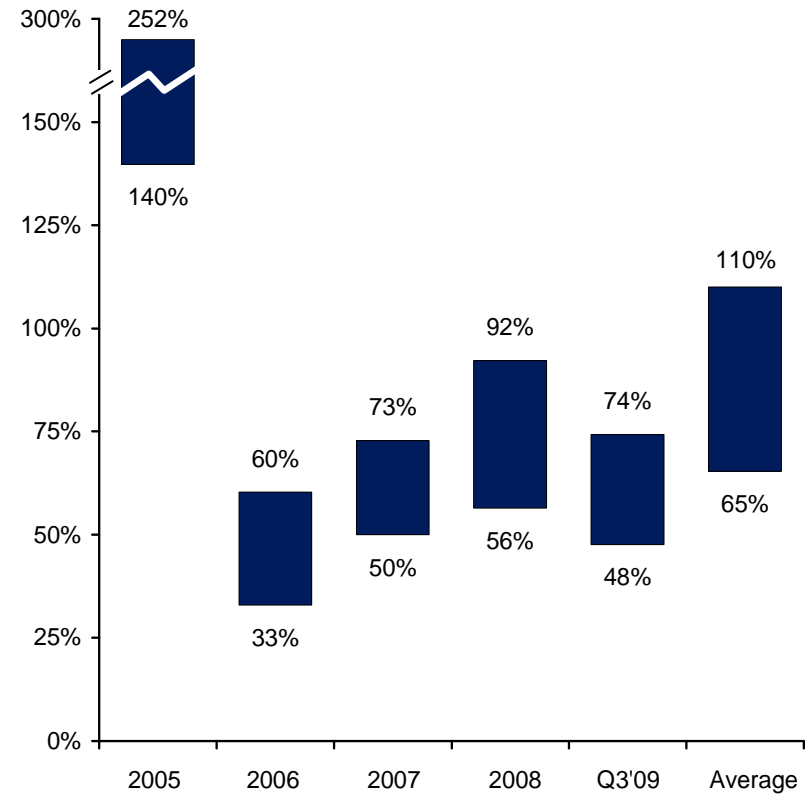
Max has performed well within its diversified peer group with less volatility than property focused reinsurers

### Diversified Reinsurers



<b>Median</b>	<b>115%</b>	<b>85%</b>	<b>84%</b>	<b>95%</b>	<b>87%</b>	<b>93%</b>
<b>Max</b>	<b>106%</b>	<b>86%</b>	<b>88%</b>	<b>92%</b>	<b>91%</b>	<b>93%</b>

### Property Focused Reinsurers



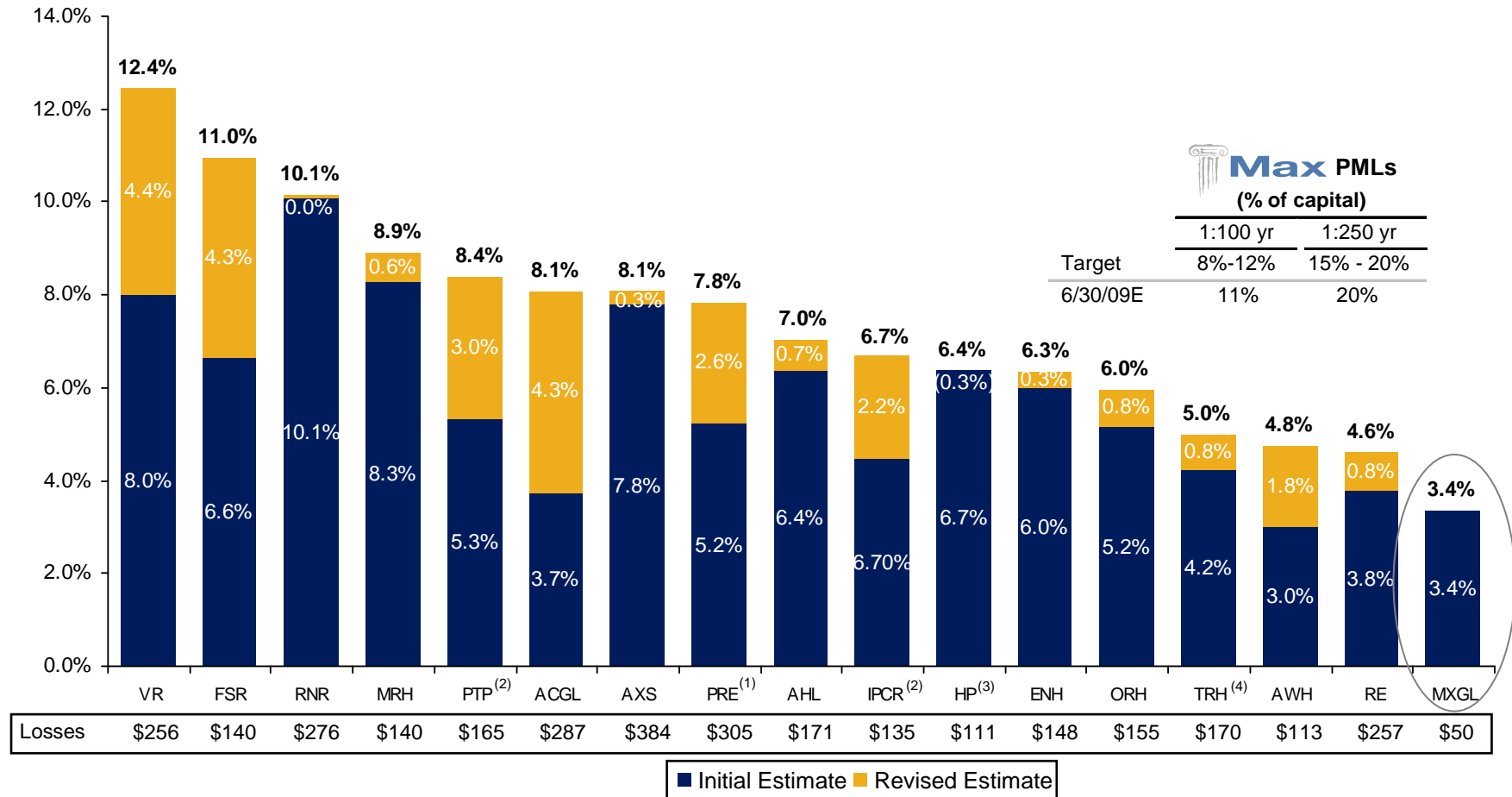
<b>Median</b>	<b>201%</b>	<b>55%</b>	<b>61%</b>	<b>89%</b>	<b>69%</b>	<b>95%</b>
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Source: Company filings.

Diversified reinsurers include RE, AXS, ACGL, TRH, PRE, ORH, AWH, ENH, AHL, PTP, AGII and MXGL. Property focused reinsurers include RNR, VR, MRH, FSR and IPCR for historical years.

# Max is less exposed to swings in the cat market than peers

Ike/Gustav Ultimate Net Losses as a % of 6/30/08 Common Equity (\$ in millions)



Source: Company filings, as of 12/31/08. Losses are generally disclosed net of reinstatement premiums.

(1) Results reflect Ike only.

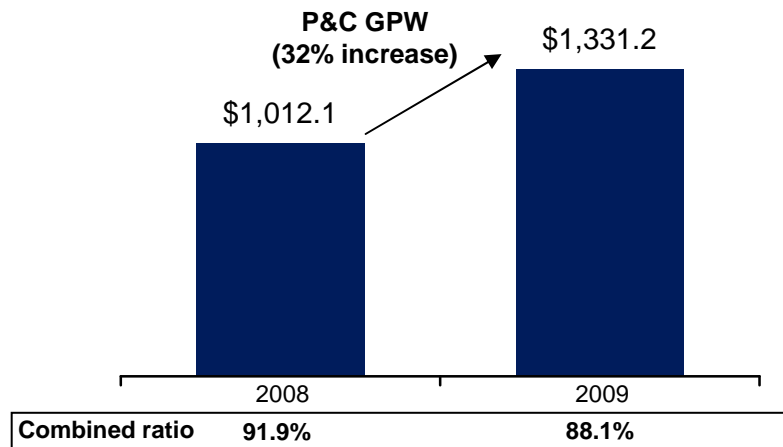
(2) Equity includes preferred, which subsequently converted to common.

