ODYSSEY RE HOLDINGS CORP

10−Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 8/6/2009
Filed Period 6/30/2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10−Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: June 30, 2009

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1−16535

OdysseyRe®

Odyssey Re Holdings Corp.
(Exact Name of Registrant as Specified in its Charter)

Delaware *(State or Other Jurisdiction Of Incorporation or Organization)*	**52−2301683** *(I.R.S. Employer Identification Number)*
Odyssey Re Holdings Corp. **300 First Stamford Place** **Stamford, Connecticut** *(Address of principal executive offices)*	**06902** *(Zip Code)*

Registrant's telephone number, including area code: (203) 977−8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S−T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non−accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b−2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non−accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b−2 of the Exchange Act). YES ☐ NO ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding at August 3, 2009
Common Stock, par value $0.01 per share	58,477,067

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PART I — FINANCIAL INFORMATION

PART I — Item 1. ***Financial Statements***

ODYSSEY RE HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 (UNAUDITED) AND DECEMBER 31, 2008
(In thousands, except share and per share amounts)

	June 30, 2009	December 31, 2008
ASSETS		
Investments and cash:		
Fixed income securities, available for sale, at fair value (amortized cost $3,536,089 and $3,429,226, respectively)	$ 3,887,483	$ 3,594,278
Fixed income securities, held as trading securities, at fair value (amortized cost $670,287 and $474,465, respectively)	564,447	338,209
Redeemable preferred stock, at fair value (cost $108 and $510, respectively)	108	114
Equity securities:		
Common stocks, at fair value (cost $1,773,151 and $1,628,611, respectively)	1,928,766	1,555,142
Common stocks, at equity	139,717	141,473
Short−term investments, at fair value (amortized cost $546,332 and $1,202,366, respectively)	546,325	1,202,360
Cash and cash equivalents	856,266	755,747
Cash and cash equivalents held as collateral	12,813	82,374
Other invested assets	154,133	222,841
Total investments and cash	8,090,058	7,892,538
Accrued investment income	82,548	66,575
Premiums receivable	486,894	496,418
Reinsurance recoverable on paid losses	61,993	82,999
Reinsurance recoverable on unpaid losses	739,213	690,171
Prepaid reinsurance premiums	93,515	94,797
Funds held by reinsureds	128,859	128,543
Deferred acquisition costs	135,190	139,069
Federal and foreign income taxes receivable	143,313	52,096
Other assets	188,446	83,303
Total assets	$ 10,150,029	$ 9,726,509
LIABILITIES		
Unpaid losses and loss adjustment expenses	5,403,728	$ 5,250,484
Unearned premiums	692,503	701,955
Reinsurance balances payable	172,731	116,388
Funds held under reinsurance contracts	43,563	55,495
Debt obligations	489,340	489,278
Other liabilities	209,812	285,174
Total liabilities	7,011,677	6,898,774
Commitments and Contingencies (Note 10)		
SHAREHOLDERS' EQUITY		
Preferred shares, $0.01 par value; 200,000,000 shares authorized; 2,000,000 and 2,000,000 Series A shares and 1,167,263 and 1,872,000 Series B shares issued and outstanding, respectively	32	39
Common shares, $0.01 par value; 500,000,000 shares authorized; 59,090,470 and 60,264,270 shares issued, respectively	591	603
Additional paid−in capital	542,077	614,203
Treasury shares, at cost (110,118 and 21,321 shares, respectively)	(4,065)	(795)
Accumulated other comprehensive income, net of deferred income taxes	354,752	82,421
Retained earnings	2,244,965	2,131,264
Total shareholders' equity	3,138,352	2,827,735
Total liabilities and shareholders' equity	$ 10,150,029	$ 9,726,509

See accompanying notes to consolidated financial statements.

ODYSSEY RE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
SIX AND THREE MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)
(In thousands, except share and per share amounts)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
REVENUES				
Gross premiums written	$ 1,066,308	$ 1,143,712	$ 511,388	$ 566,158
Ceded premiums written	127,522	122,410	51,581	62,676
Net premiums written	938,786	1,021,302	459,807	503,482
Decrease in unearned premiums	11,703	5,664	20,664	12,056
Net premiums earned	950,489	1,026,966	480,471	515,538
Net investment income	160,427	137,824	92,966	64,696
Net realized investment (losses) gains:				
Net realized investment gains	82,542	409,828	100,531	45,932
Other−than−temporary impairment losses	(126,706)	(41,203)	(45,332)	(301)
Total net realized investment (losses) gains	(44,164)	368,625	55,199	45,631
Total revenues	1,066,752	1,533,415	628,636	625,865
EXPENSES				
Losses and loss adjustment expenses	639,494	712,304	321,903	360,054
Acquisition costs	190,848	213,193	97,844	105,046
Other underwriting expenses	87,127	86,395	44,022	43,620
Other (income) expense, net	(11,251)	19,210	(15,453)	8,114
Interest expense	15,903	17,437	7,818	8,394
Total expenses	922,121	1,048,539	456,134	525,228
Income before income taxes	144,631	484,876	172,502	100,637
Federal and foreign income tax provision (benefit):				
Current	64,824	179,943	30,202	69,256
Deferred	(37,533)	(12,952)	19,169	(35,559)
Total federal and foreign income tax provision	27,291	166,991	49,371	33,697
Net income	117,340	317,885	123,131	66,940
Preferred dividends	(2,670)	(3,687)	(1,334)	(1,774)
Gain on repurchase of Series B preferred shares	7,997	—	—	—
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 122,667	$ 314,198	$ 121,797	$ 65,166
BASIC				
Weighted average common shares outstanding	59,150,960	66,435,956	58,929,288	64,832,570
Basic earnings per common share	$ 2.04	$ 4.67	$ 2.04	$ 0.99
DILUTED				
Weighted average common shares outstanding	59,581,273	66,908,950	59,297,740	65,294,264
Diluted earnings per common share	$ 2.04	$ 4.66	$ 2.03	$ 0.99
DIVIDENDS				
Dividends declared per common share	$ 0.150	$ 0.125	$ 0.075	$ 0.063
COMPREHENSIVE INCOME				
Net income	$ 117,340	$ 317,885	$ 123,131	$ 66,940
Other comprehensive income (loss), net of tax	272,331	(55,879)	359,141	(51,832)
Comprehensive income	$ 389,671	$ 262,006	$ 482,272	$ 15,108

See accompanying notes to consolidated financial statements.

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ODYSSEY RE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)
(In thousands, except share amounts)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
PREFERRED SHARES (par value)		
Balance, beginning of period	$ 39	$ 40
Preferred shares repurchased	(7)	—
Balance, end of period	32	40
COMMON SHARES (par value)		
Balance, beginning of period	603	697
Common shares repurchased and retired	(12)	(57)
Balance, end of period	591	640
ADDITIONAL PAID−IN CAPITAL		
Balance, beginning of period	614,203	958,544
Adjustment to beginning balance due to adoption of FSP APB 14−1	—	11,476
Adjusted beginning balance	614,203	970,020
Common shares repurchased and retired	(47,506)	(210,567)
Preferred shares repurchased	(17,173)	—
Net change due to stock option exercises and restricted share awards	(14,731)	(8,921)
Net effect of share−based compensation	7,117	4,460
Common shares issued	167	—
Balance, end of period	542,077	754,992
TREASURY SHARES (at cost)		
Balance, beginning of period	(795)	(6,250)
Purchases of treasury shares	(18,001)	(10,343)
Reissuance of treasury shares	14,731	13,220
Balance, end of period	(4,065)	(3,373)
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF DEFERRED INCOME TAXES		
Balance, beginning of period	82,421	85,023
Unrealized appreciation (depreciation) on securities, net of reclassification of adjustments	271,164	(71,887)
Foreign currency translation adjustments	1,167	14,987
Benefit plan liabilities	—	1,021
Cumulative effect of a change in accounting due to the adoption of SFAS 159	—	(1,531)
Cumulative effect of a change in accounting due to the adoption of SFAS 158	—	146
Balance, end of period	354,752	27,759
RETAINED EARNINGS		
Balance, beginning of period	2,131,264	1,616,646
Adjustment to beginning balance due to adoption of FSP APB 14−1	—	(11,476)
Adjusted beginning balance	2,131,264	1,605,170
Net income	117,340	317,885
Gain on repurchase of Series B preferred shares	7,997	—
Dividends to preferred shareholders	(2,670)	(3,687)
Dividends to common shareholders	(8,966)	(8,287)
Cumulative effect of a change in accounting due to the adoption of SFAS 159	—	1,531
Cumulative effect of a change in accounting due to the adoption of SFAS 158	—	(1,164)
Balance, end of period	2,244,965	1,911,448
TOTAL SHAREHOLDERS' EQUITY	$ 3,138,352	$ 2,691,506
COMMON SHARES OUTSTANDING		
Balance, beginning of period	60,242,949	69,521,494
Shares issued	9,000	—
Repurchased and retired	(1,182,800)	(5,711,500)
Net treasury shares (acquired) reissued	(88,797)	73,384
Balance, end of period	58,980,352	63,883,378

See accompanying notes to consolidated financial statements.

ODYSSEY RE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)
(In thousands)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 117,340	$ 317,885
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Decrease in premiums receivable and funds held, net	69,659	13,335
Decrease in unearned premiums and prepaid reinsurance premiums, net	(13,633)	(5,972)
Increase in unpaid losses and loss adjustment expenses	29,604	83,363
Change in current and deferred federal and foreign income taxes, net	(232,791)	61,073
Decrease (increase) in deferred acquisition costs	5,097	(737)
Change in other assets and liabilities, net	(96,173)	12,414
Net realized investment losses (gains)	44,164	(368,625)
Bond (discount) premium amortization, net	(8,123)	5,284
Amortization of stock−based compensation	7,116	4,460
Net cash (used in) provided by operating activities	(77,740)	122,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of fixed income securities	160,000	100,592
Sales of fixed income securities	161,142	1,594,213
Purchases of fixed income securities	(503,839)	(1,164,593)
Sales of equity securities	182,367	46,529
Purchases of equity securities	(429,503)	(276,802)
Sales of other invested assets	65,389	329,388
Purchases of other invested assets	(11,319)	(31,459)
Net change in cash and cash equivalents held as collateral	74,314	105,064
Net change in obligation to return borrowed securities	—	(47,838)
Sales of trading securities	39,642	690
Purchases of trading securities	(216,504)	(100,000)
Net change in short−term investments	655,750	(95,927)
Net cash provided by investing activities	177,439	459,857
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares repurchased and retired	(39,680)	(204,386)
Purchase of treasury shares	(18,001)	(10,343)
Repurchase of Series B preferred shares	(9,183)	—
Dividends paid to preferred shareholders	(3,259)	(3,982)
Dividends paid to common shareholders	(8,976)	(8,287)
Proceeds from exercise of stock options	167	381
Excess tax benefit from stock−based compensation	—	204
Net cash used in financing activities	(78,932)	(226,413)
Effect of exchange rate changes on cash and cash equivalents	79,752	23,291
Increase in cash and cash equivalents	100,519	379,215
Cash and cash equivalents, beginning of period	755,747	897,963
Cash and cash equivalents, end of period	$ 856,266	$ 1,277,178
Supplemental disclosures of cash flow information:		
Interest paid	$ 15,694	$ 17,278
Income taxes paid	$ 258,762	$ 105,292

See accompanying notes to consolidated financial statements.

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Basis of Presentation

Odyssey Re Holdings Corp. (together with its subsidiaries, the "Company" or "OdysseyRe") is an underwriter of reinsurance, providing a full range of property and casualty products on a worldwide basis, and an underwriter of specialty insurance, primarily in the United States and through the Lloyd's of London marketplace. Odyssey Re Holdings Corp. was formed as a holding company and incorporated in Delaware in 2001 in conjunction with its initial public offering. Odyssey Re Holdings Corp. owns all of the common shares of Odyssey America Reinsurance Corporation ("Odyssey America"), its principal operating subsidiary, which is domiciled in the state of Connecticut. Odyssey America directly or indirectly owns all of the common shares of the following subsidiaries: Clearwater Insurance Company ("Clearwater"); Clearwater Select Insurance Company; Newline Holdings U.K. Limited; Newline Underwriting Management Limited, which owns and manages Newline Syndicate 1218, a member of Lloyd's of London (collectively, "Newline"); Newline Insurance Company Limited ("NICL"); Hudson Insurance Company ("Hudson"); Hudson Specialty Insurance Company ("Hudson Specialty") and Napa River Insurance Services, Inc. As of June 30, 2009, Fairfax Financial Holdings Limited ("Fairfax"), a publicly traded financial services holding company based in Canada, owned 71.9% of OdysseyRe.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions have been eliminated. The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions, which could differ materially from actual results, that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Certain financial information and disclosures that are usually included in annual financial statements prepared in accordance with GAAP have been omitted since they are not required for interim reporting purposes. Readers should review the Company's 2008 Annual Report on Form 10−K for a more complete description of the Company's business and accounting policies. The Company's unaudited interim consolidated financial statements include all normal recurring adjustments that, in the Company's opinion, are required for a fair statement of its financial position on such dates, and the results of operations and cash flows for the periods presented. Certain amounts from prior periods have been reclassified to conform to the current year's presentations. The results for the six months ended June 30, 2009 are not necessarily indicative of the results for a full year.

In May 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 165, "Subsequent Events," to establish a standard for accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. Entities are required to disclose the date through which they have evaluated subsequent events. The Company adopted SFAS 165 as of June 30, 2009 and has evaluated all subsequent events through August 6, 2009, the date the financial statements were issued. See Note 15 to the consolidated financial statements for a discussion of subsequent events.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 157−4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," to provide additional guidance in estimating the fair value of assets and liabilities when the volume of activity has significantly decreased. The new standard requires additional disclosures to discuss interim and annual significant assumptions and valuation techniques used to determine the fair value of the assets and liabilities. FSP FAS 157−4 does not change the principles of fair value measurement in accordance with previously issued accounting standards, but instead enhances it to provide further guidance on inactive markets. The Company adopted FSP FAS 157−4 as of April 1, 2009. The adoption of FSP FAS 157−4 did not have an impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115−2 and 124−2, "Recognition and Presentation of Other−Than−Temporary Impairments," to provide additional guidance for the measurement of other−than−temporary impairments on debt securities classified as available−for−sale and held−to−maturity. This FSP requires entities to separate their other−than−temporary impairment charges on available−for−sale or held−to−maturity debt securities into credit and other components. An other−than−temporary impairment charge resulting from credit−related losses associated with an impaired debt security should be recorded to earnings, while an other−than−temporary impairment resulting from other factors (i.e., interest rates and market conditions) should be recognized in other comprehensive income. If an other−than−temporary impairment exists that is related to factors other than credit, and it is more likely than not that the Company will have to sell the security prior to recovery, the other−than−temporary impairment should be recorded in earnings. Additionally, this standard provides additional presentation and disclosure guidance for debt and equity securities. The adoption of FSP FAS 115−2 and 124−2, as of April 1, 2009, did not have an impact on consolidated shareholders' equity or net income.

In April 2009, the FASB issued FSP FAS 107−1 and APB 28−1, "Interim Disclosures about Fair Value of Financial Instruments," to require additional interim period disclosures regarding the fair value of financial instruments that are within the scope of SFAS 107, "Disclosures about Fair Value of Financial Instruments." Entities are required to disclose how the amounts in the disclosure relate to amounts in the balance sheet, the method used to determine the fair value and significant assumptions used in the valuation. The Company adopted FSP FAS 107−1 and APB 28−1 as of April 1, 2009, which had no impact on the Company's disclosures.

In June 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") 03−6−1 ("FSP EITF 03−6−1"), "Determining Whether Instruments Granted in Share−Based Payment Transactions are Participating Securities," which addresses whether instruments granted in share−based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two−class method described in SFAS 128, "Earnings per Share." FSP EITF 03−6−1 requires companies to treat unvested share−based payment awards that have non−forfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings per share. Under the Company's restricted share plan, the grantees have non−forfeitable rights to dividends before the vesting date and, accordingly, the restricted shares are participating securities. On January 1, 2009, the Company adopted FSP EITF 03−6−1 on a retrospective basis. The adoption of this FSP resulted in a reduction of diluted earnings per share to common shareholders of $0.04 and $0.01 for the six and three months ended June 30, 2008, respectively.

In May 2008, the FASB issued FSP Accounting Principles Bulletin 14−1 ("FSP APB 14−1"), "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)," to clarify the guidance related to convertible debt with options to settle partially or fully in cash. This statement does not change the accounting for convertible debt that does not offer a cash settlement feature, nor does it apply if the conversion feature is accounted for as an embedded derivative or for convertible preferred stock. On January 1, 2009, the Company adopted FSP APB 14−1 and applied it on a retrospective basis to the Company's convertible senior debentures issued in June 2002 (see Note 13 of the Company's 2008 Annual Report on Form 10−K). As of May 1, 2007, all of the convertible senior debentures had been either repurchased by the Company or converted into shares of the Company's common stock. The adoption of FSP APB 14−1 resulted in a cumulative increase, as of May 1, 2007, to additional paid−in capital and a corresponding decrease to retained earnings of $11.5 million.

