CATCo Reinsurance Opportunities Fund Ltd. ("the Company")

Portfolio Update – Hurricane Sandy

To: SFM, London Stock Exchange and Bermuda Stock Exchange

Date: 1 November 2012

Hurricane Sandy, the largest Atlantic tropical system in diameter on record is a late-season tropical cyclone that has affected Jamaica, Cuba, the Bahamas, Haiti, the Dominican Republic and the eastern seaboard of the United States, reaching from the area south of the Great Lakes region of the United States to Eastern Canada.

The 18th named tropical cyclone and 10th hurricane of the 2012 Atlantic hurricane season, Sandy developed from an elongated tropical wave in the western Caribbean Sea on October 22, 2012.

It became a tropical depression, quickly strengthened, and was upgraded to a tropical storm six hours later. Sandy moved slowly northward toward the Greater Antilles and gradually strengthened. In this case, seas were ramped up by significant waves and full-moon-powered high tides. Combined with drenching rains, this triggered inland flooding as the hurricane merged with a winter storm system.

Property Claim Services who investigate reported disasters and determine the extent and type of damage, dates of occurrence, and geographic areas affected, typically publishes a preliminary loss estimate within 30 days of the date of loss and reaches a final industry loss estimate figure within six months of the date of loss.

The majority of the Company's US exposure is through Ultimate Net Loss contracts ("UNLs") and therefore any losses that may be suffered by the Company will be based on the actual losses of the insured counterparties rather than industry loss triggers as is the case for Industry Loss Warranty contracts ("ILWs"). UNL contracts may well be settled sooner, or later, as compared to ILW contracts depending on the result of discussions with the Company's reinsurance counterparties which the Manager has already begun.

As noted above a significant proportion of the likely insured losses will occur as a result of flood damage. Traditional homeowners' insurance policies do not typically cover flooding and the majority of potential insured flooding losses to which the Company is exposed will only relate to automobiles and commercial properties (including business interruption).

Whilst it is too early for the industry, and indeed CATCo Investment Management Ltd, to confirm a definitive magnitude of retrocessional insured loss, early estimates from risk modelling firms EQECAT and AIR Worldwide suggest that maximum economic losses range from US$10bn to US$20bn.

Within this range the insured losses are estimated by EQECAT and AIR Worldwide to be within US$5bn to US$15bn. Only insured losses are relevant to the Company.

Based on this very preliminary insured loss range the impact on the Company would be a reduction in 2012 returns of a minimal amount, if anything, at the lower end of this insured loss range and potentially 10-15 per cent. net at the upper end of this insured loss range.

For illustrative purposes only if any single US wind event led to complete losses (and presuming that no other event occurred), then the hypothetical maximum reduction in 2012 returns would be 24 per cent. net (27 per cent. gross).

For further information, please contact:

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