(3) Equity includes preferred, which subsequently converted to common. Reflects net positive development experienced on reserves related to Ike of \$5.9 million.

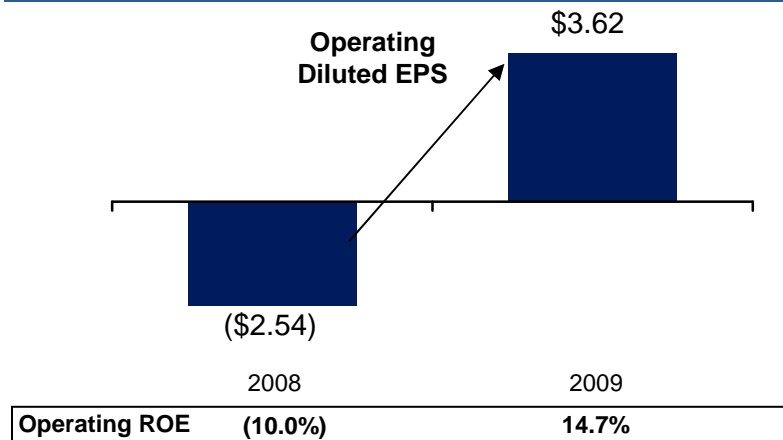
(4) TRH does not disclose specific losses but did lose "\$169.7 million principally relating to Hurricane Ike."

# Strong 2009 Results

## Profitable Growth in Gross Premiums Written...



## ...With Strong Operating EPS

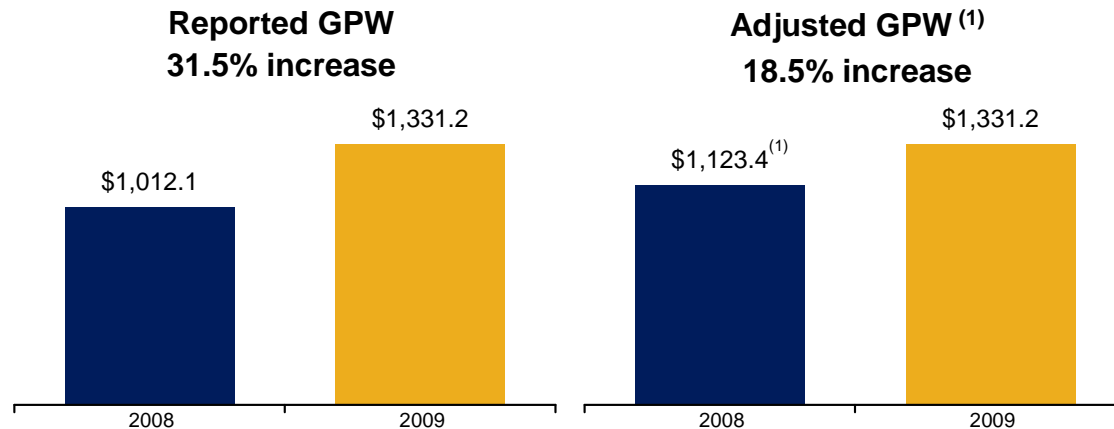


- Reflects continued build-out of our global platform
  - Max Specialty - \$285.5 million GPW
  - Reflects first year of Max at Lloyd's – \$129.0 million GPW
- Combined ratio reflects higher casualty mix
- Market conditions vary by line
  - Short-tail lines remain attractive
  - Casualty rates are mixed
- Strong 2009 results despite high cash balances
  - Once invested, ROE should increase by 1% to 2% ROE points
  - Return on invested portfolio is ~ 6.7%
- Hedge funds reduced to 6.0% of invested assets as of 12/31/09
  - Down from 14.1% at 12/31/08
- Diluted book value per share increased 21.8% in 2009 to \$27.36

(1) Excludes \$0.55 per share in merger and acquisition expenses.

# Max's Premium Growth Has Been Intentional and Strategic

(\$ in millions)



- Over the last 3 years 83% of growth is in short-tail lines
- True growth of business is 18.5% vs. 31.5% reported
- Lloyd's business experienced 7.3% growth over its expiring book
- Total growth is being driven by property lines in Lloyd's and U.S. Specialty
- Long tail lines reflect growth in professional liability

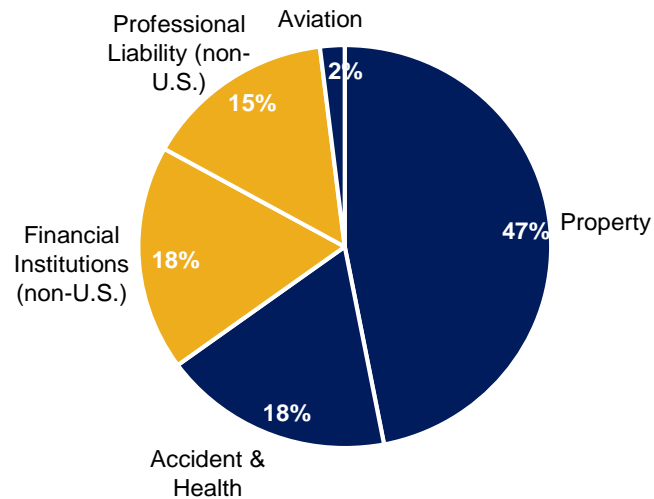
## Source of 2009 GPW Growth



(1) Adjusted to include the full year 2008 impact of Max at Lloyd's as if the acquisition occurred on 1/1/08.

# New Businesses for Max are Short Tail Focused

## Max at Lloyd's

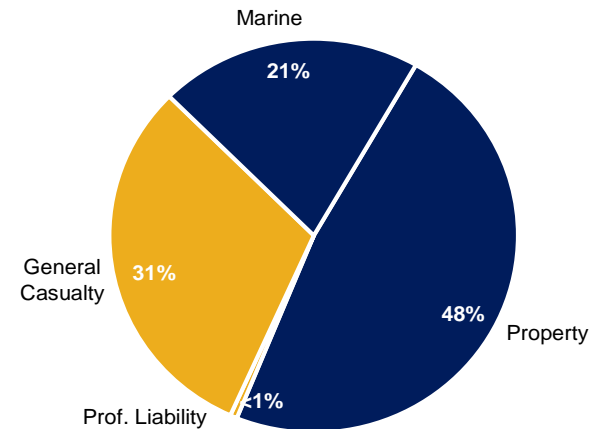


2009 GPW - \$129.0 million

■ Short Tail ■ Long Tail

- This represents real growth of 7.3% over the expiring book of business, all driven by short tail lines
  - Short tail increased 16.3% while long tail decreased by 6.8%

## U.S. Specialty

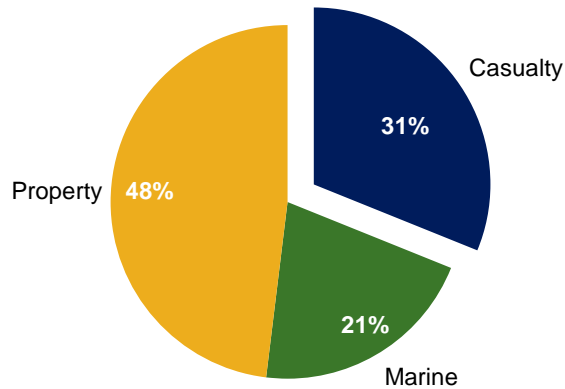


2009 GPW - \$285.5 million

- Increase over 2008 is driven by property and marine, which represented 69% of the change in premiums