In March 2008, the FASB issued SFAS 161, "Disclosures About Derivative Instruments and Hedging Activities," which requires additional disclosures for derivative and hedging activities. On January 1, 2009, the Company adopted the disclosure provisions of SFAS 161.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations," to replace SFAS 141, "Business Combinations." While several items from SFAS 141 were retained, including the acquisition method of accounting and the recognition of intangible assets separately from goodwill, SFAS 141(R) broadens its scope and establishes a definition of the acquirer and the acquisition date. In April 2009, the FASB issued FSP FAS 141(R)−1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies," to provide guidance on pre−acquisition contingencies with an immediate effective date. Under this FSP, acquirers must recognize a contingent asset or liability if the fair value of that asset or liability as of the acquisition date can be determined during the measurement period. The adoption of these pronouncements on January 1, 2009 did not have an impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS 160, “Non−controlling Interests in Consolidated Financial Statements,” which amends Accounting Research Bulletin 51, “Consolidated Financial Statements,” to establish accounting and reporting standards for the non−controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies the definition of a non−controlling interest and the proper accounting for that entity. The adoption of SFAS 160 on a prospective basis on January 1, 2009 did not have an impact on the Company’s consolidated financial statements.

In November 2008, the FASB ratified EITF 08−6, “Equity Method Investment Accounting Considerations,” to clarify the equity method of accounting and questions regarding the changes from current practices due to the adoption of SFAS 141(R) and SFAS 160. The adoption of EITF 08−6 on a prospective basis on January 1, 2009 did not have an impact on the Company’s consolidated financial statements.

2. Earnings Per Common Share

As discussed in Note 1 to the consolidated financial statements, the Company adopted FSP EITF 03−6−1 on January 1, 2009 on a retrospective basis.

The following table shows the allocation of net income as calculated in accordance with FSP EITF 03−6−1 for the six and three months ended June 30, 2009 and 2008 (in thousands, except share and per share amounts):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 117,340	$ 317,885	$ 123,131	$ 66,940
Preferred dividends	(2,670)	(3,687)	(1,334)	(1,774)
Gain on repurchase of Series B preferred shares	7,997	—	—	—
Net income available to common shareholders	$ 122,667	$ 314,198	$ 121,797	$ 65,166
Allocation of net income for basic earnings per share:				
Common shares	$ 120,950	$ 310,552	$ 120,074	$ 64,311
Participating securities	1,717	3,646	1,723	855
Net income available to common shareholders	$ 122,667	$ 314,198	$ 121,797	$ 65,166

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

Net income per common share for the six and three months ended June 30, 2009 and 2008 as presented in the following table has been computed based upon weighted average common shares outstanding (in thousands, except share and per share amounts):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income to common shares — basic	$ 120,950	$ 310,552	$ 120,074	$ 64,311
Undistributed earnings allocated to share based payments	531	1,154	414	234
Net income to common shares — diluted	$ 121,481	$ 311,706	$ 120,488	$ 64,545
Weighted average common shares outstanding — basic	59,150,960	66,435,956	58,929,288	64,832,570
Effect of dilutive shares:				
Stock options	69,357	138,879	65,885	136,638
Restricted shares	360,956	334,115	302,567	325,056
Total effect of dilutive shares	430,313	472,994	368,452	461,694
Weighted average common shares outstanding — diluted	59,581,273	66,908,950	59,297,740	65,294,264
Net earnings per common share:				
Basic	$ 2.04	$ 4.67	$ 2.04	$ 0.99
Diluted	2.04	4.66	2.03	0.99

In calculating diluted earnings per share, the Company is required to evaluate each stock option and restricted stock grant to determine if it is dilutive or antidilutive in nature. For the six and three months ended June 30, 2009, 131,721 and 325,719, respectively, existing stock options and restricted stock awards outstanding were excluded from the computation of weighted average common shares for diluted earnings per common share, due to the antidilutive effect. For the six and three months ended June 30, 2008, 319,323 and 414,518, respectively, existing stock options and restricted stock awards outstanding were excluded from the computation of weighted average common shares for diluted earnings per common share, due to the antidilutive effect.

Net income per participating security for the six and three months ended June 30, 2009 and 2008, as presented in the following table, has been computed based upon weighted average restricted shares outstanding (in thousands, except share and per share amounts):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income to participating securities — basic	$ 1,717	$ 3,646	$ 1,723	$ 855
Weighted average restricted stock outstanding — basic	845,144	779,925	849,766	862,916
Net earnings per participating security:				
Basic	$ 2.03	$ 4.67	$ 2.03	$ 0.99

3. Fair Value Measurements

SFAS 157, "Fair Value Measurements," defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The Company accounts for a significant portion of its financial instruments at fair value under various accounting literature, including SFAS 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140," SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115."

Fair Value Hierarchy

In accordance with SFAS 157, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three−level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Financial assets and liabilities recorded in the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1: Level 1 financial instruments are financial assets and liabilities for which the values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2: Level 2 financial instruments are financial assets and liabilities for which the values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non−active markets;

c) Pricing models, the inputs for which are observable for substantially the full term of the asset or liability; and

d) Pricing models, the inputs for which are derived principally from, or corroborated by, observable market data through correlation or other means, for substantially the full term of the asset or liability.

Level 3: Level 3 financial instruments are financial assets and liabilities, the values of which are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Company's own assumptions about the methodology and valuation techniques that a market participant would use in pricing the asset or liability.

The Company is responsible for determining the fair value of its investment portfolio by utilizing market driven fair value measurements obtained from active markets where available, by considering other observable and unobservable inputs and by employing valuation techniques that make use of current market data. For the majority of the Company's investment portfolio, the Company uses quoted prices and other information from independent pricing sources in determining fair values.

For determining the fair value of its Level 1 investments, (38.1% of total investments and cash as of June 30, 2009), the Company utilizes quoted market prices. The majority of the Company's Level 1 investments are common stocks that are actively traded in a public market. Most short−term investments and all cash equivalents, for which the cost basis approximates fair value, are also classified as Level 1 investments.

The Company's Level 2 investments, (55.8% of total investments and cash as of June 30, 2009), the majority of which are in government, corporate and municipal fixed income securities, are priced using publicly traded over−the−counter prices and broker−dealer quotes. Observable inputs such as benchmark yields, reported trades, broker−dealer quotes, issuer spreads and bids are available for these investments. For determining the fair value of credit default swaps, which are classified as Level 2, the Company utilizes broker−dealer quotes that include observable credit spreads. Also included in Level 2 are inactively traded convertible corporate debentures that are valued using a pricing model that includes observable inputs such as credit spreads and discount rates in the calculation. During the six months ended June 30, 2009, the Company transferred $47.8 million of Level 3 investments to Level 2 after determining that broker−dealer quotes were available to determine the fair value of the instruments.

The Company uses valuation techniques to establish the fair value of Level 3 investments (0.3% of the Company's total investments and cash as of June 30, 2009). To verify Level 3 pricing, the Company assesses the reasonableness of the fair values by comparison to economic pricing models, by reference to movements in credit spreads and by comparing the fair values to recent transaction prices for similar assets, where available. During the six months ended June 30, 2009, the Company purchased $19.2 million of investments that are classified as Level 3. As of June 30, 2009, the Company held $21.7 million of investments that are classified as Level 3. These Level 3 investments are valued using a discounted cash flow model, including unobservable inputs that are supported by limited market−based activity.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the beginning of the period in which the reclassifications occur. Despite current economic conditions and the liquidity concerns in the credit markets, the Company has determined, after carefully considering the impact of such conditions and concerns on the Company's portfolio, that it should not re−classify any of its investments from Level 1 or Level 2 to Level 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

The following tables present the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2009 and December 31, 2008 (in thousands):

	Asset Measured at Fair Value June 30, 2009	Fair Value Measurements as of June 30, 2009 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities, available for sale:				
United States government, government agencies and authorities.	$ 146,362	$ —	$ 146,362	$ —
States, municipalities and political subdivisions	2,450,334	—	2,450,334	—
Foreign governments	840,388	—	840,388	—
Corporate	450,399	—	450,399	—
Total fixed income securities, available for sale	3,887,483	—	3,887,483	—
Fixed income securities, held as trading securities:				
Foreign governments.	90,048	—	90,048	—
Residential mortgage−backed.	87,427	—	65,721	21,706
Corporate	386,972	—	386,972	—
Total fixed income securities, held as trading securities	564,447	—	542,741	21,706
Redeemable preferred stock, available for sale.	108	—	108	—
Common stocks, available for sale.	1,928,766	1,900,715	28,051	—
Short−term investments, available for sale	546,325	508,575	37,750	—
Cash equivalents.	667,522	667,522	—	—
Derivatives.	(1,172)	—	(1,172)	—
Other investments.	24,864	1,552	23,312	—
Total assets measured at fair value	$ 7,618,343	$ 3,078,364	$ 4,518,273	$ 21,706

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

	Asset Measured at Fair Value December 31, 2008	Fair Value Measurements as of December 31, 2008 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities, available for sale:				
United States government, government agencies and authorities	$ 353,709	$ —	$ 353,709	$ —
States, municipalities and political subdivisions	2,278,452	—	2,278,452	—
Foreign governments.	840,203	—	839,203	1,000
Corporate	121,914	—	121,914	—
Total fixed income securities, available for sale	3,594,278	—	3,593,278	1,000
Fixed income securities, held as trading securities:				
Foreign governments.	84,055	—	84,055	—
Residential mortgage−backed.	66,423	—	—	66,423
Corporate	187,731	—	187,731	—
Total fixed income securities, held as trading securities	338,209	—	271,786	66,423
Redeemable preferred stock, available for sale	115	7	108	—
Common stocks, available for sale	1,555,142	1,527,825	27,317	—
Short−term investments, available for sale	1,202,360	1,174,016	28,344	—
Cash equivalents	472,544	472,544	—	—
Derivatives	110,968	(68)	111,036	—
Other investments	27,693	1,552	26,141	—
Total assets measured at fair value	$ 7,301,309	$ 3,175,876	$ 4,058,010	$ 67,423

As of June 30, 2009 and December 31, 2008, the Company’s liabilities carried at fair value, which consisted entirely of derivative contract obligations classified as Level 2 liabilities, were $27.1 million and $0.1 million, respectively.

The following tables provide a summary of changes in the fair value of Level 3 financial assets for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,	Six Months Ended June 30, 2009	2008
	Held−for−trading Securities	Available−for−sale Securities	Available−for−sale Securities
Beginning balance	$ 66,423	$ 1,000	$ 9,147
Total realized investment (losses) gains included in net income	(2,588)	—	7,827
Purchases, issuances and settlements	5,658	(1,000)	(15,974)
Transfers from Level 3 to Level 2	(47,787)	—	—
Ending balance	$ 21,706	$ —	$ 1,000

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

	Three Months Ended June 30,	Three Months Ended 30,	
		2009	2008
	Held−for−trading Securities	Available−for−sale Securities	Available−for−sale Securities
Beginning balance	$ 29,093	$ 1,000	$ 1,000
Total realized investment gains included in net income	613	—	—
Purchases, issuances and settlements	(8,000)	(1,000)	—
Ending balance	$ 21,706	$ —	$ 1,000

For the six and three months ended June 30, 2008, there were no changes in fair value for any held−for−trading securities categorized as Level 3.

The following table presents realized investment gains (losses) included in net income related to Level 3 assets for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Net Realized Investment Gains (Losses) For the Six Months Ended June 30, 2009 Held−for−trading	Net Realized Investment Gains (Losses) For the Three Months Ended June 30, 2009 Held−for−trading	Net Realized Investment Gains For the Six Months Ended June 30, 2008 Available−for−sale
Realized investment gains related to securities sold	$ 4,099	$ 3,829	$ 7,827
Realized investment losses related to securities held	(6,687)	(3,216)	—
Total net realized investment (losses) gains relating to Level 3 assets	$ (2,588)	$ 613	$ 7,827

Fair Value Option

The Company adopted the provisions of SFAS 159 as of January 1, 2008. SFAS 159 provides a fair value option (“FVO”) election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in the fair value of assets and liabilities for which the election is made will be recognized in net income as they occur. SFAS 159 permits the FVO election on an instrument−by−instrument basis at initial recognition of an asset or liability or upon the occurrence of an event that gives rise to a new basis of accounting for that instrument.

The Company elected the FVO for its investment in Advent Capital (Holdings) PLC (“Advent”). Advent is publicly traded on a foreign stock exchange and its traded price is a better indicator of its value than its carrying value under the equity method. As of June 30, 2009, Fairfax owned 66.7% of the common stock of Advent, including 14.5% owned by the Company. The Company did not elect the FVO under SFAS 159 for any of its liabilities.

During the fourth quarter of 2007, the Company recognized an impairment adjustment to its investment in Advent, under the equity method of accounting, and wrote−down Advent’s value to its publicly traded fair value as of December 31, 2007. Accordingly, the Company’s election of the FVO under SFAS 159 had no effect on Advent’s carrying value or the Company’s shareholders’ equity as of January 1, 2008. Upon the election of SFAS 159 for Advent, the Company recorded a cumulative adjustment of $2.4 million, or $1.5 million net of tax, to reclassify foreign currency unrealized gains from the foreign currency translation account (included in accumulated other comprehensive income) to retained earnings as of January 1, 2008.

As of June 30, 2009, Advent is recorded at fair value of $12.1 million in other invested assets, with related changes in fair value recognized as a realized investment gain or loss in the period in which they occur. For the six and three months ended June 30, 2009, the change in fair value resulted in a realized investment loss of $2.2 million and a realized investment gain of $0.1 million, respectively. For the six and three months ended June 30, 2008, the change in fair value resulted in a realized investment loss of $3.6 million and $4.2 million, respectively. Advent's value as of June 30, 2009, calculated in accordance with the equity method of accounting, would have been $25.1 million.

4. Investments and Cash

A summary of the Company's investment portfolio as of June 30, 2009, excluding common stocks, at equity, other invested assets and fixed income securities held as trading securities, is as follows (in thousands):

	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Fixed income securities, available for sale:				
United States government, government agencies and authorities	$ 134,987	$ 13,077	$ 1,702	$ 146,362
States, municipalities and political subdivisions	2,241,915	214,097	5,677	2,450,335
Foreign governments	790,507	50,189	308	840,388
Corporate	368,680	82,759	1,041	450,398
Total fixed income securities, available for sale	3,536,089	360,122	8,728	3,887,483
Redeemable preferred stock	108	—	—	108
Common stocks, at fair value	1,773,151	227,282	71,667	1,928,766
Short−term investments	546,332	—	7	546,325
Cash and cash equivalents	856,266	—	—	856,266
Cash and cash equivalents held as collateral	12,813	—	—	12,813
Total	$ 6,724,759	$ 587,404	$ 80,402	$ 7,231,761

Common stocks accounted for under the equity method of accounting were carried at $139.7 million as of June 30, 2009, reflecting gross unrealized appreciation of $27.7 million and gross unrealized depreciation of $1.9 million. Other invested assets were carried at $154.1 million as of June 30, 2009, reflecting no gross unrealized appreciation or depreciation. Fixed income securities held as trading securities were carried at fair value of $564.4 million as of June 30, 2009, with changes in fair value reflected as realized investment gains or losses in the consolidated statements of operations. Fixed income securities held as trading securities include corporate, foreign government and mortgage−backed securities, with fair values of $387.0 million, $90.0 million and $87.4 million, respectively, as of June 30, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

A summary of the Company's investment portfolio as of December 31, 2008, excluding common stocks, at equity, other invested assets and fixed income securities held as trading securities, is as follows (in thousands):

	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Fixed income securities available for sale:				
United States government, government agencies and authorities	$ 303,859	$ 49,850	$ —	$ 353,709
States, municipalities and political subdivisions	2,209,040	93,467	24,055	2,278,452
Foreign governments	781,933	58,307	37	840,203
Corporate	134,394	1,373	13,853	121,914
Total fixed income securities available for sale	3,429,226	202,997	37,945	3,594,278
Redeemable preferred stock, at fair value	510	—	396	114
Common stocks, at fair value	1,628,611	55,578	129,047	1,555,142
Short−term investments, at fair value	1,202,366	—	6	1,202,360
Cash and cash equivalents	755,747	—	—	755,747
Cash and cash equivalents held as collateral	82,374	—	—	82,374
Total	$ 7,098,834	$ 258,575	$ 167,394	$ 7,190,015

Common stocks accounted for under the equity method of accounting were carried at $141.5 million as of December 31, 2008, reflecting gross unrealized appreciation of $26.6 million and gross unrealized depreciation of $2.1 million. Other invested assets were carried at $222.8 million as of December 31, 2008, reflecting no gross unrealized appreciation or gross unrealized depreciation. Fixed income securities held as trading securities were carried at fair value of $338.2 million as of December 31, 2008, with changes in fair value reflected as realized investment gains or losses in the consolidated statements of operations. Fixed income securities held as trading securities include corporate, foreign government securities, and mortgage−backed securities, with fair values of $187.7 million, $84.1 million and $66.4 million, respectively, as of December 31, 2008.

