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Max Capital Group's Operating Insurance And Reinsurance Companies Rated 'A-'; Outlook Is Stable

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- Max Capital Group Ltd. and its operating insurance and reinsurance companies have strong underwriting and operating performance, a strong competitive position as a diversified specialty insurance and reinsurance company, and strong enterprise risk management.
- The company has drastically reduced its alternative investment allocation in 2009, decreased its financial leverage, and improved its capitalization.
- As a result, we are assigning our 'A-' counterparty credit and financial strength ratings on Max Capital Group Ltd.'s operating insurance and reinsurance companies. We also are raising our counterparty credit rating on Max Capital Group Ltd. (NASDAQ:MXGL) to 'BBB' from 'BBB-'.
- The outlook on both of the ratings is stable.

NEW YORK (Standard & Poor's) Aug. 25, 2009--Standard & Poor's Ratings Services today said it assigned its 'A-' counterparty credit and financial strength ratings on Max Capital Group Ltd.'s operating insurance and reinsurance companies. At the same time, we raised our counterparty credit rating on Max Capital Group Ltd. (NASDAQ:MXGL) to 'BBB' from 'BBB-'. The outlook on both of the ratings is stable.

"The rating actions on Max Capital Group Ltd. and its operating insurance and reinsurance companies reflect their strong underwriting and operating performance, with a five-year average combined ratio of 93.3% and a standard deviation of 7.7%; strong competitive position as a diversified specialty insurance and reinsurance company; and strong enterprise risk management," said Standard & Poor's credit analyst Damien Magarelli.

Max Capital's new management team of about three years has been focused on developing Max Capital into a specialty provider, and this strategy has significantly improved the company's operating platforms' breadth and brand name in the market. Max Capital's limited equity scale is a weakness because it limits the company's access to certain customer segments and markets. Similar to its peers, the company is affected by the current pricing cycle in property/casualty insurance and reinsurance, which has offered only limited rate increases overall. Also, Max Capital, much like its peers, has limited ability to raise capital amid the current financial market conditions. However, this is not a significant risk because Max Capital has low financial leverage and strong capitalization.

The company's competitive position has been enhanced by greater operational diversification with platforms in the U.S. and Europe (including the U.K.), leading to greater distribution strengths and client access. The company also has focused increasingly on areas in the market where it can achieve an underwriting competitive advantage, and this has led to its growth and specialization in certain product areas. Max Capital's operating performance has been strong and less volatile than that of some peers with a purposely lower catastrophe risk component. Changes in Max Capital's

investment allocation have resulted in transforming the company from one that was known for its hedge fund allocation, to a company focused on specialty product offerings with a dramatically lower hedge fund allocation in line with some of its peers.

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