# Max Specialty Casualty – Small Business Focus

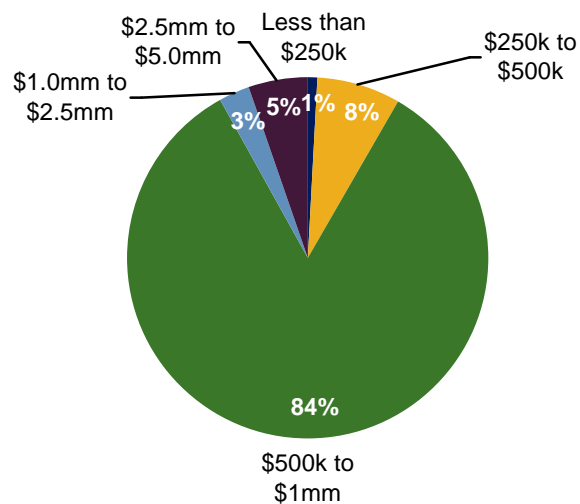
## U.S. Specialty GPW (12/31/09)



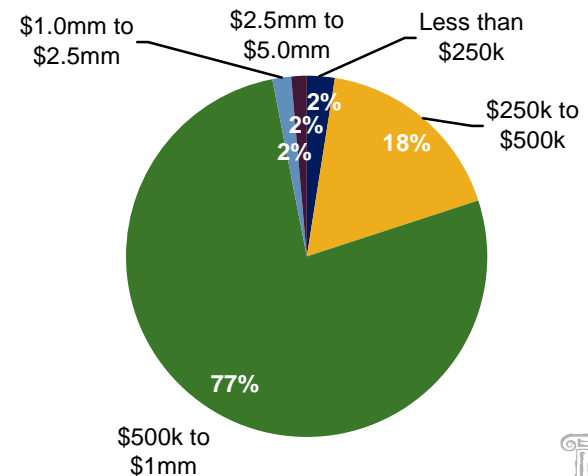
- Max only retains roughly half of the premium written in its U.S. Specialty casualty book

- 91.9% of premium is written with limits of \$1 million or less

## 2009 Casualty Premium By Limit



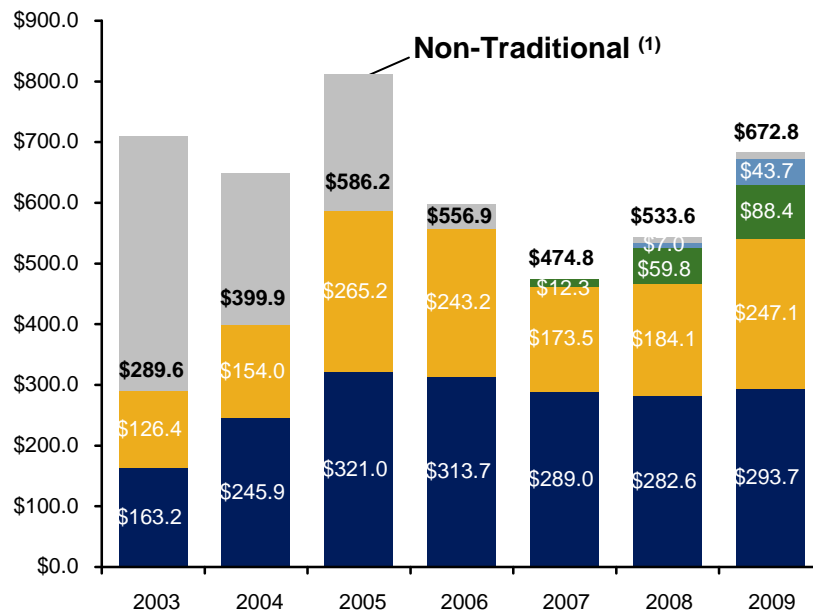
## 2009 Casualty Policies By Limit



# Strong Cycle Management Discipline

(\$ in millions)

## Long Tail (GPW)

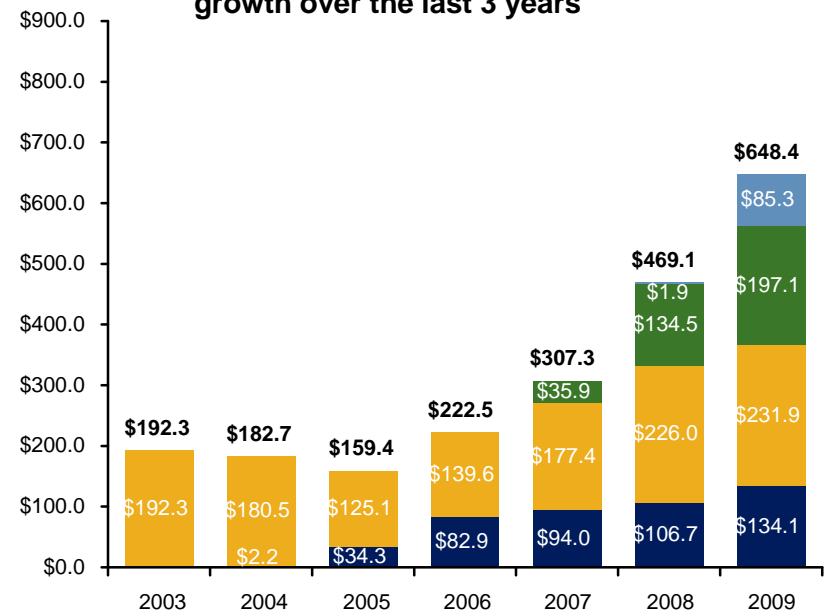


Year over year growth:

Lloyd's	--	--	--	--	--	NM
U.S. Specialty	--	--	--	--	386.2%	47.8%
Reinsurance (1)	21.8%	72.2%	(8.3%)	(28.7%)	6.1%	34.2%
Insurance	50.7%	30.5%	(2.3%)	(7.9%)	(2.2%)	3.9%
<b>Total</b>	<b>38.1%</b>	<b>46.6%</b>	<b>(5.0%)</b>	<b>(14.7%)</b>	<b>12.4%</b>	<b>26.1%</b>

## Short Tail (GPW)

■ Short tail lines contributed to 83% of total growth over the last 3 years



Year over year growth:

Lloyd's	--	--	--	--	--	NM
U.S. Specialty	--	--	--	--	274.7%	46.5%
Reinsurance	(6.1%)	(30.7%)	11.6%	27.1%	27.4%	2.6%
Insurance	--	--	141.7%	13.4%	13.5%	25.7%
<b>Total</b>	<b>(5.0%)</b>	<b>(12.8%)</b>	<b>39.6%</b>	<b>38.1%</b>	<b>52.7%</b>	<b>38.2%</b>

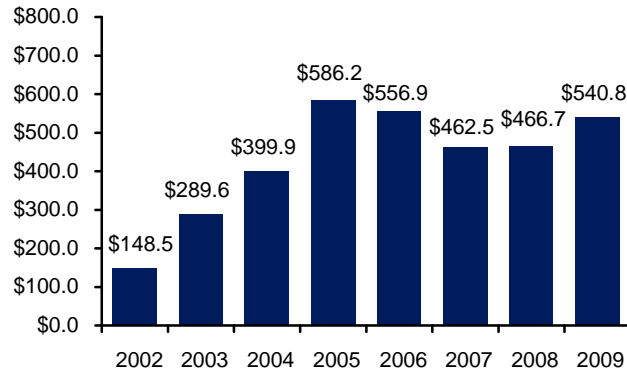
(1) Excludes non-traditional, which is composed of structured contracts that Max stopped writing in 2003.