(a) Net Investment Income and Realized Investment Gains (Losses)

The following table sets forth the components of net investment income for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Interest on fixed income securities	$ 121,851	$ 98,305	$ 65,262	$ 50,228
Dividends on common stocks, at fair value	30,417	13,206	13,531	5,434
Net income of common stocks, at equity	1,535	587	2,337	587
Interest on cash and short−term investments	7,654	32,921	2,764	14,881
Other invested assets	9,701	15,965	14,538	6,048
Gross investment income	171,158	160,984	98,432	77,178
Less: investment expenses	8,933	19,895	4,581	11,186
Less: interest on funds held under reinsurance contracts	1,798	3,265	885	1,296
Net investment income	$ 160,427	$ 137,824	$ 92,966	$ 64,696

The following table sets forth the components of net realized investment gains and losses for the six months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30, 2009			Six Months Ended June 30, 2008		
	Gross Realized Investment Gains	Gross Realized Investment Losses	Net Realized Investment Gains (Losses)	Gross Realized Investment Gains	Gross Realized Investment Losses	Net Realized Investment Gains (Losses)
Fixed income securities, available for sale	$ 50,637	$ 10,332	$ 40,305	$ 112,970	$ 12,019	$ 100,951
Fixed income securities, held as trading securities	58,823	10,721	48,102	10,523	9,069	1,454
Preferred stock	—	394	(394)	—	529	(529)
Equity securities	15,293	123,992	(108,699)	10,471	39,959	(29,488)
Derivative securities	11,303	58,694	(47,391)	295,792	29,294	266,498
Other securities	69,282	45,369	23,913	65,054	35,315	29,739
Total	$ 205,338	$ 249,502	$ (44,164)	$ 494,810	$ 126,185	$ 368,625

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

The following table sets forth the components of net realized investment gains and losses for the three months ended June 30, 2009 and 2008 (in thousands):

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	Gross Realized Investment Gains	Gross Realized Investment Losses	Net Realized Investment Gains (Losses)	Gross Realized Investment Gains	Gross Realized Investment Losses	Net Realized Investment Gains (Losses)
Fixed income securities, available for sale	$ 46,877	$ 6,275	$ 40,602	$ 33,511	$ 4,976	$ 28,535
Fixed income securities, held as trading securities	52,803	(16,074)	68,877	7,421	4,735	2,686
Preferred stock	—	216	(216)	—	—	—
Equity securities	11,942	45,569	(33,627)	1,479	461	1,018
Derivative securities	(10,341)	51,716	(62,057)	43,718	23,519	20,199
Other securities	48,631	7,011	41,620	12,177	18,984	(6,807)
Total	$ 149,912	$ 94,713	$ 55,199	$ 98,306	$ 52,675	$ 45,631

Other−than−temporary write−downs of investments during the six months ended June 30, 2009 included in gross realized investment losses were $123.1 million related to equity securities, $3.4 million related to fixed income securities and $0.2 million related to preferred stocks. Other−than−temporary write−downs of investments during the six months ended June 30, 2008 included in gross realized investment losses were $35.7 million related to equity securities, $5.0 million related to fixed income securities and $0.5 million related to preferred stocks.

In accordance with FSP FAS 115−2 and 124−2, the Company evaluated its other−than−temporary impairment charges and determined that they were related to credit, requiring the recognition of an impairment charge to income, and not related to other factors (i.e., interest rates and market conditions) of the fixed income securities, which would have required charges to other comprehensive income.

(b) Unrealized Appreciation (Depreciation)

The following table sets forth the changes in unrealized net appreciation (depreciation) of investments, and the related tax effect, reflected in accumulated other comprehensive income for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Fixed income securities	$ 186,341	$ (94,570)	$ 75,808	$ (131,811)
Redeemable preferred stock	395	593	216	593
Equity securities	230,439	(16,787)	472,711	66,279
Short−term investments	(1)	—	(51)	—
Other invested assets	—	169	—	—
Increase (decrease) in unrealized net appreciation (depreciation) of investments	417,174	(110,595)	548,684	(64,939)
Deferred income tax (expense) benefit	(146,010)	38,708	(192,041)	22,729
Change in net unrealized appreciation (depreciation) of investments included in other comprehensive income	$ 271,164	$ (71,887)	$ 356,643	$ (42,210)

(c) Common Stocks, at Equity

Common stocks, at equity, totaled $139.7 million as of June 30, 2009 and $141.5 million as of December 31, 2008. The following table sets forth the components of common stocks, at equity, as of June 30, 2009 and December 31, 2008 (in thousands):

	June 30, 2009	December 31, 2008
TRG Holding Corporation	$ 74,358	$ 74,354
Fairfax Asia Limited	65,332	67,092
Other	27	27
Total common stocks, at equity	$ 139,717	$ 141,473

On June 4, 2009, the Company purchased additional shares of Fairfax Asia Limited (“Fairfax Asia”) at a cost of $1.0 million. For common stocks, at equity, as of June 30, 2009, the relative ownership held by the Company was 13.0% for TRG Holding Corporation (which is 100% owned by Fairfax) and 26.2% (economic) for Fairfax Asia (which is 100% owned by Fairfax).

(d) Derivative Investments and Short Sales

The Company has utilized, and may continue to utilize, credit default swaps, call options and warrants, total return swaps, interest rate options, forward currency contracts, futures contracts and short sales to manage against adverse changes in the values of assets and liabilities. These products are typically not linked to specific assets or liabilities on the consolidated balance sheets or a forecasted transaction and, therefore, do not qualify for hedge accounting. The following table sets forth the Company’s derivative positions, which are included in other invested assets or other liabilities in the consolidated balance sheets, as of June 30, 2009 and December 31, 2008, respectively (in thousands):

	June 30, 2009			December 31, 2008		
	Notional Amount	Cost	Fair Value Asset (Liability)	Notional Amount	Cost	Fair Value Asset (Liability)
Credit default swaps	$ 1,271,916	$ 20,583	$ 25,245	$ 1,782,868	$ 30,776	$ 82,843
Forward currency contracts	511,810	—	(27,003)	533,890	—	28,225
Warrants	163,116	5,318	703	163,116	5,577	1
Interest rate swaps	140,000	—	(116)	140,000	—	(33)
Future contracts	—	—	—	791,000	—	(68)
Call options	—	—	—	75,324	22	—

The Company holds credit default swaps, referenced to various issuers in the banking and insurance sectors of the financial services industry in the U.S. and worldwide, that serve as an economic hedge against declines in the fair value of investments and other corporate assets resulting from systemic financial and credit risk. Under a credit default swap, as the buyer, the Company agrees to pay to a specific counterparty, at specified periods, fixed premium amounts based on an agreed notional principal amount in exchange for protection against default by the issuers of specified referenced debt securities. The credit events, as defined by the respective credit default swap contracts, establishing the rights to recover amounts from the counterparties are comprised of ISDA−standard credit events, which are: bankruptcy, obligation acceleration, obligation default, failure to pay, repudiation/moratorium and restructuring. As of June 30, 2009, all credit default swap contracts held by the Company have been purchased from and entered into with either Citibank, N.A., Deutsche Bank AG or Barclays Bank PLC as the counterparty, with positions on certain covered risks with more than one of these counterparties. The Company obtains market−derived fair values for its credit default swaps from third−party providers, principally broker−dealers. The Company assesses the reasonableness of the fair values obtained from these providers by comparison to models validated by qualified personnel, by reference to movements in credit spreads and by comparing the fair values to recent transaction prices for similar credit default swaps, where available.

The initial premium paid for each credit default swap contract was recorded as a derivative asset and was subsequently adjusted for changes in the unrealized fair value of the contract at each balance sheet date. As these contracts do not qualify for hedge accounting, changes in the unrealized fair value of the contract were recorded as net realized investment gains (losses) in the Company's consolidated statements of operations and comprehensive income. Sales of credit default swap contracts during 2009 caused the Company to reverse through net realized investment gains (losses) any previously recorded unrealized fair value changes since the inception of the contract, and to record the actual amount of the final cash settlement. Derivative assets are reported gross, on a contract−by−contract basis, at fair value in other invested assets in the consolidated balance sheet. The sale, expiration or early settlement of a credit default swap will not result in a cash payment owed by the Company; rather, such an event can only result in a cash payment by a third party purchaser of the contract, or the counterparty, to the Company. Accordingly, there is no opportunity for netting of amounts owed in settlement. Cash receipts at the date of sale of the credit default swaps were recorded as cash flows from investing activities arising from net sales of assets and liabilities classified as held for trading.

The fair values of credit default swaps are subject to significant volatility, given potential differences in the perceived risk of default of the underlying issuers, movements in credit spreads and the length of time to the contracts' maturities. The fair value of the credit default swaps may vary dramatically either up or down in short periods, and their ultimate value may therefore only be known upon their disposition. Credit default swap transactions generally settle in cash. As a result of the appreciation in the fair value of the credit default swaps, counterparties to these transactions are required to place government securities as collateral, pursuant to the swap agreements. The fair value of this collateral as of June 30, 2009 was $7.8 million, of which the Company does not have the right to sell or repledge $1.9 million. The Company has not exercised the right to sell or repledge the remaining $5.9 million of this collateral. As the Company funds all of its obligations relating to these contracts upon initiation of the transaction, there are no requirements in these contracts for the Company to provide collateral. For the six months ended June 30, 2009, the Company sold a portion of its credit default swaps, which contributed to the decrease in the fair value of the portfolio to $25.2 million as of June 30, 2009, from $82.8 million as of December 31, 2008. The credit default swap portfolio has an average term to expiration of 2.0 years as of June 30, 2009, a decrease from 2.5 years as of December 31, 2008.

The Company has entered into forward currency contracts to manage its foreign currency exchange rate risk on a macro basis. Under a forward currency contract, the Company and the counterparty are obligated to purchase or sell an underlying currency at a specified price and time. Forward currency contracts are recorded at fair value in other liabilities as of June 30, 2009 and other invested assets as of December 31, 2008, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

The Company has investments in warrants, which are contracts that grant the holder the right, but not the obligation, to purchase an underlying financial instrument at a given price and time or at a series of prices and times. Warrants, which are included in other invested assets, are recorded at fair value, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

The Company has entered into interest rate swaps to protect it from adverse movements in interest rates. Under its current interest rate swap contracts, the Company receives a floating interest rate and pays a fixed interest rate based on the notional amounts in the contracts. Interest rate swaps are recorded in other invested assets or other liabilities based on their positive or negative fair value with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

In prior years, the Company had purchased equity index and common stock total return swaps as an “economic hedge” against a broad market downturn. During the fourth quarter of 2008, the Company removed the economic hedge on its portfolio, closing the swap contracts for a gain. Changes in the fair value are recorded as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

In connection with the total return swap transactions, the Company owned a series of index call options on Standard and Poor’s depository receipts (“SPDRs”) and the iShares Canadian S&P/TSX60 (XIU), the majority of which expired in 2008 and the last of which was closed out as of January 14, 2009. A call option gives the purchaser the right, but not the obligation, to purchase an underlying security at a specific price or prices at or for a certain time. The call options were recorded at fair value in other invested assets, and changes in the fair value were recorded as realized investment gains or losses in the consolidated statements of operations.

During 2008, the Company entered into Eurodollar futures contracts to manage its interest rate risk with respect to certain investments. During the first quarter of 2009, the Company closed the futures contracts. A futures contract is a variation of a forward contract, with some additional features, such as a clearinghouse guarantee against credit losses, a daily settlement of gains and losses, and trading on an organized electronic or floor trading facility. Futures contracts are entered either long or short. The Company had entered into the long position, which agrees to buy the underlying currency at the future date at the price agreed upon. As of December 31, 2008, futures contracts were recorded at fair value in other liabilities, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

The Company had short positions, primarily in equity securities, all of which were closed out during the second quarter of 2008. In connection with the short positions, the Company purchased a SPDR call option as protection against a decline in the value of the short positions. The call option was closed out on July 7, 2008. The call option was recorded at fair value in other invested assets in the consolidated balance sheets, and changes in the fair value were recorded as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

Counterparties to the derivative instruments expose the Company to credit risk in the event of non−performance. The Company believes this risk is low, given the diversification among various highly rated counterparties. The credit risk exposure is reflected in the fair value of the derivative instruments.

The net realized investment gains or losses on disposal in the table below represent the total gains or losses from the purchase dates of the investments and have been reported in net realized investment (losses) gains in the consolidated statements of operations. The change in fair value presented below consists of two components: i) the reversal of the gain or loss recognized in previous years on securities sold and ii) the change in fair value resulting from mark−to−market adjustments on contracts still outstanding. The following table sets forth the total net realized investment gains and losses on derivatives and short sales for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Credit default swaps:				
Net realized investment gain on disposal	$ 33,960	$ 247,057	$ 5,580	$ 34,662
Change in fair value	(47,406)	(74,744)	(22,097)	(29,783)
Net realized investment (loss) gain	(13,446)	172,313	(16,517)	4,879
Forward currency contracts:				
Net realized investment gain on disposal	21,506	—	21,506	—
Change in fair value	(55,228)	3,128	(67,225)	(1,447)
Net realized investment (loss) gain	(33,722)	3,128	(45,719)	(1,447)

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	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Warrants:				
Net realized investment loss on disposal	(237)	(590)	—	(657)
Change in fair value	961	(805)	678	(310)
Net realized investment gain (loss)	724	(1,395)	678	(967)
Interest rate swaps:				
Net realized investment loss on disposal	(589)	—	(414)	—
Change in fair value	(83)	—	(85)	—
Net realized investment loss	(672)	—	(499)	—
Futures:				
Net realized investment loss on disposal	(275)	—	—	—
Net realized investment loss	(275)	—	—	—
Call options:				
Net realized investment loss on disposal	—	(1,270)	—	(804)
Change in fair value	—	144	—	(11)
Net realized investment loss	—	(1,126)	—	(815)
Total return swaps:				
Net realized investment gain on disposal	—	58,918	—	45,049
Change in fair value	—	34,660	—	(26,500)
Net realized investment gain	—	93,578	—	18,549
Total derivatives:				
Net realized investment gain on disposal	54,365	304,115	26,672	78,250
Change in fair value	(101,756)	(37,617)	(88,729)	(58,051)
Net realized investment (loss) gain	$ (47,391)	$ 266,498	$ (62,057)	$ 20,199
Short positions:				
Net realized investment gain on disposal	—	14,472	—	7,306
Change in fair value	—	(1,635)	—	(12,022)
Total net realized investment gain (loss)	$ —	$ 12,837	$ —	$ (4,716)

(e) Assets on Deposit

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutes and regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. The Company utilizes trust funds in certain transactions where the trust funds are set up for the benefit of the ceding companies and generally take the place of letter of credit requirements. As of June 30, 2009, restricted assets totaled $908.4 million, with $833.2 million included in fixed income securities and the remaining balance of $75.2 million included in short−term investments, cash and cash equivalents. Of the $908.4 million of assets on deposit, $559.2 million was held for foreign regulatory requirements, which included $490.4 million in fixed income securities and $68.8 million in short−term investments, cash and cash equivalents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

5. Accumulated Other Comprehensive Income

The following table shows the components of the change in accumulated other comprehensive income, net of deferred income taxes, for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Beginning balance of unrealized net appreciation (depreciation) on securities	$ 75,166	$ 88,315	$ (10,313)	$ 58,638
Ending balance of unrealized net appreciation on securities	346,330	16,428	346,330	16,428
Current period change in unrealized net appreciation (depreciation) on securities	271,164	(71,887)	356,643	(42,210)
Beginning balance of foreign currency translation adjustments	10,716	8,138	9,385	32,237
Adjustment to beginning balance due to the adoption of SFAS 159 (Note 3)	—	(1,531)	—	—
Adjusted beginning balance of foreign currency translation adjustments	10,716	6,607	9,385	32,237
Ending balance of foreign currency translation adjustments	11,883	21,594	11,883	21,594
Current period change in foreign currency translation adjustments	1,167	14,987	2,498	(10,643)
Beginning balance of benefit plan liabilities	(3,461)	(11,430)	(3,461)	(11,284)
Adjustment to beginning balance due to the adoption of SFAS 158 (Note 11)	—	146	—	—
Adjusted beginning balance of benefit plan liabilities	(3,461)	(11,284)	(3,461)	(11,284)
Ending balance of benefit plan liabilities	(3,461)	(10,263)	(3,461)	(10,263)
Current period change in benefit plan liabilities	—	1,021	—	1,021
Other comprehensive income (loss)	$ 272,331	$ (55,879)	$ 359,141	$ (51,832)
Beginning balance of accumulated other comprehensive income (loss)	$ 82,421	$ 85,023	$ (4,389)	$ 79,591
Other comprehensive income (loss)	272,331	(55,879)	359,141	(51,832)
Effect of a change in accounting due to the adoption of SFAS 159 (Note 3)	—	(1,531)	—	—
Effect of a change in accounting due to the adoption of SFAS 158 (Note 11)	—	146	—	—
Change in accumulated other comprehensive income (loss)	272,331	(57,264)	359,141	(51,832)
Ending balance of accumulated other comprehensive income	$ 354,752	$ 27,759	$ 354,752	$ 27,759

