



Reinsurance Opportunities Fund Ltd.

## FOR IMMEDIATE RELEASE

**19 January 2018**

**To: SFS, London Stock Exchange and Bermuda Stock Exchange**

### **NET ASSET VALUE ("NAV") AND PORTFOLIO UPDATE**

Markel CATCo Investment Management Ltd., as Investment Manager, announces the unaudited net asset value of the Company's Ordinary Shares and C Shares of \$0.8915 and \$0.9800 respectively, as at the close of business on 31 December 2017.

The Company's Ordinary Shareholders are exposed to potential losses related to the Tubbs, Atlas, and Mendocino wildfires that impacted parts of Northern California, U.S.A. during October 2017. Recent estimates have indicated a substantial increase to insured industry losses, with the Tubbs fire, in particular, having increased 75% over the initial loss estimate. In addition, the Company's Ordinary Shareholders could be further exposed to potential losses following the Thomas, Creek, and Lilac wildfires that impacted parts of Southern California, U.S.A. during December 2017.

The cumulative insured losses from 2017 wildfire events are now estimated at c. USD 12.5 billion, more than four times the cumulative insured losses recorded in any previous year due to wildfires in U.S.A. history. As a result of the significant increase in insured losses, the Manager has increased specific loss reserves for 2017 wildfire events by c. 14.4% of Net Asset Value.

The Manager has also continued to monitor the possible impact from the 2017 hurricanes Harvey, Irma, and Maria (HIM). The overall private insured industry loss impact resulting from HIM continues to be uncertain as of the 2017 year end. Due to this remaining uncertainty, the Manager has implemented an increase in the loss reserves related to HIM by c. 3.6% of Net Asset Value.

Finally, the December NAV is inclusive of a total 2017 attritional loss reserve of 1.80% as recorded on a monthly basis throughout the year. At this time, the attritional loss reserve is expected to be sufficient to absorb the impacts of any other 2017 loss activity, including Cyclone Debbie, the earthquakes in Mexico, and U.S.A. Severe Convective Storm activity.

Munich Re has estimated 2017 global insured industry losses at USD 135 billion, making 2017 the highest insured loss year on record. The combined effect of 2017 loss events has resulted in the largest impact to portfolio returns since the Company commenced operations at the end of 2010. As a result of this unprecedented catastrophic loss activity, the NAV annual return for the year end 2017 for Ordinary Shares was -27.6%. However, these severe loss events serve to reaffirm the collective importance of the traditional insurance, reinsurance, and collateralized reinsurance markets in the efforts to rebuild communities that have been severely impacted.

Further, the catastrophic loss events of 2017 has led to higher pricing, generating a net no loss return of c. 23% for the 2018 portfolio versus 16% for the 2017 portfolio. Also, risk levels have been reduced in the 2018 portfolio.

During the autumn of 2017, the Manager raised over USD 2.5 billion between its public and private funds. These new funds have now been fully deployed for 2018.

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