# Growth Geared to the Insurance Cycle

(\$ in millions)

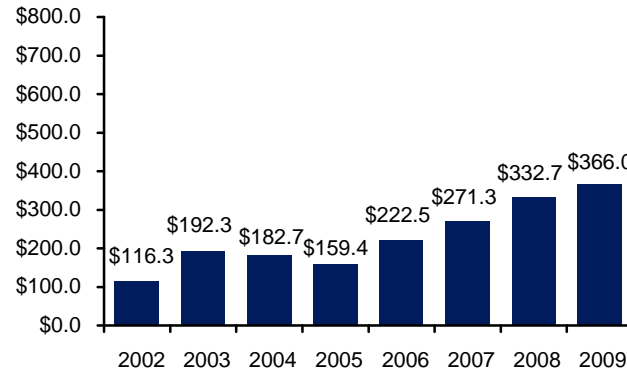
## Bermuda/Dublin Long Tail (GPW)

(without U.S Specialty and Lloyd's)



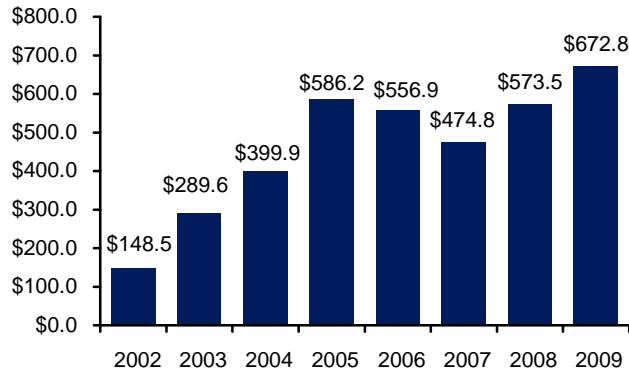
## Bermuda/Dublin Short Tail (GPW)

(without U.S Specialty and Lloyd's)



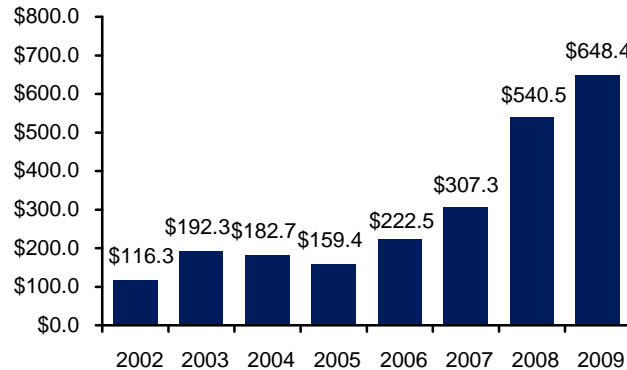
## Total Long Tail (GPW)

(with U.S Specialty and Lloyd's)



## Total Short Tail (GPW)

(with U.S Specialty and Lloyd's)

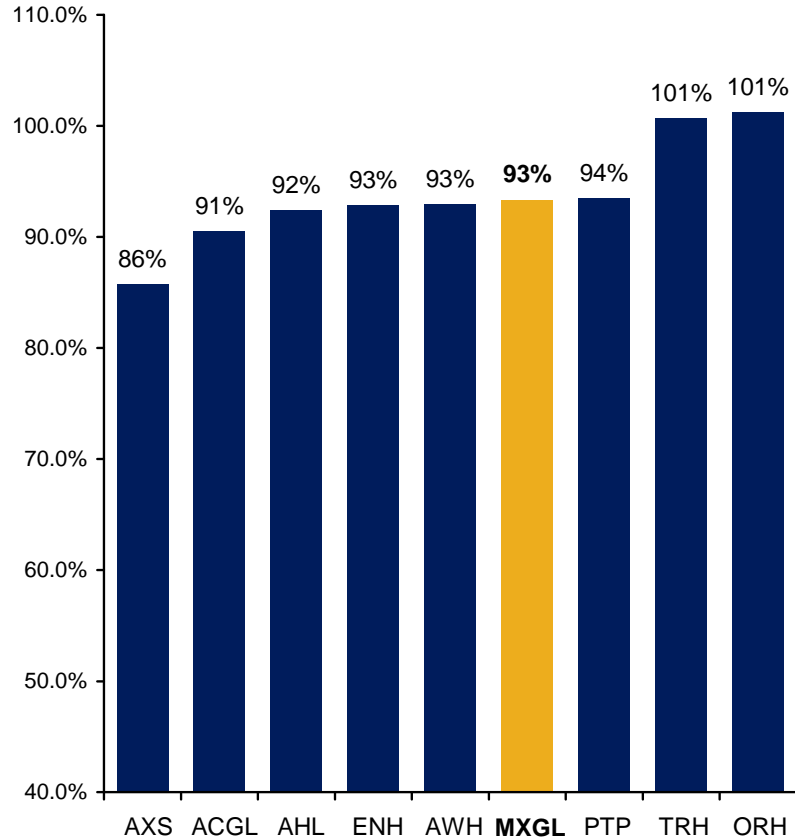


- Growth in casualty has been focused in the strong pricing period from 2002 to 2005
  - Premiums down approximately 7.7% since 2005
- Growth in property has been focused in the strong post KRW pricing period from 2005 to 2007
  - Property insurance group founded after 2004 storms
  - Property reinsurance group founded after KRW
- This is true even including the addition of U.S. Specialty and most recently Max at Lloyds
  - Premiums in the new segments are focused on short tailed lines
- Max will grow its casualty lines as market conditions allow

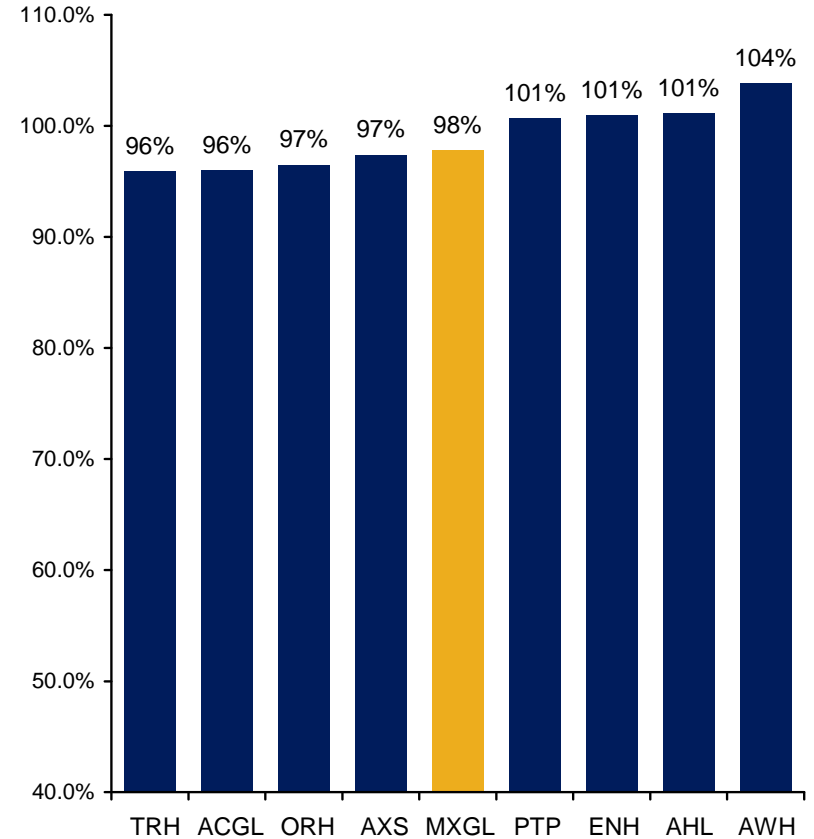
Note: Excludes non-traditional. 2008 includes full year pro forma Max at Lloyd's GPW.