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

The components of comprehensive income for the six and three months ended June 30, 2009 and 2008 are shown in the following table (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 117,340	$ 317,885	$ 123,131	$ 66,940
Other comprehensive income (loss), before tax:				
Unrealized net appreciation (depreciation) on securities arising during the period	362,729	(76,560)	561,749	(66,542)
Reclassification adjustment for realized investment gains (losses) included in net income	54,445	(34,035)	(13,065)	1,603
Foreign currency translation adjustments	1,795	23,057	3,842	(16,375)
Benefit plan liabilities	—	1,571	—	1,571
Other comprehensive income (loss), before tax	418,969	(85,967)	552,526	(79,743)
Tax (benefit) provision:				
Unrealized net appreciation (depreciation) on securities arising during the period	(126,954)	26,796	(196,613)	23,291
Reclassification adjustment for realized investment gains (losses) included in net income	(19,056)	11,912	4,572	(561)
Foreign currency translation adjustments	(628)	(8,070)	(1,344)	5,731
Benefit plan liabilities	—	(550)	—	(550)
Total tax (benefit) provision	(146,638)	30,088	(193,385)	27,911
Other comprehensive income (loss), net of tax	272,331	(55,879)	359,141	(51,832)
Comprehensive income	$ 389,671	$ 262,006	$ 482,272	$ 15,108

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

6. Unpaid Losses and Loss Adjustment Expenses

The following table sets forth the activity in the liability for unpaid losses and loss adjustment expenses for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Gross unpaid losses and loss adjustment expenses, beginning of period	$ 5,250,484	$ 5,119,085	$ 5,266,303	$ 5,140,553
Less: Ceded unpaid losses and loss adjustment expenses, beginning of period	690,171	643,509	689,208	628,096
Net unpaid losses and loss adjustment expenses, beginning of period	4,560,313	4,475,576	4,577,095	4,512,457
Add: Losses and loss adjustment expenses incurred related to:				
Current year	650,376	708,887	320,971	354,334
Prior years	(10,882)	3,417	932	5,720
Total losses and loss adjustment expenses incurred	639,494	712,304	321,903	360,054
Less: Paid losses and loss adjustment expenses related to:				
Current year	61,829	74,863	35,205	44,787
Prior years	524,757	541,764	256,715	250,147
Total paid losses and loss adjustment expenses	586,586	616,627	291,920	294,934
Effects of exchange rate changes	51,294	(12,314)	57,437	(18,638)
Net unpaid losses and loss adjustment expenses, end of period	4,664,515	4,558,939	4,664,515	4,558,939
Add: Ceded unpaid losses and loss adjustment expenses, end of period	739,213	644,121	739,213	644,121
Gross unpaid losses and loss adjustment expenses, end of period	$ 5,403,728	$ 5,203,060	$ 5,403,728	$ 5,203,060

Estimates of reserves for unpaid losses and loss adjustment expenses are contingent on many events that may or may not occur in the future. These events include changes in loss estimates arising from a variety of catastrophic events, hurricanes, windstorms and floods. The eventual outcome of these events may be different from the assumptions underlying the Company's reserve estimates. In the event that the business environment and loss trends diverge from expected trends, the Company may have to adjust its reserves accordingly, potentially resulting in adverse or favorable effects to the Company's financial results. The Company believes that the recorded estimate represents the best estimate of unpaid losses and loss adjustment expenses based on the information available as of June 30, 2009. The estimate is reviewed on a quarterly basis and the ultimate liability may be more or less than the amounts provided, for which any adjustments will be reflected in the periods in which they become known.

Net losses and loss adjustment expenses incurred related to the current year, as reflected in the table above, were $650.4 million for the six months ended June 30, 2009, a decrease of $58.5 million from $708.9 million for the six months ended June 30, 2008. This decrease was principally attributable to a reduction in loss exposure associated with a decline in net premiums earned of $76.5 million, to $950.5 million for the six months ended June 30, 2009, from $1.03 billion for the six months ended June 30, 2008. In addition, current year property catastrophe losses declined $14.0 million, to $62.9 million for the six months ended June 30, 2009, from $76.9 million for the six months ended June 30, 2008. For the six months ended June 30, 2009, the current year property catastrophe losses included $50.0 million related to Windstorm Klaus. For the six months ended June 30, 2008, the current year property catastrophe losses included $29.1 million related to the China winter storm, $13.0 million related to Windstorm Emma, $11.3 million related to Australia floods and $9.0 million related to the China earthquake.

Net losses and loss adjustment expenses incurred related to prior years decreased $10.9 million for the six months ended June 30, 2009, and increased $3.4 million for the six months ended June 30, 2008. The decrease in prior period losses and loss adjustment expenses for the six months ended June 30, 2009 was attributable to reduced loss estimates due to loss emergence lower than expectations in the period on business written in the EuroAsia, London Market and U.S. Insurance divisions. The increase in prior period losses and loss adjustment expenses for the six months ended June 30, 2008 was attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas and EuroAsia divisions.

Net losses and loss adjustment expenses incurred related to the current year, as reflected in the table above, were $321.0 million for the three months ended June 30, 2009, a decrease of $33.3 million from $354.3 million for the three months ended June 30, 2008. This decrease was principally attributable to a reduction in loss exposure associated with a decline in net premiums earned of $35.0 million, to $480.5 million for the three months ended June 30, 2009, from $515.5 million for the three months ended June 30, 2008. In addition, current year property catastrophe losses declined $23.9 million, to $15.2 million for the three months ended June 30, 2009, from $39.1 million for the three months ended June 30, 2008. For the three months ended June 30, 2009, the current year property catastrophe losses included $6.1 million related to Windstorm Klaus. For the three months ended June 30, 2008, the current year property catastrophe losses included $19.1 million related to the China winter storm and $9.0 million related to the China earthquake.

Net losses and loss adjustment expenses incurred related to prior years increased $0.9 million for the three months ended June 30, 2009, and $5.7 million for the three months ended June 30, 2008. The increase in prior period losses and loss adjustment expenses for the three months ended June 30, 2009 was attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas division. The increase in prior period losses and loss adjustment expenses for the three months ended June 30, 2008 was attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas, EuroAsia and U.S. Insurance divisions.

Ceded unpaid losses and loss adjustment expenses were $739.2 million and $644.1 million as of June 30, 2009 and 2008, respectively. The increase in ceded unpaid losses and loss adjustment expenses was principally attributable to a $77.1 million increase in unpaid reinsurance recoverables related to property catastrophe events.

The Company uses tabular reserving for workers' compensation indemnity reserves, which are considered to be fixed and determinable, and discounts such reserves using an interest rate of 3.5%. Losses have been discounted using the Life Table for Total Population: United States, 2004. Reserves reported at the discounted value were $116.0 million and $118.2 million as of June 30, 2009 and December 31, 2008, respectively. The amount of case reserve discount was $55.5 million and $55.6 million as of June 30, 2009 and December 31, 2008, respectively. The amount of incurred but not reported reserve discount was $21.8 million and $24.0 million as of June 30, 2009 and December 31, 2008, respectively.

7. Asbestos and Environmental Losses and Loss Adjustment Expenses

The Company has exposure to losses from asbestos, environmental pollution and other latent injury damage claims. Net unpaid asbestos and environmental losses and loss adjustment expenses as of June 30, 2009 were

$246.4 million, representing 5.3% of total net unpaid losses and loss adjustment expenses, compared to $260.3 million, or 5.7% of total net unpaid losses and loss adjustment expenses as of December 31, 2008. Exposure arises from reinsurance contracts written by Clearwater prior to 1986 under which the Company has assumed liabilities, on an indemnity or assumption basis, from ceding companies, primarily in connection with general liability insurance policies issued by such ceding companies. The Company's estimate of its ultimate liability for these exposures includes "case basis" reserves and a provision for liabilities incurred but not reported. Case basis reserves are a combination of reserves reported to the Company by ceding companies and additional case reserves determined by the Company. The provision for liabilities incurred but not reported is established based on an annual review of the Company's experience and external trends in reported loss and claim payments, with monitoring of emerging experience on a quarterly basis.

Estimation of ultimate asbestos and environmental liabilities is unusually complex due to several factors resulting from the long period between exposure and manifestation of these claims. This lag can complicate the identification of the sources of asbestos and environmental exposure, the verification of coverage and the allocation of liability among insurers and reinsurers over multiple years. This lag also exposes the claim settlement process to changes in underlying laws and judicial interpretations. There continues to be substantial uncertainty regarding the ultimate number of insureds with injuries resulting from these exposures.

In addition, other issues have emerged regarding asbestos exposure that have further impacted the ability to estimate ultimate liabilities for this exposure. These issues include an increasingly aggressive plaintiffs' bar, an increased involvement of defendants with peripheral exposure, the use of bankruptcy filings due to asbestos liabilities as an attempt to resolve these liabilities to the disadvantage of insurers, the concentration of litigation in venues favorable to plaintiffs, and the potential of asbestos litigation reform at the state or federal level.

The Company's reserves for asbestos and environmental−related liabilities displayed below are from business written prior to 1986. The Company's asbestos and environmental reserve development, gross and net of reinsurance, for the six and three months ended June 30, 2009 and 2008, is set forth in the table below (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Asbestos				
Gross unpaid losses and loss adjustment expenses, beginning of period	$ 360,733	$ 339,271	$ 349,151	$ 326,243
Add: Gross losses and loss adjustment expenses incurred	—	23,322	—	12,622
Less: Gross calendar year paid losses and loss adjustment expenses	18,251	29,666	6,669	5,938
Gross unpaid losses and loss adjustment expenses, end of period	$ 342,482	$ 332,927	$ 342,482	$ 332,927
Net unpaid losses and loss adjustment expenses, beginning of period	$ 230,486	$ 222,426	$ 224,897	$ 212,081
Add: Net losses and loss adjustment expenses incurred	—	6,000	—	2,000
Less: Net calendar year paid losses and loss adjustment expenses	10,151	18,738	4,562	4,393
Net unpaid losses and loss adjustment expenses, end of period	$ 220,335	$ 209,688	$ 220,335	$ 209,688

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Environmental				
Gross unpaid losses and loss adjustment expenses, beginning of period	$ 34,242	$ 41,984	$ 29,763	$ 41,408
Add: Gross losses and loss adjustment expenses incurred	—	—	—	—
Less: Gross calendar year paid losses and loss adjustment expenses	5,140	2,167	661	1,591
Gross unpaid losses and loss adjustment expenses, end of period	$ 29,102	$ 39,817	$ 29,102	$ 39,817
Net unpaid losses and loss adjustment expenses, beginning of period	$ 29,819	$ 34,485	$ 26,704	$ 33,909
Add: Net losses and loss adjustment expenses incurred	—	—	—	—
Less: Net calendar year paid losses and loss adjustment expenses	3,725	1,951	610	1,375
Net unpaid losses and loss adjustment expenses, end of period	$ 26,094	$ 32,534	$ 26,094	$ 32,534

The Company did not incur net losses and loss adjustment expenses related to asbestos or environmental claims for the six months ended June 30, 2009. Net losses and loss adjustment expenses incurred for asbestos claims increased $6.0 million for the six months ended June 30, 2008, due to loss emergence greater than expectations in the period. The Company did not incur net losses and loss adjustment expenses related to environmental claims for the six months ended June 30, 2008.

The Company did not incur net losses and loss adjustment expenses related to asbestos or environmental claims for the three months ended June 30, 2009. Net losses and loss adjustment expenses incurred for asbestos claims increased $2.0 million for the three months ended June 30, 2008, due to loss emergence greater than expectations in the period. The Company did not incur net losses and loss adjustment expenses related to environmental claims for the three months ended June 30, 2008.

The Company's survival ratio for asbestos and environmental−related liabilities as of June 30, 2009 is seven years. The Company's underlying survival ratio for asbestos−related liabilities is eight years and for environmental−related liabilities is four years. The asbestos and environmental−related liability survival ratio represents the asbestos and environmental reserves, net of reinsurance, on June 30, 2009, divided by the average paid asbestos and environmental claims for the last three years of $34.7 million, which are net of reinsurance. Our survival ratios may fluctuate over time due to the variability of large payments and adjustments to liabilities.

8. Debt Obligations and Common Shares

Debt Obligations

The components of the Company’s debt obligations as of June 30, 2009 and December 31, 2008 were as follows (in thousands):

	June 30, 2009	December 31, 2008
7.65% Senior Notes due 2013	$ 224,812	$ 224,790
6.875% Senior Notes due 2015	124,528	124,488
Series A Floating Rate Senior Debentures due 2021	50,000	50,000
Series B Floating Rate Senior Debentures due 2016	50,000	50,000
Series C Floating Rate Senior Debentures due 2021	40,000	40,000
Total debt obligations	$ 489,340	$ 489,278

On November 28, 2006, the Company completed the private sale of $40.0 million aggregate principal amount of floating rate senior debentures, series C, due December 15, 2021 (the “Series C Notes”). Interest on the Series C Notes accrues at a rate per annum equal to the three−month London Interbank Offer Rate (“LIBOR”), reset quarterly, plus 2.50%, and is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. The Company has the option to redeem the Series C Notes at par, plus accrued and unpaid interest, in whole or in part on any interest payment date on or after December 15, 2011. For the six months ended June 30, 2009 and 2008, the average annual interest rate on the Series C Notes was 4.05% and 6.20%, respectively.

On February 22, 2006, the Company issued $100.0 million aggregate principal amount of floating rate senior debentures, pursuant to a private placement. The net proceeds from the offering, after fees and expenses, were $99.3 million. The debentures were sold in two tranches: $50.0 million of series A, due March 15, 2021 (the “Series A Notes”), and $50.0 million of series B, due March 15, 2016 (the “Series B Notes”). Interest on each series of debentures is due quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. The interest rate on each series of debentures is equal to the three−month LIBOR, reset quarterly, plus 2.20%. The Series A Notes are callable by the Company on any interest payment date on or after March 15, 2011 at their par value, plus accrued and unpaid interest, and the Series B Notes are callable by the Company on any interest payment date on or after March 15, 2009 at their par value, plus accrued and unpaid interest. For the six months ended June 30, 2009 and 2008, the average annual interest rate on each series of notes was 3.74% and 5.90%, respectively.

During the second quarter of 2005, the Company issued $125.0 million aggregate principal amount of senior notes due May 1, 2015. The issue was sold at a discount of $0.8 million, which is being amortized over the life of the notes. Interest accrues on the senior notes at a fixed rate of 6.875% per annum, which is due semi−annually on May 1 and November 1.

During the fourth quarter of 2003, the Company issued $225.0 million aggregate principal amount of senior notes due November 1, 2013. The issue was sold at a discount of $0.4 million, which is being amortized over the life of the notes. Interest accrues on the senior notes at a fixed rate of 7.65% per annum, which is due semi−annually on May 1 and November 1.

As of June 30, 2009, the aggregate maturities of the Company's debt obligations, at face value, were as follows (in thousands):

Year	Amount
2013	$ 225,000
2015	125,000
2016	50,000
2021	90,000
Total	$ 490,000

As of both June 30, 2009 and December 31, 2008, the amortized cost of the Company's debt obligations was $489.3 million, as reflected in the respective consolidated balance sheets. As of June 30, 2009 and December 31, 2008, the estimated fair value of the Company's debt obligations was $458.9 million and $407.0 million, respectively. The estimated fair value is based on quoted market prices of the Company's debt, where available, and for debt similar to the Company's, and discounted cash flow calculations.

On July 13, 2007, the Company entered into a $200.0 million credit facility (the "Credit Agreement") with Wachovia Bank National Association ("Wachovia"), Keybank National Association and a syndicate of lenders. Wachovia's parent corporation was acquired by Wells Fargo & Company, effective December 31, 2008. The Credit Agreement provides for a five−year credit facility of $200.0 million, $100.0 million of which is available for direct, unsecured borrowings by the Company, and all of which is available for the issuance of secured letters of credit. The Credit Agreement contains an option that permits the Company to request an increase in the aggregate amount of the facility by an amount up to $100.0 million, to a maximum facility size of $300.0 million. Following such a request, each lender has the right, but not the obligation, to commit to all or a portion of the proposed increase. The Credit Agreement is for working capital and other corporate purposes, including the issuance of letters of credit to support the insurance and reinsurance business of the Company. As of June 17, 2009, the Credit Agreement was amended to explicitly permit the Company to pledge collateral to secure its obligations under swap agreements, subject to certain financial limitations, in the event that such collateral is required by the counterparty or counterparties.

As of June 30, 2009, there was $56.5 million outstanding under the Credit Agreement, all of which was in support of letters of credit. Loans under the Credit Agreement bear interest at a fluctuating rate per annum equal to the higher of (a) the federal funds rate plus 0.5%, and (b) Wachovia's publicly announced prime rate. Alternatively, at the Company's option, loans bear interest at the LIBOR, which is the offered rate that appears on the page of the Telerate screen that displays an average British Bankers Association Interest Settlement Rate for deposits in dollars, plus 0.55%, which additional percentage may be adjusted if the Company's debt rating changes.

