



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

### **Preliminary 2012 portfolio and side pocket investment update**

To: SFM, London Stock Exchange and the  
Bermuda Stock Exchange

Date: 11 July 2012

The Company's Ordinary Shareholders are indirectly exposed to potential losses arising from the New Zealand earthquake that occurred on 22 February 2011 and the Japan earthquake that occurred on 11 March 2011 (respectively, the "NZ Exposure" and the "Japan Exposure") through the Company's investment in CATCo Reinsurance Fund Ltd – Diversified Fund (the "Master Fund") and ultimately through CATCo-Re Ltd. ("CATCo-Re").

The Company's C Shareholders are not exposed to the NZ or Japan Exposures and do not participate in any losses or premiums attributable thereto.

The Company's investment manager, CATCo Investment Management Ltd (the "Investment Manager"), has recently held meetings with the two retrocessional reinsurance counterparties (the "Reinsurance Counterparties") that represent the NZ and Japan Exposures and has been informed that both Reinsurance Counterparties have implemented a 100% loss reserve on their respective balance sheets associated with CATCo-Re's protections. As a consequence, the Master Fund's Board of Directors has resolved to include the same loss reserve provision in the Net Asset Value calculation as at 30 June 2012, which will, in turn, be reflected in the Company's Net Asset Value.

Shareholders should note that this is a loss reserve, and not a crystallised loss, as CATCo-Re's protections are based on the actual paid claims. Based on the most recent loss advice, one Reinsurance Counterparty, representing 31.4% of the Japan Exposure, has been fully paid by CATCo-Re, so this loss is settled with them. This Reinsurance Counterparty also represents 100% of the NZ Exposure, but, to date, has not sought any loss payment from CATCo-Re related to this. The other Reinsurance Counterparty, representing 68.6% of the Japan Exposure, has not sought any loss payment from CATCo-Re to date.

The Investment Manager has recently sought to commute the NZ and Japan Exposures once the Reinsurance Counterparties' loss reserves were better known. However, the proposals were rejected by the Reinsurance Counterparties due to the expected size of their respective reinsurance loss reserves.

Over the past 15 months, the Investment Manager has attended numerous meetings with the Reinsurance Counterparties and, in January 2012, CATCo-Re had implemented loss reserves representing 100% of the NZ Exposure and 30% of the Japan Exposure. The lower reserve level on the Japan Exposure was driven by the fact that CATCo-Re had specific retrocessional protections in place at the time of the Japan earthquake. According to the Reinsurance Counterparty representing 68.6% of the Japan Exposure, these protections were expected to shield CATCo-Re from any losses in relation to Japan. However, this Reinsurance Counterparty has now significantly increased their Japan earthquake loss reserves. Prior to the most recent loss advice from this Reinsurance Counterparty, it had always been suggested that the insurance reserves being held were well below those detailed in loss event deductibles set out in the relevant Reinsurance Agreements. As such, the Investment Manager had maintained the opinion, based on discussions with the Reinsurance Counterparty, that it did not believe

that there were any potential losses related to this counterparty's Japan Exposure. However, the earthquake and tsunami losses in the Tohoku region of Japan last year have continued to escalate.

For illustrative purposes only, had the 100% loss reserve been put in place at 31 December 2011 this would have equated to a NAV per Ordinary Share of \$0.8950.

The Board of Directors is currently assessing the most efficient manner by which to merge the C Shares, which have no exposure to the NZ and Japanese Exposures, with the Ordinary Shares.

-Ends-

**For further information, please contact:**

Jason Bibb, Director  
CATCo Investment Management Ltd  
Telephone: +1 441 531 2227  
Email: [jason.bibb@catcoim.com](mailto:jason.bibb@catcoim.com)

David Benda / Hugh Jonathan  
Numis Securities Limited  
Telephone: +44 (0)20 7260 1000