# Peer Comparison – 5 Year Average Combined Ratios

## Calendar Year



## Accident Year

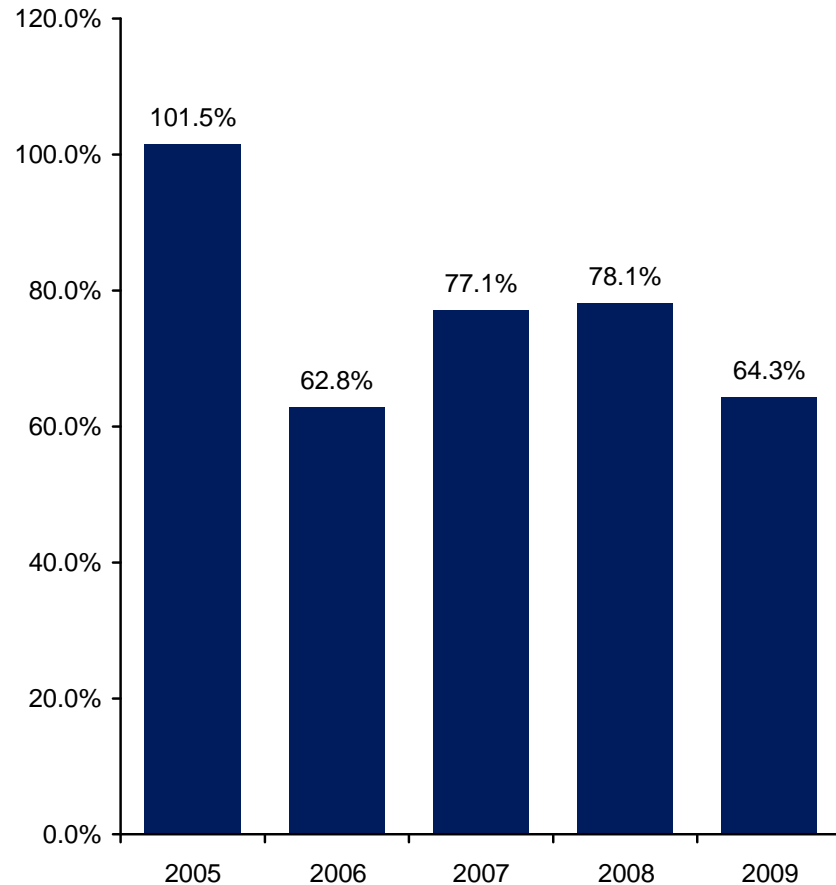


Note: Five year average is the mean combined ratio of each of the five years from 2004 to 2008.  
 (1) Since 2006.

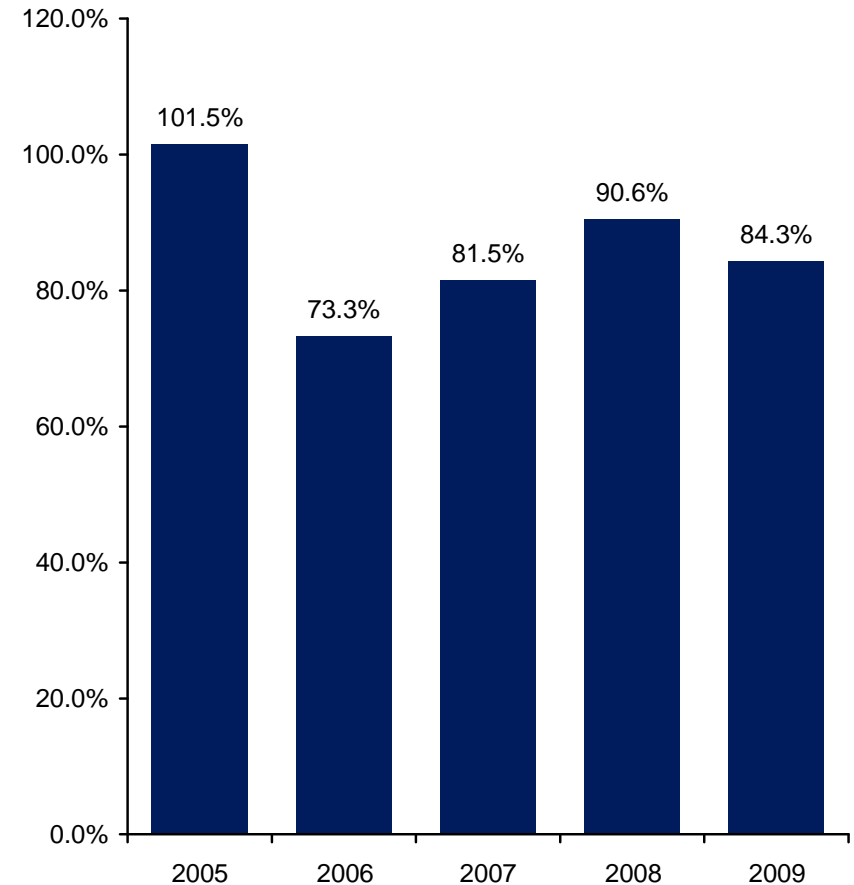
# Bermuda/Dublin Insurance Loss Ratios

(\$ in millions)

## Calendar Year



## Accident Year



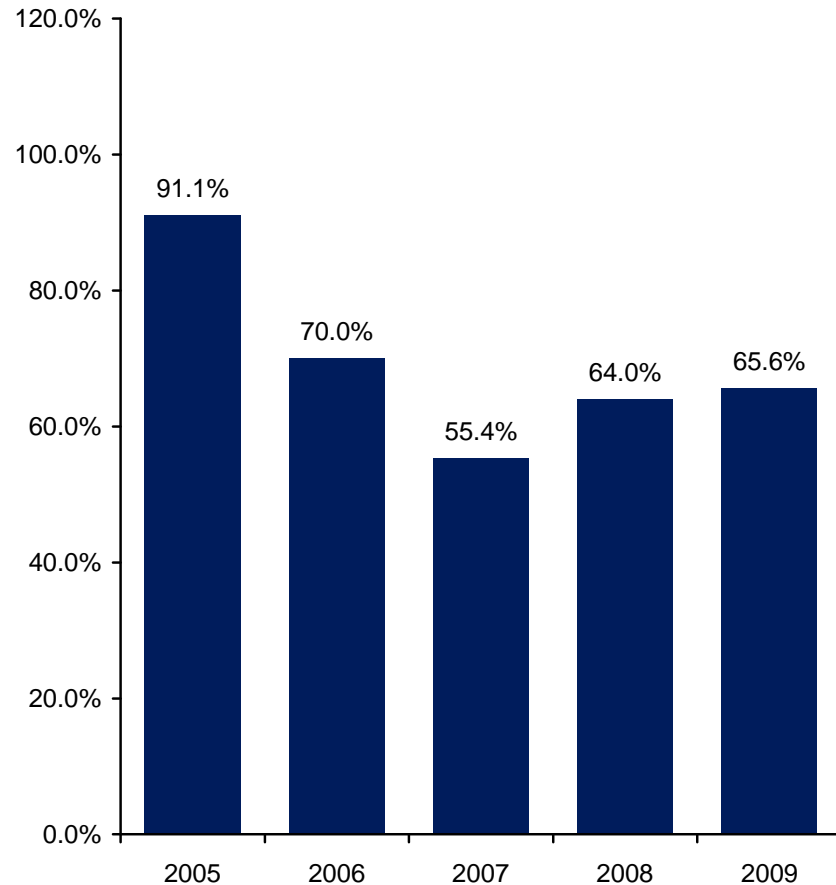
	2005	2006	2007	2008	2009
<b>Total favorable (adverse) development</b>	\$0.0	\$20.9	\$8.8	\$22.6	\$41.3

Note: Favorable (adverse) development excludes changes in reserves resulting from changes in premium estimates in prior years' contracts.