In December 2008, the Company entered into interest rate swaps, with an aggregate notional value of $140.0 million, to protect it from adverse movements in interest rates. Under these swap contracts, the Company receives a floating interest rate of three−month LIBOR and pays a fixed interest rate of 2.49% on the $140.0 million notional value of the contracts, for a five−year period ending in December 2013.

Common Shares

The Company's Board of Directors authorized a share repurchase program whereby the Company is authorized to repurchase shares of its common stock on the open market from time to time through December 31, 2009, up to an aggregate repurchase price of $600.0 million. Shares repurchased under the program are retired. Depending on market conditions and other factors, these repurchases may be commenced or suspended at any time, or from time to time, without prior notice. During the six months ended June 30, 2009, the Company repurchased and retired 1,182,800 shares of its common stock, at a cost of $47.5 million and an average purchase price of $40.17 per share. From the inception of the program through June 30, 2009, the Company has repurchased and retired

13,300,545 shares of its common stock at a total cost of $493.4 million. See also Note 15 for a discussion of additional common stock purchases subsequent to June 30, 2009.

Preferred Shares

During the first quarter of 2009, Odyssey America purchased 704,737 shares of the Company's Series B preferred shares, with a liquidation preference of $17.2 million, for $9.2 million. As a result of the purchase of the Series B preferred shares, the Company recorded a gain of $8.0 million during the six months ended June 30, 2009, which was reflected in the Company's retained earnings and included in net income available to common shareholders.

9. Segment Reporting

The Company's operations are managed through four operating divisions: Americas, EuroAsia, London Market and U.S. Insurance. The Americas division is comprised of the Company's reinsurance operations in the United States, Canada and Latin America, and writes property and casualty business on a treaty and facultative basis. The EuroAsia division writes treaty reinsurance business. The London Market division operates through three distribution channels: Newline at Lloyd's and NICL, which focus on casualty insurance, and the London branch of Odyssey America, which focuses on worldwide property and casualty reinsurance. The U.S. Insurance division writes specialty insurance lines and classes of business, such as medical professional liability, professional liability and commercial automobile.

The financial results of these divisions for the six and three months ended June 30, 2009 and 2008 are as follows (in thousands):

Six Months Ended June 30, 2009	Americas	EuroAsia	London Market	U.S. Insurance	Total
Gross premiums written	$ 385,685	$ 291,202	$ 147,875	$ 241,546	$ 1,066,308
Net premiums written	377,614	278,122	113,692	169,358	938,786
Net premiums earned	$ 395,914	$ 278,490	$ 116,113	$ 159,972	$ 950,489
Losses and loss adjustment expenses	256,637	203,624	73,035	106,198	639,494
Acquisition costs and other underwriting expenses	124,173	68,717	33,286	51,799	277,975
Total underwriting deductions	380,810	272,341	106,321	157,997	917,469
Underwriting income	$ 15,104	$ 6,149	$ 9,792	$ 1,975	33,020
Net investment income					160,427
Net realized investment losses					(44,164)
Other income, net					11,251
Interest expense					(15,903)
Income before income taxes					$ 144,631
Underwriting ratios:					
Losses and loss adjustment expenses	64.8%	73.1%	62.9%	66.4%	67.3%
Acquisition costs and other underwriting expenses	31.4	24.7	28.7	32.4	29.2
Combined ratio	96.2%	97.8%	91.6%	98.8%	96.5%

Six Months Ended June 30, 2008	Americas	EuroAsia	London Market	U.S. Insurance	Total
Gross premiums written	$ 364,174	$ 340,456	$ 180,273	$ 258,809	$ 1,143,712
Net premiums written	357,231	327,473	140,531	196,067	1,021,302
Net premiums earned	$ 378,097	$ 299,637	$ 147,362	$ 201,870	$ 1,026,966
Losses and loss adjustment expenses	249,494	235,848	90,691	136,271	712,304
Acquisition costs and other underwriting expenses	124,301	77,862	42,011	55,414	299,588
Total underwriting deductions	373,795	313,710	132,702	191,685	1,011,892
Underwriting income (loss)	$ 4,302	$ (14,073)	$ 14,660	$ 10,185	15,074
Net investment income					137,824
Net realized investment gains					368,625
Other expense, net					(19,210)
Interest expense					(17,437)
Income before income taxes					$ 484,876
Underwriting ratios:					
Losses and loss adjustment expenses	66.0%	78.7%	61.5%	67.5%	69.4%
Acquisition costs and other underwriting expenses	32.9	26.0	28.5	27.5	29.1
Combined ratio	98.9%	104.7%	90.0%	95.0%	98.5%

Three Months Ended June 30, 2009	Americas	EuroAsia	London Market	U.S. Insurance	Total
Gross premiums written	$ 190,388	$ 130,885	$ 74,933	$ 115,182	$ 511,388
Net premiums written	186,917	124,536	61,205	87,149	459,807
Net premiums earned	$ 200,711	$ 140,275	$ 61,689	$ 77,796	$ 480,471
Losses and loss adjustment expenses	139,262	92,949	38,374	51,318	321,903
Acquisition costs and other underwriting expenses	63,649	34,037	17,886	26,294	141,866
Total underwriting deductions	202,911	126,986	56,260	77,612	463,769
Underwriting (loss) income	$ (2,200)	$ 13,289	$ 5,429	$ 184	16,702
Net investment income					92,966
Net realized investment gains					55,199
Other income, net					15,453
Interest expense					(7,818)
Income before income taxes					$ 172,502
Underwriting ratios:					
Losses and loss adjustment expenses	69.4%	66.3%	62.2%	66.0%	67.0%
Acquisition costs and other underwriting expenses	31.7	24.2	29.0	33.8	29.5
Combined ratio	101.1%	90.5%	91.2%	99.8%	96.5%

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

Three Months Ended June 30, 2008	Americas	EuroAsia	London Market	U.S. Insurance	Total
Gross premiums written	$ 174,580	$ 182,509	$ 79,215	$ 129,854	$ 566,158
Net premiums written	171,968	176,625	56,464	98,425	503,482
Net premiums earned	$ 181,701	$ 156,361	$ 70,689	$ 106,787	$ 515,538
Losses and loss adjustment expenses	118,140	124,861	42,518	74,535	360,054
Acquisition costs and other underwriting expenses	59,523	40,835	21,309	26,999	148,666
Total underwriting deductions	177,663	165,696	63,827	101,534	508,720
Underwriting income (loss)	$ 4,038	$ (9,335)	$ 6,862	$ 5,253	6,818
Net investment income					64,696
Net realized investment gains					45,631
Other expense, net					(8,114)
Interest expense					(8,394)
Income before income taxes					$ 100,637
Underwriting ratios:					
Losses and loss adjustment expenses	65.0%	79.9%	60.2%	69.8%	69.8%
Acquisition costs and other underwriting expenses	32.8	26.1	30.1	25.3	28.9
Combined ratio	97.8%	106.0%	90.3%	95.1%	98.7%

10. Commitments and Contingencies

On September 7, 2005, the Company announced that it had been advised by Fairfax, the Company's majority shareholder, that Fairfax had received a subpoena from the Securities and Exchange Commission ("SEC") requesting documents regarding any non−traditional insurance and reinsurance transactions entered into or offered by Fairfax and any of its affiliates, which included OdysseyRe. On June 25, 2009, the Company announced that Fairfax has been informed by the New York Regional Office of the SEC that its investigation as to Fairfax has been completed, and that it does not intend to recommend any enforcement action by the SEC.

On February 8, 2007, the Company was added as a co−defendant in an amended and consolidated complaint in an existing action against the Company's majority shareholder, Fairfax, and certain of Fairfax's officers and directors, who include certain of the Company's current and former directors. The amended and consolidated complaint has been filed in the United States District Court for the Southern District of New York by the lead plaintiffs, who seek to represent a class of all purchasers and acquirers of securities of Fairfax between May 21, 2003 and March 22, 2006, inclusive, and allege, among other things, that the defendants violated U.S. federal securities laws by making material misstatements or failing to disclose certain material information. The amended and consolidated complaint seeks, among other things, certification of the putative class, unspecified compensatory damages, unspecified injunctive relief, reasonable costs and attorneys' fees and other relief. These claims are at a preliminary stage. Pursuant to the scheduling stipulations, the various defendants filed their respective motions to dismiss the amended and consolidated complaint, the lead plaintiffs filed their opposition thereto, and the defendants filed their replies to those oppositions; the motions to dismiss were argued before the Court in December 2007. The Court has not yet issued a ruling on these motions. The Company intends to vigorously defend against the allegations. At this early stage of the proceedings, it is not possible to make any determination regarding the likely outcome of this matter.

In July 2006, Fairfax, the Company's majority shareholder, filed a lawsuit in the Superior Court, Morris County, New Jersey, seeking damages from a number of defendants who, the complaint alleges, participated in a stock market manipulation scheme involving Fairfax shares, and the complaint was subsequently amended to add additional allegations and two defendants. In January 2008, two of these defendants filed a counterclaim against Fairfax and a third party complaint against, among others, OdysseyRe and certain of its directors. Those counterclaims and third−party claims were voluntarily withdrawn in March 2008. In September 2008, the same two defendants filed an amended counterclaim and third−party complaint that again named OdysseyRe and certain directors as defendants. The complaint alleges, among other things, claims of racketeering, intentional infliction of emotional distress, tortious interference with economic advantage and other torts, and seeks unspecified compensatory and punitive damages and other relief. OdysseyRe denies the allegations and intends to vigorously defend against these claims. OdysseyRe has not yet responded to the complaint, and the timing of that response has not been set. At this early stage of the proceedings, it is not possible to make any determination regarding the likely outcome of this matter.

The Company participates in Lloyd's through its 100% ownership of Newline, through which the Company provides 100% of the capacity for Newline Syndicate 1218 ("Syndicate 1218"). The results of Syndicate 1218 are consolidated in the financial statements of the Company. In support of Syndicate 1218's capacity at Lloyd's, Odyssey America has pledged securities and cash with a fair value of $222.9 million as of June 30, 2009 in a deposit trust account in favor of the Society and Council of Lloyd's. These securities may be substituted with other securities at the discretion of the Company, subject to approval by Lloyd's. The securities are carried at fair value and are included in investments and cash in the Company's consolidated balance sheets. Interest earned on the securities is included in investment income. The pledge of assets in support of Syndicate 1218 provides the Company with the ability to participate in writing business through Lloyd's, which remains an important part of the Company's business. The pledged assets effectively secure the contingent obligations of Syndicate 1218 should it not meet its obligations. Odyssey America's contingent liability to the Society and Council of Lloyd's is limited to the aggregate amount of the pledged assets. The Company has the ability to remove funds at Lloyd's annually, subject to certain minimum amounts required to support outstanding liabilities as determined under risk−based capital models and approved by Lloyd's. The funds used to support outstanding liabilities are adjusted annually and the obligations of the Company to support these liabilities will continue until they are settled or the liabilities are reinsured by a third party approved by Lloyd's. The Company expects to continue to actively operate Syndicate 1218 and support its requirements at Lloyd's. The Company believes that Syndicate 1218 maintains sufficient liquidity and financial resources to support its ultimate liabilities and the Company does not anticipate that the pledged assets will be utilized.

As of July 14, 2000, Odyssey America agreed to guarantee the performance of all the insurance and reinsurance contract obligations, whether incurred before or after the agreement, of Compagnie Transcontinentale de Réassurance ("CTR"), a subsidiary of Fairfax, in the event CTR became insolvent and CTR was not otherwise indemnified under its guarantee agreement with a Fairfax affiliate. The guarantee, which was entered into while Odyssey America and CTR were each 100% owned by Fairfax, was provided by Odyssey America to facilitate the transfer of renewal rights to CTR's business, together with certain CTR employees, to Odyssey America in 2000 in order to further expand the Company's international reinsurance business. The guarantee was terminated effective December 31, 2001. There were no amounts received from CTR under the guarantee, and the Company did not provide any direct consideration for the renewal rights to the business of CTR. CTR was dissolved and its assets and liabilities were assumed by subsidiaries of Fairfax that have the responsibility for the run−off of its liabilities. Although CTR's liabilities were assumed by Fairfax subsidiaries, the guarantee only pertains to those liabilities attaching to the policies written by CTR. Fairfax has agreed to indemnify Odyssey America for all its obligations incurred under its guarantee. The Company believes that the financial resources of the Fairfax subsidiaries that have assumed CTR's liabilities provide adequate protection to satisfy the obligations that are subject to this guarantee. The Company does not expect to make payments under this guarantee and does not consider its potential exposure under this guarantee to be material to its consolidated financial position.

Odyssey America agreed, as of April 1, 2002, to guarantee the payment of all of the insurance contract obligations (the "Subject Contracts"), whether incurred before or after the agreement, of Falcon Insurance Company (Hong Kong) Limited ("Falcon"), a subsidiary of Fairfax Asia Limited ("Fairfax Asia"), in the event Falcon becomes insolvent. Fairfax Asia is 100% owned by Fairfax, which includes a 26.2% economic interest owned by the Company. The guarantee by Odyssey America was made to assist Falcon in writing business through access to Odyssey America's financial strength ratings and capital resources. Odyssey America is paid a fee for this guarantee of one percent of all gross premiums earned associated with the Subject Contracts on a quarterly basis. For the six month periods ended June 30, 2009 and 2008, Falcon paid $0.1 million and $0.2 million, respectively, to Odyssey America in connection with this guarantee. Odyssey America's potential exposure in connection with this agreement is estimated to be $43.9 million, based on Falcon's loss reserves at June 30, 2009. Falcon's shareholders' equity on a U.S. GAAP basis is estimated to be $49.8 million as of June 30, 2009. Fairfax has agreed to indemnify Odyssey America for any obligation under this guarantee. The Company believes that the financial resources of Falcon provide adequate protection to support its liabilities in the ordinary course of business. The Company anticipates that Falcon will meet all of its obligations in the normal course of business and does not expect to make any payments under this guarantee. The Company does not consider its potential exposure under this guarantee to be material to its consolidated financial position.

The Company organized O.R.E Holdings Limited ("ORE"), a corporation domiciled in Mauritius, on December 30, 2003 to act as a holding company for various investments in India. On January 29, 2004, ORE was capitalized by the Company in the amount of $16.7 million. ORE is consolidated in the Company's consolidated financial statements. During 2004, ORE entered into a joint venture agreement relating to the purchase by ORE of 45% of the shares of Cheran Enterprises Private Limited ("CEPL"). CEPL is a corporation domiciled in India, engaged in the purchase, development and sale of commercial real estate properties. The joint venture agreement governing CEPL contains a provision whereby Odyssey America could have been called upon to provide a guarantee of a credit facility, if such a facility had been established by CEPL, in an amount up to $65.0 million for the funding of proposed developments. The credit facility was never established, and the requisite conditions for any future provision of the guarantee no longer exist. ORE's Indian joint venture partner claimed that the guarantee should be available and pursued legal actions against the Company. The Company found this claim without merit and vigorously defended the legal actions. On August 13, 2008, the Company Law Board in Chennai, India ruled in ORE's favor and directed CEPL to return to ORE the full amount of its investment in CEPL, plus 8% interest, within the one−year period commencing November 1, 2008. As of June 30, 2009, the Company had written down the value of its investment in ORE by $9.9 million. The carrying value of the Company's investment in ORE as of both June 30, 2009 and December 31, 2008 was $6.7 million. Because no payment of the award has yet been received and collection may require additional legal action on the part of ORE, the Company has taken no steps to reverse the write−downs that have been taken to date. The Company continues to vigorously pursue collection of the award.

The Company and its subsidiaries are involved from time to time in ordinary litigation and arbitration proceedings as part of the Company's business operations. In the Company's opinion, the outcome of these suits, individually or collectively, is not likely to result in judgments that would be material to the financial condition or results of operations of the Company.

11. Employee Benefits

The Company maintains a qualified, non−contributory, defined benefit pension plan ("Defined Benefit Pension Plan") covering substantially all employees who have reached age twenty−one and who have completed one year of service. The Company also maintains two non−qualified excess benefit plans (the "Supplemental Employee Retirement Plan" and the "Supplemental Plan") that provide officers and certain employees with defined retirement benefits in excess of qualified plan limits imposed by federal tax law. In addition, certain health care and life insurance benefits for retired employees ("Postretirement Benefit Plan") are provided by the Company. Generally, all employees may become eligible for these postretirement benefits if they reach retirement age while working for the Company.