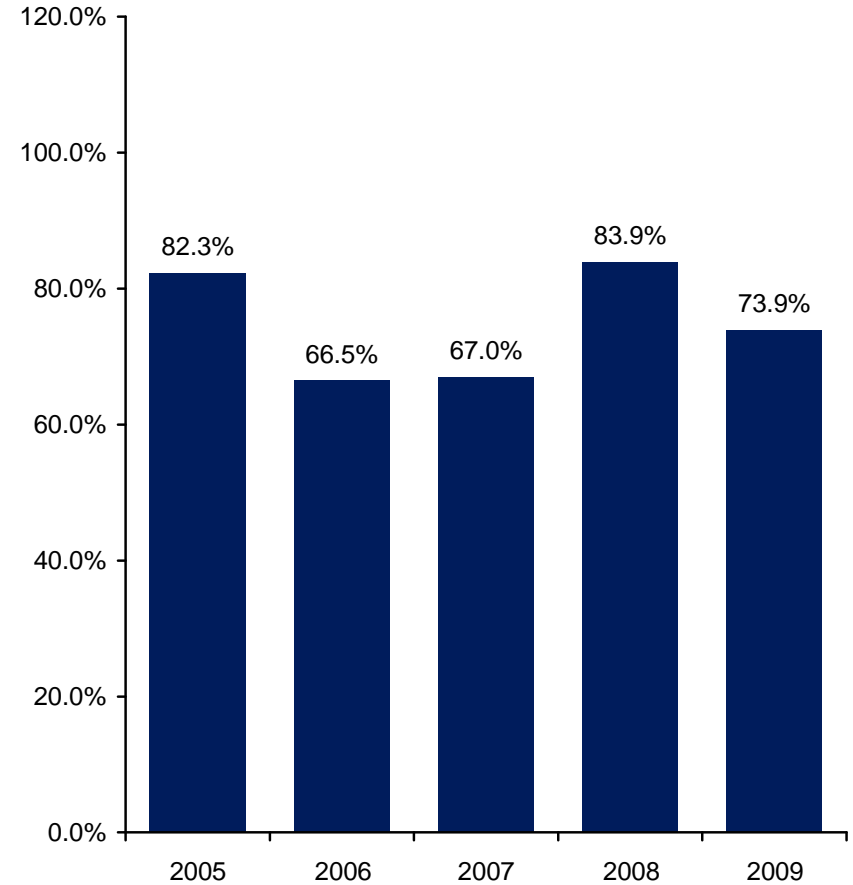
# Bermuda/Dublin Reinsurance Loss Ratios

(\$ in millions)

## Calendar Year



## Accident Year



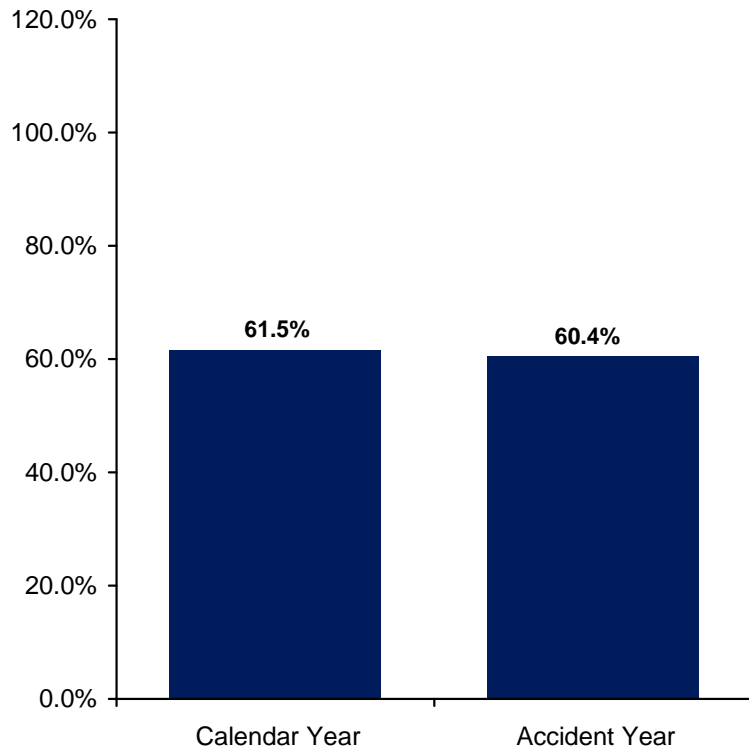
	2005	2006	2007	2008	2009
<b>Total favorable (adverse) development</b>	(\$10.1)	(\$15.0)	\$36.3	\$68.1	\$32.0

Note: Favorable (adverse) development excludes changes in reserves resulting from changes in premium estimates in prior years' contracts.

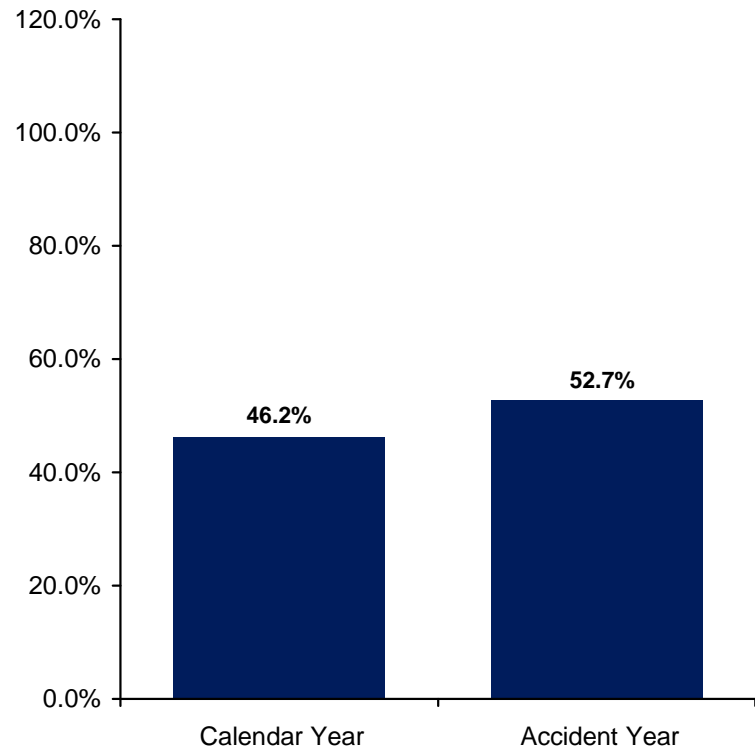
# U.S. Specialty and Lloyd's Loss Ratios

(\$ in millions)

**U.S. Specialty 2009**



**Max at Lloyd's 2009**



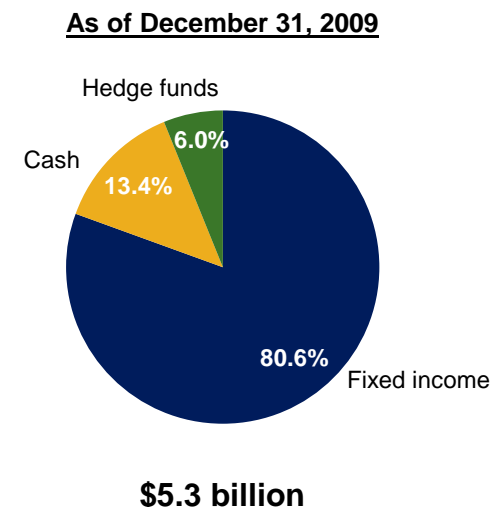
**Total favorable (adverse) development**

(\$1.1)