Net periodic benefit cost, before taxes, included in the Company's consolidated statements of operations for the six and three months ended June 2009 and 2008 is comprised of the following components (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Defined Benefit Pension Plan:				
Service cost	$ 2,561	$ 2,662	$ 1,281	$ 1,331
Interest cost	1,716	1,488	858	645
Return on assets	(1,094)	(1,100)	(547)	(455)
Recognized net actuarial loss	—	259	—	82
Settlement charge	—	1,571	—	1,571
Net amortization and deferral	27	27	13	13
Net periodic benefit cost	$ 3,210	$ 4,907	$ 1,605	$ 3,187
Excess Benefit Plans:				
Service cost	$ 366	$ 420	$ 183	$ 210
Interest cost	475	426	237	213
Recognized net actuarial loss	63	122	32	61
Recognized prior service cost	(19)	(19)	(10)	(10)
Net periodic benefit cost	$ 885	$ 949	$ 442	$ 474
Postretirement Benefit Plan:				
Service cost	$ 782	$ 894	$ 391	$ 447
Interest cost	513	440	257	220
Net amortization and deferral	(87)	(52)	(44)	(26)
Net periodic benefit cost	$ 1,208	$ 1,282	$ 604	$ 641

The Company recorded a one−time pension settlement expense of $1.6 million ($1.0 million after−tax) and a corresponding increase to other comprehensive income, during the six and three months ended June 30, 2008 related to the settlement of retiree benefit obligations from the defined benefit pension plan. The settlement of the retiree benefit obligations resulted in the immediate recognition of a portion of a previously unrecognized actuarial loss. The settlement of the retiree benefit obligations had no effect on total shareholders' equity. Annuities have been purchased for those individuals whose retiree benefit obligations were settled under the defined benefit pension plan. Additionally, as a result of the settlement, the Company's retiree benefit obligations and the fair value of the plan assets decreased by $7.7 million.

The Company contributed $1.0 million to the Defined Benefit Pension Plan for the six and three months ended June 30, 2009. No contributions were made to the above plans for the six and three months ended June 30, 2008.

12. Stock−Based Compensation Plans

As of June 30, 2009, the Company had three stock−based compensation plans (the "Plans"): the Odyssey Re Holdings Corp. 2002 Stock Incentive Plan (the "2002 Option Plan"), the Odyssey Re Holdings Corp. Stock Option Plan (the "2001 Option Plan") and the Odyssey Re Holdings Corp. Restricted Share Plan (the "Restricted Share Plan"). The Plans generally allow for the issuance of grants and exercises through the use of shares purchased on the open market or otherwise acquired, newly issued shares, treasury stock, or any combination thereof. The following is the Company's recognized expense and the resulting tax benefit related to the Plans for the six and three months ending June 30, 2009 and 2008, respectively (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Stock−based compensation expense	$ 7,116.5	$ 4,459.9	$ 4,202.5	$ 2,332.1
Tax benefit	2,490.8	1,561.0	1,470.9	816.3

For the six months ended June 30, 2009 and 2008, the Company received $0.2 million and $0.4 million, respectively, in cash from employees for the exercise of stock options. For the three months ended June 30, 2009 and 2008, the Company received $0.1 million and $0.2 million, respectively, in cash from employees for the exercise of stock options.

As of June 30, 2009, there was less than $0.1 million of unrecognized compensation cost related to unvested options from the 2002 Option Plan, which is expected to be recognized over a remaining weighted−average vesting period of 1.0 year. The Company did not grant any stock options during the six months ended June 30, 2009 and 2008, respectively, under the 2002 Option Plan.

As of June 30, 2009, there was $3.5 million of unrecognized compensation cost related to unvested options granted from the 2001 Option Plan, which is expected to be recognized over a remaining weighted−average vesting period of 2.4 years. The Company granted 51,025 stock options and 57,932 stock options during the six months ended June 30, 2009 and 2008, respectively, under the 2001 Option Plan.

As of June 30, 2009, there was $23.8 million of unrecognized compensation cost related to unvested restricted share awards from the Restricted Share Plan, which is expected to be recognized over a remaining weighted−average vesting period of 3.6 years. The Company granted 344,786 restricted share awards and 311,858 restricted share awards during the six months ended June 30, 2009 and 2008, respectively, under the Restricted Share Plan.

13. Federal and Foreign Income Taxes

The Company's federal and foreign income tax provisions for the six and three months ended June 30, 2009 were $27.3 million and $49.4 million, respectively, resulting in effective tax rates of 18.9% and 28.6%, respectively, as compared to the Company's federal and foreign income tax provisions for the six and three months ended June 30, 2008 of $167.0 million and $33.7 million of income tax expense, respectively, resulting in effective tax rates of 34.4% and 33.5%, respectively. The effective tax rates for the six and three months ended June 30, 2009 are not necessarily indicative of the effective tax rates for the 2009 interim or annual periods.

ODYSSEY RE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — (Continued)

The following table reconciles federal and foreign income taxes at the statutory federal income tax rate to the Company's tax provision for the six and three months ended June 30, 2009 and 2008 (in thousands):

	Six Months Ended June 30,				Three Months Ended June 30,			
	2009		2008		2009		2008	
	Amount	% of Pre−tax Income	Amount	% of Pre−tax Income	Amount	% of Pre−tax Income	Amount	% of Pre−tax Income
Income before income taxes	$ 144,631		$ 484,876		$ 172,502		$ 100,637	
Income tax provision computed at the U.S. statutory tax rate on income	50,621	35.0%	169,707	35.0%	60,376	35.0%	35,223	35.0%
(Decrease) increase in income taxes resulting from:								
Dividend received deduction	(5,025)	(3.5)	(1,799)	(0.4)	(2,142)	(1.2)	(918)	(0.9)
Tax−exempt income	(19,038)	(13.2)	(1,179)	(0.2)	(9,649)	(5.6)	(694)	(0.7)
Other, net	733	0.5	262	0.1	786	0.5	86	0.1
Total federal and foreign income tax provision	$ 27,291	18.9%	$ 166,991	34.4%	$ 49,371	28.6%	$ 33,697	33.5%

14. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162" ("Codification"), to provide a timeline for the application of the codification project, which, effective July 1, 2009, eliminates the current four levels of hierarchy of authoritative accounting and reporting guidance and provides one source for authoritative accounting and reporting; however, the Codification will not change existing U.S. GAAP as such affects the Company. The Codification is applicable to financial statements issued for interim and annual reporting periods after September 15, 2009.

In December 2008, the FASB issued FSP FAS 132(R)−1, "Employers' Disclosures about Postretirement Benefit Plan Assets," to require enhanced disclosures regarding the major categories of plan assets, concentrations of risk, inputs and valuation techniques used to measure the fair value of plan assets and the effect of using unobservable inputs (Level 3 classification under SFAS 157). The disclosure requirements of FSP FAS 132(R)−1 are effective for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact of FSP FAS 132(R)−1, if any, on its disclosure requirements.

15. Subsequent Event

From July 1, 2009 through August 6, 2009, the Company repurchased and retired 532,000 shares of its common stock at a total cost of $21.6 million.

PART I — Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Odyssey Re Holdings Corp. is a holding company, incorporated in the state of Delaware, which owns all of the common shares of Odyssey America Reinsurance Corporation ("Odyssey America"), its principal operating subsidiary. Odyssey America directly or indirectly owns all of the capital stock of the following companies: Clearwater Insurance Company ("Clearwater"); Clearwater Select Insurance Company; Newline Holdings U.K. Corporation Limited; Newline Underwriting Management Ltd., which owns and manages Newline Syndicate 1218, a member of Lloyd's of London (collectively "Newline"); Newline Insurance Company Limited ("NICL"); Hudson Insurance Company ("Hudson"); Hudson Specialty Insurance Company ("Hudson Specialty"); and Napa River Insurance Services, Inc.

We are a leading underwriter of reinsurance, providing a full range of property and casualty products on a worldwide basis. We offer a broad range of both treaty and facultative reinsurance to property and casualty insurers and reinsurers. We also write insurance in the United States and through the Lloyd's marketplaces.

Our gross premiums written for the six months ended June 30, 2009 were $1,066.3 million, a decrease of $77.4 million, or 6.8%, compared to gross premiums written of $1,143.7 million for the six months ended June 30, 2008. Our United States business accounted for 49.8% of our gross premiums written for the six months ended June 30, 2009, compared to 46.0% for the six months ended June 30, 2008. For the six months ended June 30, 2009 and 2008, our net premiums written were $938.8 million and $1,021.3 million, respectively. For the six months ended June 30, 2009 and 2008, we had net income available to common shareholders of $122.7 million and $314.2 million, respectively. As of June 30, 2009, we had total assets of $10.2 billion and total shareholders' equity of $3.1 billion.

The property and casualty reinsurance and insurance industries use the combined ratio as a measure of underwriting profitability. The combined ratio under United States generally accepted accounting principles ("GAAP") is the sum of losses and loss adjustment expenses ("LAE") incurred as a percentage of net premiums earned, plus underwriting expenses, which include acquisition costs and other underwriting expenses, as a percentage of net premiums earned. The combined ratio reflects only underwriting results, and does not include investment results. Underwriting profitability is subject to significant fluctuations due to catastrophic events, competition, economic and social conditions, foreign currency fluctuations and other factors. Our combined ratio was 96.5% for both the six and three month periods ended June 30, 2009, compared to 98.5% and 98.7% for the six and three months ended June 30, 2008, respectively.

We operate our business through four divisions: the Americas, EuroAsia, London Market and U.S. Insurance.

The Americas division is our largest division and writes casualty, surety and property treaty reinsurance, and facultative casualty reinsurance, in the United States and Canada, and primarily treaty and facultative property reinsurance in Latin America.

The EuroAsia division consists of our international reinsurance business, which is geographically dispersed, mainly throughout Europe, and includes business in Asia, the Middle East, Africa and the Americas.

The London Market division is comprised of our Lloyd's of London business, in which we participate through our 100% ownership of Newline, our London branch office, and NICL, our London−based insurance company. The London Market division writes insurance and reinsurance business worldwide, principally through brokers.

The U.S. Insurance division writes specialty insurance lines and classes of business, such as medical professional liability, professional liability, non−standard personal and commercial automobile, specialty liability and property and package.

Critical Accounting Estimates

The consolidated financial statements and related notes included in Part I, Item 1 of this Form 10−Q have been prepared in accordance with GAAP and include the accounts of Odyssey Re Holdings Corp. and its subsidiaries.

Critical accounting estimates are defined as those that are both important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. The preparation of consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of material contingent assets and liabilities, including litigation contingencies. These estimates, by necessity, are based on assumptions about numerous factors.

We review our critical accounting estimates and assumptions on a quarterly basis. These reviews include the estimate of reinsurance premiums and premium related amounts, establishing deferred acquisition costs, an evaluation of the adequacy of reserves for unpaid losses and LAE, review of our reinsurance and retrocession agreements, an analysis of the recoverability of deferred income tax assets and an evaluation of the investment portfolio, including a review for other−than−temporary declines in estimated fair value. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

Below is a discussion of our critical accounting estimates relating to premium estimates, reserves for unpaid losses and loss adjustment expenses, and reinsurance and retrocessions. Readers should review our 2008 Annual Report on Form 10−K for a more complete description of our significant accounting policies and accounting estimates.

Premium Estimates

We derive our revenues from two principal sources: (i) premiums from insurance placed and reinsurance assumed, net of premiums ceded (net premiums written) and (ii) income from investments. Net premiums written are earned (net premiums earned) as revenue over the terms of the underlying contracts or certificates in force. The relationship between net premiums written and net premiums earned will, therefore, vary depending on the volume and inception dates of the business assumed and ceded, and the mix of such business between proportional and excess of loss reinsurance.

Consistent with our significant accounting policies, for our reinsurance business we utilize estimates in establishing premiums written, the corresponding acquisition expenses, and unearned premium reserves. These estimates are required to reflect differences in the timing of the receipt of accounts from the ceding company and the actual due dates of the accounts at the close of each accounting period.

The following table displays, by division, the estimates included in our consolidated financial statements as of June 30, 2009 and 2008 and March 31, 2009 and 2008 related to gross premiums written, acquisition costs, premiums receivable and unearned premium reserves (in millions):

Division	As of June 30, 2009	As of March 31, 2009	Change Second Quarter	Change Year to Date	As of June 30, 2008	As of March 31, 2008	Change Second Quarter	Change Year to Date
Gross Premiums Written								
Americas	$ 139.2	$ 144.2	$ (5.0)	$ (23.2)	$ 179.3	$ 175.5	$ 3.8	$ 1.8
EuroAsia	155.7	154.3	1.4	30.0	172.1	136.3	35.8	42.2
London Market	25.7	22.9	2.8	2.9	27.0	20.6	6.4	5.2
Total	$ 320.6	$ 321.4	$ (0.8)	$ 9.7	$ 378.4	$ 332.4	$ 46.0	$ 49.2
Acquisition Costs								
Americas	$ 30.2	$ 31.6	$ (1.4)	$ (12.3)	$ 41.2	$ 44.9	$ (3.7)	$ (1.3)
EuroAsia	43.7	43.4	0.3	6.8	49.8	46.1	3.7	10.9
London Market	1.6	1.6	—	(0.1)	2.4	1.9	0.5	0.3
Total	$ 75.5	$ 76.6	$ (1.1)	$ (5.6)	$ 93.4	$ 92.9	$ 0.5	$ 9.9
Premiums Receivable								
Americas	$ 109.0	$ 112.6	$ (3.6)	$ (10.9)	$ 138.1	$ 130.6	$ 7.5	$ 3.1
EuroAsia	112.0	110.9	1.1	23.2	122.3	90.2	32.1	31.3
London Market	24.1	21.3	2.8	3.0	24.6	18.7	5.9	4.9
Total	$ 245.1	$ 244.8	$ 0.3	$ 15.3	$ 285.0	$ 239.5	$ 45.5	$ 39.3
Unearned Premiums Reserve								
Americas	$ 95.5	$ 101.4	$ (5.9)	$ (20.0)	$ 125.1	$ 116.4	$ 8.7	$ 2.2
EuroAsia	104.9	108.8	(3.9)	2.7	117.4	87.2	30.2	20.2
London Market	10.4	8.3	2.1	3.5	18.2	8.4	9.8	8.2
Total	$ 210.8	$ 218.5	$ (7.7)	$ (13.8)	$ 260.7	$ 212.0	$ 48.7	$ 30.6

Gross premiums written estimates, acquisition costs, premiums receivable and unearned premium reserves are established on a contract level for significant accounts due but not reported by the ceding company at the end of each accounting period. The estimated ultimate premium for the contract, actual accounts reported by the ceding company, and our own experience on the contract are considered in establishing the estimate at the end of each accounting period. Subsequent adjustments based on actual results are recorded in the period in which they become known. The estimated premiums receivable balances are considered fully collectible. The estimates primarily represent the most current two underwriting years of account for which all corresponding reported accounts have been settled within contract terms. The estimates are considered "critical accounting estimates" because changes in these estimates can materially affect net income.

The difference between estimates and the actual accounts received may be material as a result of different reporting practices by ceding companies across geographic locations. Estimates may be subject to material fluctuations on an individual contract level compared to the actual information received, and any differences are recorded in the respective financial period in which they become known. Since the assumptions used to determine the estimates are reviewed quarterly and compared to the information received during the quarter, the variance in the aggregate estimates compared to the actual information when received is minimized. In addition, during the quarter's review of these contracts, any change in original estimate compared to the new estimate is reflected in the appropriate financial period.

In any specific financial period, the original estimated premium for a specific contract may vary from actual premium reported through the life of the contract due to the reporting patterns of the ceding companies and, in some cases, movements in foreign exchange rates over the period. Historically, the final reported premium compared to the original estimated premium has deviated by smaller amounts.

Our estimates are based on contract and policy terms. Estimates are based on information typically received in the form of a bordereau, broker notifications and/or discussions with ceding companies. These estimates, by necessity, are based on assumptions regarding numerous factors. These can include premium or loss trends, which can be influenced by local conditions in a particular region, or other economic factors and legal or legislative developments that can develop over time. The risk associated with estimating the performance under our contracts with our ceding companies is the impact of events or trends that could not have been reasonably anticipated at the time the estimates were performed. Our business is diversified across ceding companies and there is no individual ceding company that represents more than 2.4% of our gross premiums written for the six months ended June 30, 2009. As a result, we believe the risks of material changes to these estimates over time are mitigated.

We review information received from ceding companies for reasonableness based on past experience with the particular ceding company or our general experience across the subject class of business. We also query information provided by ceding companies for reasonableness. Reinsurance contracts under which we assume business generally contain specific provisions that allow us to perform audits of the ceding company to ensure compliance with the terms and conditions of the contract, including accurate and timely reporting of information.

We must make judgments about the ultimate premiums written and earned by us. Reported premiums written and earned are based upon reports received from ceding companies, supplemented by our internal estimates of premiums written for which ceding company reports have not been received. We establish our own estimates based on discussions and correspondence with our ceding companies and brokers during the contract negotiation process and over the contract risk period. The determination of premium estimates requires a review of our experience with the ceding companies, familiarity with each market, an analysis and understanding of the characteristics of each line of business, and the ability to project the impact of current economic indicators on the volume of business written and ceded by our cedants. Premium estimates are updated when new information is received. Differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

Reserves for Unpaid Losses and Loss Adjustment Expenses

Our losses and LAE reserves, for both reported and unreported claims obligations, are maintained to cover the estimated ultimate liability for all of our reinsurance and insurance obligations. Losses and LAE reserves are categorized in one of three ways: (i) case reserves, which represent unpaid losses and LAE as reported by cedants and insureds to us, (ii) additional case reserves (“ACRs”), which are reserves we establish in excess of the case reserves reported by the cedant on individual claim events, and (iii) incurred but not reported reserves (“IBNR”), which are reserves for losses and LAE that have been incurred, but have not yet been reported to us, as well as additional amounts relating to losses already reported, that are in excess of case reserves and ACRs. Incurred but not reported reserves are estimates based on all information currently available to us and are reevaluated quarterly utilizing the most recent information supplied from our cedants and claims adjusters.

We rely on initial and subsequent claim reports received from ceding companies for reinsurance business, and the estimates advised by our claims adjusters for insurance business, to establish our estimates of unpaid losses and LAE. The type of information that we receive from ceding companies generally varies by the type of contract. Proportional, or quota share, reinsurance contracts are typically reported on a quarterly basis, providing premium and loss activity as estimated by the ceding company. Reporting for excess of loss, facultative and insurance contracts includes detailed individual claim information, including a description of the loss, confirmation of liability by the cedant or claims adjuster and the cedant’s or claims adjuster’s current estimate of the ultimate liability under the claim. Upon receipt of claim notices from cedants and insureds, we review the nature of the claim against the scope of coverage provided under the contract. Questions arise from time to time regarding the interpretation of the characteristics of a particular claim measured against the scope of contract terms and conditions. Reinsurance contracts under which we assume business generally contain specific dispute resolution provisions in the event that there is a coverage dispute with the ceding company. The resolution of any individual dispute may impact estimates of ultimate claims liabilities. Reported claims are in various stages of the settlement process. Each claim is settled individually based on its merits, and certain claims may take several years to ultimately settle, particularly where legal action is involved. Based on an assessment of the circumstances supporting the claim, we may choose to establish additional case reserves over the amount reported by the ceding company. Aggregate case reserves established in addition to reserves reported by ceding companies were $13.8 million and $19.6 million as of June 30, 2009 and December 31, 2008, respectively. Due to potential differences in ceding company reserving and reporting practices, we perform periodic audits of our ceding companies to ensure the underwriting and claims procedures of the cedant are consistent with representations made by the cedant during the underwriting process and meet the terms of the reinsurance contract. Our estimates of ultimate loss liabilities make appropriate adjustment for inconsistencies uncovered in this audit process. We also monitor our internal processes to ensure that information received from ceding companies is processed in a timely manner.

The reserve methodologies employed by us are dependent on the nature and quality of the data that we collect from ceding companies for reinsurance business and claims adjusters for insurance business. This data primarily consists of loss amounts reported by ceding companies and claims adjusters, loss payments made by ceding companies and claims adjusters and premiums written and earned reported by ceding companies or estimated by us. Underwriting and claim information provided by our ceding companies and claims adjusters is aggregated by the year in which each treaty or policy is written into groups of business by geographic region and type of business to facilitate analysis, generally referred to as “reserve cells.” These reserve cells are reviewed annually and change over time as our business mix changes. We supplement this information with claims and underwriting audits of specific contracts and internally developed pricing trends, as well as loss trend data developed from industry sources. This information is used to develop point estimates of carried reserves for each business segment. These individual point estimates, when aggregated, represent the total carried losses and LAE reserves carried in our consolidated financial statements. Due to the uncertainty involving estimates of ultimate loss exposures, we do not attempt to produce a range around our point estimate of loss. The actuarial techniques for projecting losses and LAE reserves by reserve cell rely on historical paid and case reserve loss emergence patterns and insurance and reinsurance pricing trends to establish the claims emergence of future periods with respect to all reported and unreported insured events that have occurred on or before the balance sheet date.

Our estimate of ultimate loss is determined based on a review of the results of several commonly accepted actuarial projection methodologies incorporating the quantitative and qualitative information described above. The specific methodologies we utilize in our loss reserve review process include, but may not be limited to (i) incurred and paid loss development methods, (ii) incurred and paid Bornhuetter Ferguson (“BF”) methods and (iii) loss ratio methods. The incurred and paid loss development methods utilize loss development patterns derived from historical loss emergence trends usually based on cedant supplied claim information to determine ultimate loss. These methods assume that the ratio of losses in one period to losses in an earlier period will remain constant in the future. Loss ratio methods multiply expected loss ratios, derived from aggregated analyses of internally developed pricing trends, by earned premium to determine ultimate loss. The incurred and paid BF methods are a blend of the loss development and loss ratio methods. These methods utilize both loss development patterns, as well as expected loss ratios, to determine ultimate loss. When using the BF methods, the initial treaty year ultimate loss is based predominantly on expected loss ratios. As loss experience matures, the estimate of ultimate loss using this methodology is based predominantly on loss development patterns. We generally do not utilize methodologies that are dependent on claim counts reported, claim counts settled or claim counts open. Due to the nature of our business, this information is not routinely provided by ceding companies for every treaty. Consequently, actuarial methods utilizing this information generally cannot be relied upon by us in our loss reserve estimation process. As a result, for much of our business, the separate analysis of frequency and severity loss activity underlying overall loss emergence trends is not practical. Generally, we rely on BF and loss ratio methods for estimating ultimate loss liabilities for more recent treaty years. These methodologies, at least in part, apply a loss ratio, determined from aggregated analyses of internally developed pricing trends across reserve cells, to premium earned on that business. Adjustments to premium estimates generate appropriate adjustments to ultimate loss estimates in the quarter in which they occur using the BF and loss ratio methods. To estimate losses for more mature treaty years, we generally rely on the incurred loss development methodology, which does not rely on premium estimates. In addition, we may use other methods to estimate liabilities for specific types of claims. For property catastrophe losses, we may utilize vendor catastrophe models to estimate ultimate loss soon after a loss occurs, where loss information is not yet reported to us from cedants. The provision for asbestos loss liabilities is established based on an annual review of internal and external trends in reported loss and claim payments. IBNR is determined by subtracting the total of paid loss and case reserves including ACRs from ultimate loss.

We complete comprehensive loss reserve reviews, which include a reassessment of loss development and expected loss ratio assumptions, on an annual basis. The results of these reviews are reflected in the period they are completed. Quarterly, we compare actual loss emergence to expectations established by the comprehensive loss reserve review process. In the event that loss trends diverge from expected trends, we may have to adjust our reserves for losses and LAE accordingly. Any adjustments will be reflected in the periods in which they become known, potentially resulting in adverse or favorable effects to our financial results. We believe that the recorded estimate represents the best estimate of unpaid losses and LAE based on the information available at June 30, 2009.

Our most significant assumptions underlying our estimate of losses and LAE reserves are as follows: (i) that historical loss emergence trends are indicative of future loss development trends; (ii) that internally developed pricing trends provide a reasonable basis for determining loss ratio expectations for recent underwriting years; and (iii) that no provision is made for extraordinary future emergence of new classes of loss or types of loss that are not sufficiently represented in our historical database or that are not yet quantifiable if not in our database.

The ultimate settlement value of losses and LAE related to business written in prior periods for the six months ended June 30, 2009 was below our estimates of reserves for losses and LAE as previously established at December 31, 2008 by 0.2%, and, for the six months ended June 30, 2008, exceeded our estimates of reserves for losses and LAE as previously established at December 31, 2007 by 0.1%. There was no material change in the ultimate settlement value of losses and LAE related to business written in prior periods for the three months ended June 30, 2009, relative to our estimates of reserves for losses and LAE as previously established at March 31, 2009. The ultimate settlement value of losses and LAE related to business written in prior periods for the three months ended June 30, 2008 exceeded our estimates of reserves for losses and LAE as previously established at March 31, 2008 by 0.1%. Any future impact to income of changes in losses and LAE estimates may vary considerably from historical experience. Our estimates of ultimate losses and LAE are based upon the information we have available at any given point in time and our assumptions based upon that information. Every one percentage point difference in the ultimate settlement value of losses and LAE compared to our estimate of reserves for losses and LAE as of June 30, 2009 will impact pre−tax income by $46.6 million.

If a change were to occur in the frequency and severity of claims underlying our June 30, 2009 unpaid losses and LAE, the approximate change in pre−tax income would be as follows (in millions):

	Decrease in Pre−tax Income
1.0% unfavorable change	$ 46.6
2.5% unfavorable change	116.6
5.0% unfavorable change	233.2

Historically, our actual results have varied considerably in certain instances from our estimates of losses and LAE because historical loss emergence trends have not been indicative of future emergence for certain segments of our business. In recent years, we experienced loss emergence, resulting from a combination of higher claim frequency and severity of losses, greater than expectations that were established based on a review of prior years' loss emergence trends, particularly for business written in the late 1990s and early 2000s. General liability and excess workers' compensation classes of business during these years were adversely impacted by the highly competitive conditions in the industry at that time. These competitive conditions resulted in price pressure and relatively broader coverage terms, thereby affecting the ability of standard actuarial techniques to generate reliable estimates of ultimate loss. Similarly, directors' and officers' professional liability lines were impacted by the increase in frequency and severity of claims resulting from an increase in shareholder lawsuits against corporations and their officers and directors, corporate bankruptcies and other financial and management improprieties in the late 1990s and early 2000s.

The following table provides detail on net adverse (favorable) loss and LAE development for prior periods, by division, for the six and three months ended June 30, 2009 and 2008 (in millions):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Americas	$ 12.3	$ 6.6	$ 13.6	$ 2.2
EuroAsia	(6.9)	12.0	(2.1)	7.3
London Market	(6.7)	(13.8)	(4.6)	(5.4)
U.S. Insurance	(9.6)	(1.4)	(6.0)	1.6
Total loss and LAE development	$ (10.9)	$ 3.4	$ 0.9	$ 5.7

The Americas division reported net increases in prior period loss estimates of $12.3 million and $6.6 million for the six months ended June 30, 2009 and 2008, respectively. For the three months ended June 30, 2009 and 2008, the net increases in prior period loss estimates were $13.6 million and $2.2 million, respectively. The increase in prior period loss estimates for the six months ended June 30, 2009 was principally attributable to loss emergence greater than expectations in the period on general and professional liability business. The increase in prior period loss estimates for the six months ended June 30, 2008 was principally attributable to loss emergence greater than expectations in the period on asbestos. The increase in prior period loss estimates for the three months ended June 30, 2009 was principally attributable to loss emergence greater than expectations in the period on professional liability business. The increase in prior period loss estimates for the three months ended June 30, 2008 was principally attributable to loss emergence greater than expectations in the period on general liability business.

The EuroAsia division reported a net decrease in prior period loss estimates of $6.9 million for the six months ended June 30, 2009 and a net increase in prior period loss estimates of $12.0 million for the six months ended June 30, 2008. For the three months ended June 30, 2009, the net decrease in prior period loss estimates was $2.1 million, and for the three months ended June 30, 2008, the net increase in prior period loss estimates was $7.3 million. The decreases in prior period loss estimates for the six and three months ended June 30, 2009 were principally attributable to loss emergence lower than expectations in the period on miscellaneous property lines of business. The increases in prior period loss estimates for the six and three months ended June 30, 2008 were principally attributable to loss emergence greater than expectations in the period on non−catastrophe property business.

The London Market division reported net decreases in prior period loss estimates of $6.7 million and $13.8 million for the six months ended June 30, 2009 and 2008, respectively. For the three months ended June 30, 2009 and 2008, the net decreases in prior period loss estimates were $4.6 million and $5.4 million, respectively. The decrease in prior period loss estimates for the six months ended June 30, 2009 was principally attributable to loss emergence lower than expectations in the period on liability, satellite and aviation business. The decreases in prior period loss estimates for the six and three months ended June 30, 2008 were principally attributable to loss emergence lower than expectations in the period on miscellaneous property lines of business. The decrease in prior period loss estimates for the three months ended June 30, 2009 was principally attributable to loss emergence lower than expectations in the period on liability and aviation business.

The U.S. Insurance division reported net decreases in prior period loss estimates of $9.6 million and $1.4 million for the six months ended June 30, 2009 and 2008, respectively. For the three months ended June 30, 2009, the net decrease in prior period loss estimates was $6.0 million, and for the three months ended June 30, 2008, the net increase in prior period loss estimates was $1.6 million. The decreases in prior period loss estimates for the six and three months ended June 30, 2009 were principally attributable to loss emergence lower than expectations in the period on miscellaneous and professional liability lines of business. The reduction in prior period loss estimates for the six months ended June 30, 2008 was principally attributable to loss emergence lower than expectations in the period on property business. The increase in prior period loss estimates for the three months ended June 30, 2008 was principally attributable to loss emergence greater than expectations in the period on auto business.

Estimates of reserves for unpaid losses and LAE are contingent upon legislative, regulatory, social, economic and legal events and trends that may or may not occur or develop in the future, thereby affecting assumptions of claim frequency and severity. Examples of emerging claim and coverage issues and trends in recent years that could affect reserve estimates include developments in tort liability law, legislative attempts at asbestos liability reform, an increase in shareholder derivative suits against corporations and their officers and directors, and increasing governmental involvement in the insurance and reinsurance industry. The eventual outcome of these events and trends may be different from the assumptions underlying our loss reserve estimates. In the event that loss trends diverge from expected trends during the period, we adjust our reserves to reflect the change in losses indicated by revised expected loss trends. On a quarterly basis, we compare actual emergence of the total value of newly reported losses to the total value of losses expected to be reported during the period and the cumulative value since the date of our last reserve review. Variation in actual loss emergence from expectations may result in a change in our estimate of losses and LAE reserves. Any adjustments will be reflected in the periods in which they become known, potentially resulting in adverse or favorable effects to our financial results. Changes in expected claim payment rates, which represent one component of losses and LAE emergence, may impact our liquidity and capital resources, as discussed below in “Liquidity and Capital Resources.”

The following table summarizes, by type of reserve and division, the unpaid losses and LAE reserves as of June 30, 2009 and December 31, 2008. Case reserves represent unpaid claim reports provided by cedants and insureds to us plus additional reserves determined by us. IBNR is the estimate of unreported loss liabilities established by us.

	As of June 30, 2009			As of December 31, 2008		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
	(In millions)					
Americas						
Gross	$ 1,386.7	$ 1,318.1	$ 2,704.8	$ 1,429.5	$ 1,335.9	$ 2,765.4
Ceded	(176.5)	(109.9)	(286.4)	(182.5)	(123.0)	(305.5)
Net	1,210.2	1,208.2	2,418.4	1,247.0	1,212.9	2,459.9
EuroAsia						
Gross	551.9	324.0	875.9	494.3	293.7	788.0
Ceded	(2.1)	(20.7)	(22.8)	(2.6)	(0.4)	(3.0)
Net	549.8	303.3	853.1	491.7	293.3	785.0
London Market						
Gross	364.6	660.6	1,025.2	308.8	610.9	919.7
Ceded	(59.8)	(111.8)	(171.6)	(54.4)	(78.4)	(132.8)
Net	304.8	548.8	853.6	254.4	532.5	786.9
U.S. Insurance						
Gross	248.5	549.3	797.8	200.6	576.8	777.4
Ceded	(74.8)	(183.6)	(258.4)	(55.3)	(193.6)	(248.9)
Net	173.7	365.7	539.4	145.3	383.2	528.5
Total						
Gross	2,551.7	2,852.0	5,403.7	2,433.2	2,817.3	5,250.5
Ceded	(313.2)	(426.0)	(739.2)	(294.8)	(395.4)	(690.2)
Net	$ 2,238.5	$ 2,426.0	$ 4,664.5	$ 2,138.4	$ 2,421.9	$ 4,560.3

The provision for IBNR in unpaid losses and LAE as of June 30, 2009 was $2,426.0 million. For illustration purposes, a change in the expected loss ratio that increases the six months ended June 30, 2009 calendar year loss ratio by 2.5 loss ratio points would increase IBNR by $23.8 million. A change in loss emergence trends that increases unpaid losses and LAE at June 30, 2009 by 2.5% would increase IBNR by $116.6 million.

We have exposure to asbestos, environmental pollution and other latent injury damage claims resulting from contracts written by Clearwater prior to 1986. Exposure arises from reinsurance contracts under which we assumed liabilities from ceding companies, on an indemnity or assumption basis, primarily in connection with general liability insurance policies issued by such ceding companies. Our estimate of our ultimate liability for these exposures includes case basis reserves and a provision for IBNR claims. The provision for asbestos loss liabilities is established based on an annual review of Company and external trends in reported loss and claim payments, with monitoring of emerging experience on a quarterly basis.

Estimation of ultimate asbestos and environmental liabilities is unusually complex due to several factors resulting from the long period between exposure and manifestation of these claims. This lag can complicate the identification of the sources of asbestos and environmental exposure, the verification of coverage and the allocation of liability among insurers and reinsurers over multiple years. This lag also exposes the claim settlement process to changes in underlying laws and judicial interpretations. There continues to be substantial uncertainty regarding the ultimate number of insureds with injuries resulting from these exposures.