\$6.1

# Max Investment Portfolio Philosophy

- **Max maintains a high quality, liquid portfolio**
  - 94% of portfolio in fixed income/cash, which are comprised of highly rated securities
  - Assets are generally matched to liabilities
- **Cycle management extends to investments – current posture is defensive**
  - Cash balance of \$702 million or 13.4% of portfolio
  - Larger than normal cash position provides incremental investment income as cash is redeployed
  - Current average fixed income duration of approximately 5.4 years excluding the impact of cash
  - 68% of the cash and fixed maturities portfolio is held in cash, government / agency-backed securities, or AAA securities
  - 73% of fixed income portfolio rated AA or better
  - No CDO's, CLO's, SIV's or other highly structured securities
  - Hedge fund investments are marked-to-market
- **Fixed income portfolio has outperformed peer group in both returns and quality with meaningfully lower OTTI losses than peers**



# Max is Well Positioned To Navigate The Softer Cycle

## ■ Max Bermuda and Dublin (Insurance/Reinsurance)

- Rates remain favorable in short-tail property cat
- Long-tail professional lines still attractive

## ■ Max at Lloyd's

- Provides access to global specialty business, high credit ratings, worldwide licenses
- Experienced team underwriting a seasoned book of business
- Building out the platform recruiting new teams with recent additions
  - International casualty reinsurance
  - Marine and personal accident insurance

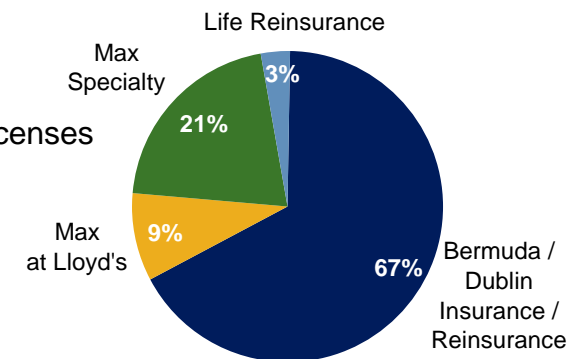
## ■ Max Specialty

- Strong distribution relationships continue to generate a high flow of business
- Profitability improving as the business matures into its expense base

## ■ Max Latin America

- Emerging market with significant growth potential
- Bringing on a seasoned underwriting team with strong market relationships and profitable track record
- Anticipate GPW of \$50 million in 2010

2009 GPW



# Max Offers a Compelling Story

*We believe we can generate an average ROE of 13% to 16% across the cycle*

- Well established operating platforms provide full access to business
- Diversified portfolio of business across casualty and property lines
- Specialty orientation with a balance of insurance vs. reinsurance
- Opportunistic approach – nimble and responsive to market trends
- Defensive, high quality investment portfolio
- Invested asset leverage will drive more consistent returns
- Balance sheet strength with low leverage / financial flexibility

***Attractive entry point – current price / book value of 0.82x***

Note: Price / book multiple as of 2/5/10.



# Appendix

# Strong Balance Sheet

(\$ in millions)	<u>December 31,</u> 2009	<u>December 31,</u> 2008
Cash & Fixed Maturities	\$4,944	\$4,603
Other Investments	315	754
Premium Receivables	567	555
Losses Recoverable	1,001	847
Other Assets	513	493
Total Assets	<u>\$7,340</u>	<u>\$7,252</u>
Property & Casualty Losses	\$3,178	\$2,938
Life & Annuity Benefits	1,373	1,367
Deposit Liabilities	153	219
Funds Withheld	140	164
Unearned Premium	628	574
Bank Loan	-	375
Senior Notes	90	91
Other Liabilities	213	244
Total Liabilities	<u>\$5,775</u>	<u>\$5,972</u>
Shareholders' Equity	1,565	1,280
	<u>\$7,340</u>	<u>\$7,252</u>

# Yearly Results Comparison

(\$ in millions)	<u>December 31,</u> 2009	<u>December 31,</u> 2008
Gross Premiums Written	<u>\$1,375</u>	<u>\$1,254</u>
Net Premiums Earned	834	814
Net Investment Income	170	182
Net Realized and Unrealized Gains (Losses) on Investments	82	(235)
Other Than Temporary Impairment Charges	(3)	(17)
Realized Gain on Retirement of Senior Notes	0	2
Other Income	3	1
Total Revenues	<u>1,086</u>	<u>747</u>
Total Losses, Expenses & Taxes	<u>830</u>	<u>921</u>
Net Income	<u>\$256</u>	<u>(\$174)</u>
Net Operating Income	<u>\$209</u>	<u>(\$144)</u>
Property & Casualty Underwriting		
Loss Ratio	62%	69%
Expense Ratio	26%	23%
Combined Ratio	88%	92%

# Diversified Operating Platform

Year ended December 31, 2009

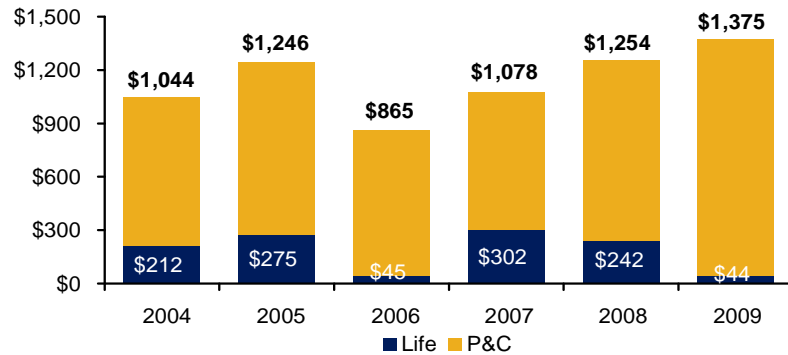
(\$ in millions)

	Property & Casualty					Life & Annuity	Corporate	Consolidated
	Bermuda / Dublin		U.S. Specialty	Max at		Reinsurance		
	Insurance	Reinsurance		Lloyd's	Total			
Gross premiums written	\$427.8	\$489.0	\$285.5	\$129.0	\$1,331.2	\$43.8	\$0.0	\$1,375.0
Reinsurance premiums ceded	(212.1)	(80.0)	(155.1)	(32.9)	(480.1)	(0.4)	0.0	(480.5)
Net premiums written	\$215.7	\$409.0	\$130.4	\$96.1	\$851.2	\$43.3	\$0.0	\$894.5
Earned premiums	417.1	476.4	256.7	125.0	1,275.2	43.8	0.0	1,318.9
Earned premiums ceded	(211.1)	(88.6)	(154.6)	(29.9)	(484.2)	(0.4)	0.0	(484.6)
Net premiums earned	\$206.0	\$387.9	\$102.1	\$95.1	\$791.0	\$43.3	\$0.0	\$834.4
Net investment income	\$22.9	\$40.2	\$6.0	\$4.4	\$73.5	\$51.0	\$45.3	\$169.7
Net realized and unrealized gains (losses) on investments	4.4	10.5	0.2	2.6	17.8	37.3	26.6	81.8
Net impairment losses recognized in earnings	0.0	0.0	0.0	0.0	0.0	0.0	(3.1)	(3.1)
Net realized gain on retirement of senior notes	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Other income	1.2	0.0	0.3	0.7	2.2	(0.1)	0.8	2.9
Total revenues	\$234.5	\$438.6	\$108.6	\$102.7	\$884.5	\$131.6	\$69.7	\$1,085.8
Net losses and loss expenses	\$132.4	\$254.5	\$62.8	\$44.0	\$493.6	\$0.0	\$0.0	\$493.6
Claims and policy benefits	0.0	0.0	0.0	0.0	0.0	101.1	0.0	101.1
Acquisition costs	(1.2)	71.1	7.5	18.1	95.5	1.4	0.0	96.9
Interest expense	0.8	6.6	0.0	0.0	7.4	3.3	10.6	21.3
Net foreign exchange losses	0.0	0.0	0.0	(5.1)	(5.1)	0.0	(0.7)	(5.8)
Merger and acquisition expenses	0.0	0.0	0.0	0.0	0.0	0.0	(31.6)	(31.6)
General and administrative expenses	24.6	31.8	31.2	20.0	107.6	2.8	43.6	154.0
Total losses and expenses	156.5	363.9	101.5	77.0	699.0	108.6	22.0	829.6
Income before taxes	\$78.0	\$74.7	\$7.1	\$25.7	\$185.5	\$23.0	\$47.8	\$256.2
Loss ratio	64.3%	65.6%	61.5%	46.2%	62.4%			
Acquisition cost ratio	-0.6%	18.3%	7.3%	19.1%	12.1%			
General and administrative expense ratio	11.9%	8.2%	30.7%	21.0%	13.6%			
Combined ratio <sup>(1)</sup>	75.6%	92.1%	99.5%	86.3%	88.1%			

(1) Property and Casualty only.

# Profitable Underwriting Trends

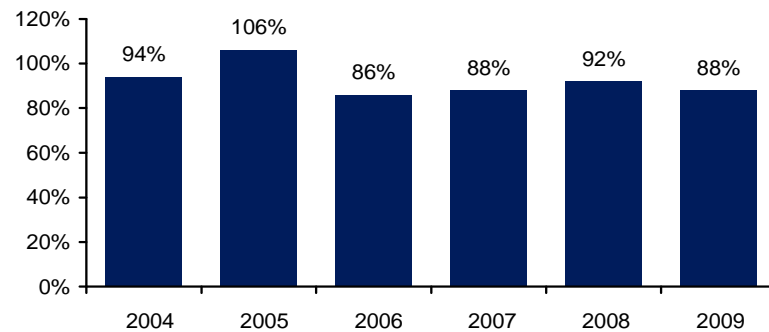
## Gross Premiums Written (\$ in millions)



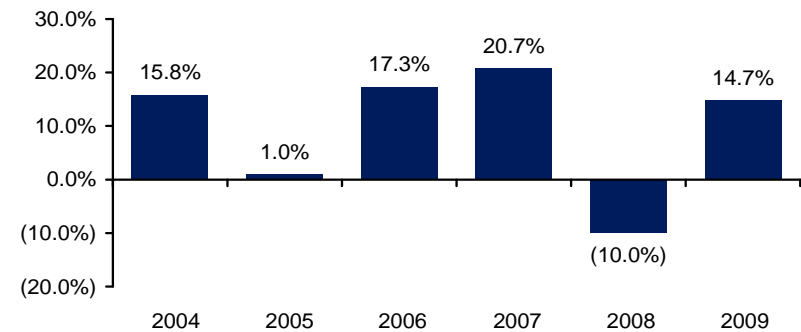
## Operating Diluted EPS<sup>(1)</sup>



## P&C Combined Ratio



## Operating ROE



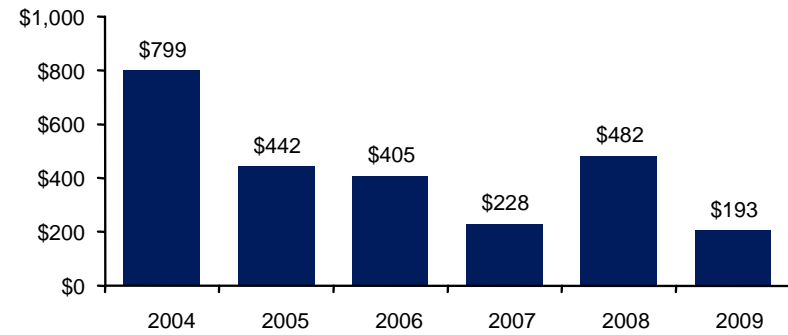
(1) Excludes merger and acquisition related revenue and expenses.

# A Growing, Global Insurance / Reinsurance Company

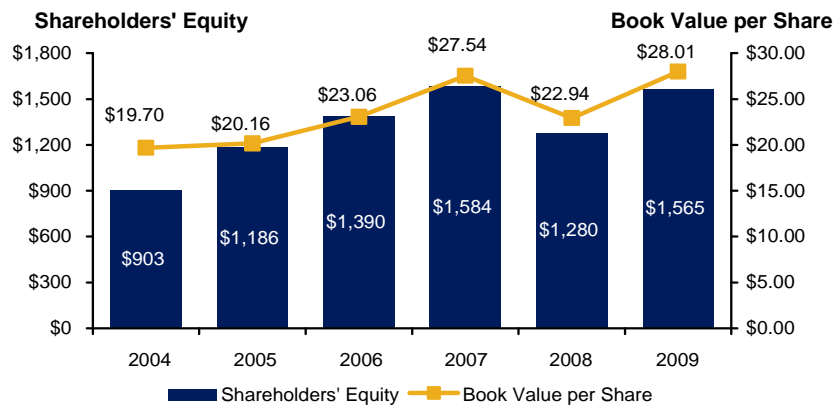
## Invested Assets (\$ in millions)



## Operating Cash Flow (\$ in millions)



## Shareholders Equity and BVPS (\$ in millions)



## Dividends



# Investment Portfolio is Currently In-Line With its Peers

(As of September 30, 2009)

(\$ in millions)

	% of Total Cash & Investments			Total Cash & Investments	Investment Leverage	YTD Q3 '09 Investment Yield	Equity / Other as a % of Equity	2008 and YTD Q3 '09 OTTI as % of Equity
	Cash & Cash Equivalents <sup>(1)</sup>	Fixed Income Securities	Equity / Other Securities					
PartnerRe <sup>(2)</sup>	6.3%	86.2%	7.5%	\$13,058.1	2.4x	4.5%	18.1%	NA
Everest Re	10.6%	84.0%	5.4%	15,113.0	2.5x	3.7%	13.4%	3.1%
Arch Capital	8.8%	84.2%	7.1%	12,461.0	2.8x	5.1%	19.8%	7.3%
AXIS	12.8%	81.5%	5.7%	11,884.1	2.2x	4.1%	12.6%	7.7%
Validus <sup>(2)</sup>	17.3%	80.4%	2.3%	5,707.5	1.4x	2.5%	3.3%	NA
RenaissanceRe	18.5%	67.8%	13.7%	6,640.8	1.8x	5.4%	24.4%	7.7%
Transatlantic	7.3%	86.3%	6.4%	12,130.1	3.0x	4.1%	19.2%	10.0%
Allied World	4.6%	93.3%	2.1%	7,554.2	2.5x	4.2%	5.3%	9.1%
Aspen	20.9%	78.7%	0.4%	6,590.6	2.1x	4.1%	0.8%	2.5%
Endurance	21.5%	72.8%	5.7%	6,172.5	2.3x	5.2%	13.0%	4.9%
Platinum Re	10.4%	89.5%	0.1%	4,413.8	2.0x	4.0%	0.2%	2.8%
Montpelier Re <sup>(2)</sup>	9.2%	81.9%	8.9%	2,720.3	1.6x	3.1%	14.0%	NA
FlagstoneRe <sup>(2)</sup>	29.2%	68.1%	2.7%	1,838.1	1.6x	1.5%	4.4%	NA
Argo Group	14.4%	77.5%	8.1%	4,334.2	2.8x	3.6%	22.3%	5.6%
<b>Mean</b>	<b>13.7%</b>	<b>80.9%</b>	<b>5.4%</b>		<b>2.2x</b>	<b>3.9%</b>	<b>12.2%</b>	<b>6.1%</b>
<b>Max Capital</b>	<b>19.5%</b>	<b>73.3%</b>	<b>7.2%</b>	<b>\$5,418.3</b>	<b>3.5x</b>	<b>4.6%</b>	<b>25.2%</b>	<b>1.4%</b>

Source: Company filings.

(1) Includes short term investments.

(2) OTTI not applicable. All realized and unrealized gains run through the income statement.