In addition, other issues have emerged regarding asbestos exposure that have further impacted the ability to estimate ultimate liabilities for this exposure. These issues include an increasingly aggressive plaintiffs' bar, an increased involvement of defendants with peripheral exposure, the use of bankruptcy filings due to asbestos liabilities as an attempt to resolve these liabilities to the disadvantage of insurers, the concentration of litigation in venues favorable to plaintiffs, and the potential of asbestos litigation reform at the state or federal level.

We believe that these uncertainties and factors make projections of these exposures, particularly asbestos, subject to less predictability relative to non−environmental and non−asbestos exposures. Current estimates, as of June 30, 2009, of our asbestos and environmental losses and LAE reserves, net of reinsurance, are $220.3 million and $26.1 million, respectively. See Note 7 to the consolidated financial statements for additional historical information on losses and LAE reserves for these exposures.

The following table provides the gross and net asbestos and environmental losses and LAE incurred for the six and three months ended June 30, 2009 and 2008 (in millions):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
Asbestos				
Gross losses and LAE incurred	$ —	$ 23.3	$ —	$ 12.6
Net losses and LAE incurred	—	6.0	—	2.0
Environmental				
Gross losses and LAE incurred	$ —	$ —	$ —	$ —
Net losses and LAE incurred	—	—	—	—

We did not incur net losses and LAE related to asbestos claims for the six and three months ended June 30, 2009. Net losses and LAE incurred for asbestos claims increased $6.0 million and $2.0 million for the six and three months ended June 30, 2008, respectively. We did not incur net losses and LAE related to environmental claims for the six and three months ended June 30, 2009 and 2008.

Reinsurance and Retrocessions

We may purchase reinsurance to increase our aggregate premium capacity, to reduce and spread the risk of loss on our insurance and reinsurance business and to limit our exposure to multiple claims arising from a single occurrence. We are subject to accumulation risk with respect to catastrophic events involving multiple contracts. To protect against this risk, we have purchased catastrophe excess of loss reinsurance protection. The retention, the level of capacity purchased, the geographical scope of the coverage and the costs vary from year to year. Specific reinsurance protections are also placed to protect our insurance business outside of the United States.

We seek to limit our net, after−tax probable maximum loss for a severe catastrophic event, defined as an occurrence with a return period of 250 years, to no more than 20% of our statutory surplus. Prior to 2009, this limit was 15% of statutory surplus. There can be no assurances that we will not incur losses greater than 20% of our statutory surplus from one or more catastrophic events due to the inherent uncertainties in (i) estimating the frequency and severity of such events, (ii) the margin of error in making such determinations resulting from potential inaccuracies and inadequacies in the data provided by clients and brokers, (iii) the modeling techniques and the application of such techniques, and (iv) the values of securities in our investment portfolio, which may lead to volatility in our statutory surplus from period to period.

When we purchase reinsurance protection, we cede to reinsurers a portion of our risks and pay premiums based upon the risk and exposure of the policies subject to the reinsurance. Although the reinsurer is liable to us for the reinsurance ceded, we retain the ultimate liability in the event the reinsurer is unable to meet its obligations at some later date.

Reinsurance recoverables are recorded as assets, based on our evaluation of the retrocessionaires' ability to meet their obligations under the agreements. Premiums written and earned are stated net of reinsurance ceded in the consolidated statements of operations. Direct insurance, reinsurance assumed, reinsurance ceded and net amounts for these items follow (in millions):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Premiums Written				
Direct	$ 329.1	$ 369.5	$ 162.3	$ 177.1
Add: assumed	737.2	774.2	349.1	389.1
Less: ceded	127.5	122.4	51.6	62.7
Net	$ 938.8	$ 1,021.3	$ 459.8	$ 503.5
Premiums Earned				
Direct	$ 334.0	$ 368.9	$ 164.5	$ 188.1
Add: assumed	747.6	760.4	381.8	378.4
Less: ceded	131.1	102.3	65.8	51.0
Net	$ 950.5	$ 1,027.0	$ 480.5	$ 515.5

The total amount of reinsurance recoverables on paid and unpaid losses as of June 30, 2009 and December 31, 2008 was $801.2 million and $773.2 million, respectively. We have established a reserve for potentially uncollectible reinsurance recoverables based upon an evaluation of each retrocessionaire and our assessment as to the collectibility of individual balances. The reserve for uncollectible recoverables as of both June 30, 2009 and December 31, 2008 was $44.5 million, and has been netted against reinsurance recoverables on paid losses. We have also established a reserve for potentially uncollectible insurance and assumed reinsurance balances of $4.5 million and $3.0 million as of June 30, 2009 and December 31, 2008, respectively, which has been netted against premiums receivable.

Results of Operations

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Underwriting Results

Gross Premiums Written. Gross premiums written for the six months ended June 30, 2009 decreased by $77.4 million, or 6.8%, to $1,066.3 million, compared to $1,143.7 million for the six months ended June 30, 2008, as reflected in the following table (in millions):

Division	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Change $	Change %
Americas	$ 385.7	$ 364.2	$ 21.5	5.9%
EuroAsia	291.2	340.4	(49.2)	(14.5)
London Market	147.9	180.3	(32.4)	(18.0)
U.S. Insurance	241.5	258.8	(17.3)	(6.7)
Total gross premiums written	$ 1,066.3	$ 1,143.7	$ (77.4)	(6.8)%

Total reinsurance gross premiums written for the six months ended June 30, 2009 were $737.2 million, compared to $774.2 million for 2008, a decrease of 4.8%. Total insurance gross premiums written for the six months ended June 30, 2009, which include our U.S. Insurance division and the insurance business underwritten by our London Market division, were $329.1 million, compared to $369.5 million for 2008, a decrease of 10.9%. For the six months ended June 30, 2009, total reinsurance gross premiums written represented 69.1% (67.7% in 2008) of our business, while insurance represented the remaining 30.9% (32.3% in 2008) of our business.

Americas. Gross premiums written in the Americas division for the six months ended June 30, 2009 were $385.7 million, an increase of $21.5 million, or 5.9%, compared to $364.2 million for the six months ended June 30, 2008. These amounts represented 36.2% of our gross premiums written for the six months ended June 30, 2009 and 31.8% for the six months ended June 30, 2008. Gross premiums written across each geographic region of the Americas division were as follows:

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Change $	Change %
United States	$ 289.4	$ 267.6	$ 21.8	8.1%
Latin America	77.7	75.0	2.7	3.6
Canada	18.6	21.4	(2.8)	(13.1)
Other	—	0.2	(0.2)	(100.0)
Total gross premiums written	$ 385.7	$ 364.2	$ 21.5	5.9%

- United States — The increase in gross premiums written was primarily due to an increase in casualty business of $17.8 million, to $187.3 million, for the six months ended June 30, 2009, as compared to $169.5 million for the six months ended June 30, 2008.
- Latin America — The increase in gross premiums written was primarily due to an increase in facultative business of $6.5 million, to $13.8 million, for the six months ended June 30, 2009, from $7.3 million for the six months ended June 30, 2008. The increase in facultative business was offset by a decrease in treaty business of $3.8 million.
- Canada — The decrease in gross premiums written was primarily due to the movement in the Canadian dollar exchange rate between 2009 and 2008.

EuroAsia. Gross premiums written in the EuroAsia division for the six months ended June 30, 2009 were $291.2 million, a decrease of $49.2 million, or 14.5%, compared to $340.4 million for the six months ended June 30, 2008. These amounts represented 27.3% of our gross premiums written for the six months ended June 30, 2009 and 29.8% in the corresponding period of 2008. The decrease in gross premiums written is principally comprised of

$35.4 million attributable to the movement in foreign exchange rates during 2009 compared to 2008 and $5.9 million due to a modification to our estimation method in June 2008. The modification to the estimating process impacted gross and net premiums written but had no effect on earned premium. Excluding the effects of the foreign exchange rate movement and the modification to the estimating process, gross premiums written would have decreased by $7.9 million.

London Market. Gross premiums written in the London Market division for the six months ended June 30, 2009 were $147.9 million, a decrease of $32.4 million, or 18.0%, compared to $180.3 million for the six months ended June 30, 2008. These amounts represented 13.9% of our gross premiums written for the six months ended June 30, 2009 and 15.8% for the six months ended June 30, 2008. Gross premiums written across each unit of the London Market division were as follows:

	Six Months Ended June 30,		Change	
	2009	2008	$	%
London branch	$ 60.3	$ 69.5	$ (9.2)	(13.2)%
Newline and NICL	87.6	110.8	(23.2)	(20.9)
Total gross premiums written	$ 147.9	$ 180.3	$ (32.4)	(18.0)%

The decrease in gross premiums written by the London branch was primarily attributable to marine and aviation business, which decreased by $5.1 million, or $23.8%, and casualty business, which decreased by $3.6 million, due to the non−renewal of business not meeting our underwriting standards.

The decrease in gross premiums written by Newline/NICL was primarily attributable to the timing of the placement of a medical professional liability contract for $20.0 million, combined with a decrease in financial lines and motor business.

U.S. Insurance. Gross premiums written in the U.S. Insurance division for the six months ended June 30, 2009 were $241.5 million, a decrease of $17.3 million, or 6.7%, compared to $258.8 million for the six months ended June 30, 2008. These amounts represented 22.6% of our gross premiums written for each of the six months ended June 30, 2009 and 2008. Gross premiums written by line of business were as follows:

	Six Months Ended June 30,		Change	
	2009	2008	$	%
Professional liability	$ 61.3	$ 70.6	$ (9.3)	(13.2)%
Property and package	57.4	52.4	5.0	9.5
Specialty liability	41.5	35.9	5.6	15.6
Medical professional liability	38.7	55.2	(16.5)	(29.9)
Commercial automobile	33.1	31.5	1.6	5.1
Personal automobile	9.5	13.2	(3.7)	(28.0)
Total gross premiums written	$ 241.5	$ 258.8	$ (17.3)	(6.7)%

Gross premiums written related to property and package, specialty liability and commercial automobile increased for the six months ended June 30, 2009, compared to the six months ended June 30, 2008, as a result of new business opportunities combined with premium growth within existing programs. The increases were more than offset by a reduction in gross premiums written resulting from the cancellation of certain business and the overall competitive market conditions.

Ceded Premiums Written. Ceded premiums written for the six months ended June 30, 2009 increased by $5.1 million, or 4.2%, to $127.5 million (12.0% of gross premiums written), from $122.4 million (10.7% of gross premiums written) for the six months ended June 30, 2008. The increase in ceded premiums written was primarily related to an increase in the cost of reinsurance purchased for certain Newline business, as well as increased coverage purchased, and an increase in reinsurance purchased relating to the U.S. Insurance division.

Net Premiums Written. Net premiums written for the six months ended June 30, 2009 decreased by $82.5 million, or 8.1%, to $938.8 million, from $1,021.3 million for the six months ended June 30, 2008, as reflected in the following table (in millions):

Division	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Change $	Change %
Americas	$ 377.6	$ 357.2	$ 20.4	5.7%
EuroAsia	278.1	327.5	(49.4)	(15.1)
London Market	113.7	140.5	(26.8)	(19.1)
U.S. Insurance	169.4	196.1	(26.7)	(13.6)
Total net premiums written	$ 938.8	$ 1,021.3	$ (82.5)	(8.1)%

Americas. Net premiums written in the Americas division for the six months ended June 30, 2009 were $377.6 million, compared to $357.2 million for the 2008 period, an increase of 5.7%. These amounts represented 40.2% of our net premiums written for the six months ended June 30, 2009 and 35.0% for the six months ended June 30, 2008. The net retention ratio, which represents net premiums written as a percent of gross premiums written, was 97.9% for the six months ended June 30, 2009, compared to 98.1% for the six months ended June 30, 2008.

The increase in net premiums written in the Americas division was consistent with the 5.9% increase in gross premiums written related to the increase in casualty business, offset by a slight increase in ceded premiums written.

EuroAsia. Net premiums written in the EuroAsia division for the six months ended June 30, 2009 were $278.1 million, compared to $327.5 million for 2008, a decrease of 15.1%. These amounts represented 29.6% of our net premiums written for the six months ended June 30, 2009 and 32.1% for the six months ended June 30, 2008. The net retention ratio for the six months ended June 30, 2009 was 95.5%, compared to 96.2% for the six months ended June 30, 2008.

The decrease in net premiums written was consistent with the decrease in gross premiums written, which was due to movements in foreign exchange rates and a modification to our estimation method in June 2008.

London Market. Net premiums written in the London Market division for the six months ended June 30, 2009 were $113.7 million, compared to $140.5 million for 2008, a decrease of 19.1%. These amounts represented 12.1% of our net premiums written for the six months ended June 30, 2009 and 13.7% for the six months ended June 30, 2008.

The decrease in net premiums written consisted of a decrease in gross premiums written of $32.4 million, offset by a decrease in ceded premiums written of $5.6 million.

U.S. Insurance. Net premiums written in the U.S. Insurance division for the six months ended June 30, 2009 were $169.4 million, compared to $196.1 million for the six months ended June 30, 2008, a decrease of 13.6%. These amounts represented 18.1% of our net premiums written for the six months ended June 30, 2009 and 19.2% for the six months ended June 30, 2008. The net retention ratio was 70.1% for the six months ended June 30, 2009, compared to 75.8% for the six months ended June 30, 2008.

The decrease in net premiums written consisted of a decrease in gross premiums written of $17.3 million, and an increase in ceded premiums written of $9.4 million.

Net Premiums Earned. Net premiums earned for the six months ended June 30, 2009 decreased by $76.5 million, or 7.4%, to $950.5 million, from $1,027.0 million for the six months ended June 30, 2008. Net premiums earned increased by $17.8 million, or 4.7%, in the Americas division, offset by decreases of $41.9 million, or 20.8%, in the U.S. Insurance division, $31.3 million, or 21.2%, in the London Market division, and $21.1 million, or 7.1%, in the EuroAsia division.

Losses and Loss Adjustment Expenses. Net losses and LAE incurred decreased $72.8 million, or 10.2%, to $639.5 million for the six months ended June 30, 2009, from $712.3 million for the six months ended June 30, 2008, as follows (in millions):

	Six Months Ended June 30,		Change	
	2009	2008	$	%
Gross losses and LAE incurred	$ 743.8	$ 793.4	$ (49.6)	(6.3)%
Less: ceded losses and LAE incurred	104.3	81.1	23.2	28.6
Net losses and LAE incurred	$ 639.5	$ 712.3	$ (72.8)	(10.2)%

The decrease in net losses and LAE incurred was principally related to: (i) a decrease in loss exposure associated with a decrease in net premiums earned of $76.5 million, to $950.5 million for the six months ended June 30, 2009, from $1,027.0 million for the six months ended June 30, 2008, and (ii) a decrease in current year property catastrophe losses of $14.0 million, to $62.9 million for the six months ended June 30, 2009, from $76.9 million for the six months ended June 30, 2008. Losses and LAE for the six months ended June 30, 2009 included a decrease in prior period losses of $10.9 million, attributable to reduced loss estimates due to loss emergence lower than expectations in the period on business written in the EuroAsia, London Market and U.S. Insurance divisions. Losses and LAE for the six months ended June 30, 2008 included an increase in prior period losses of $3.4 million, attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas and EuroAsia divisions.

Ceded losses and LAE incurred increased $23.2 million, or 28.6%, to $104.3 million for the six months ended June 30, 2009, from $81.1 million for the six months ended June 30, 2008. This increase was principally attributable to increased loss cessions on property catastrophes.

The loss and LAE ratio for the six months ended June 30, 2009 and 2008 and the percentage point change for each of our divisions and in total are as follows:

	Six Months Ended June 30,		Percentage Point
Division	2009	2008	Change
Americas	64.8%	66.0%	(1.2)
EuroAsia	73.1	78.7	(5.6)
London Market	62.9	61.5	1.4
U.S. Insurance	66.4	67.5	(1.1)
Total loss and LAE ratio	67.3%	69.4%	(2.1)

The following tables reflect total losses and LAE as reported for each division and include the impact of catastrophe losses and prior period reserve development, expressed as a percentage of net premiums earned ("NPE"), for the six months ended June 30, 2009 and 2008 (in millions):

Six Months Ended June 30, 2009

	Americas		EuroAsia		London Market		U.S. Insurance		Total	
	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE
Total losses and LAE	$ 256.7	64.8%	$ 203.6	73.1%	$ 73.0	62.9%	$ 106.2	66.4%	$ 639.5	67.3%
Catastrophe Losses:										
2009 Events:										
Windstorm Klaus	—	—	50.0	18.0	—	—	—	—	50.0	5.2
Other 2009 events	5.5	1.4	5.9	2.1	1.5	1.3	—	—	12.9	1.4
Total 2009 events	5.5	1.4	55.9	20.1	1.5	1.3	—	—	62.9	6.6
Prior period events	(0.9)	(0.2)	(2.1)	(0.8)	5.2	4.5	0.6	0.4	2.8	0.3
Total catastrophe losses	4.6	1.2	53.8	19.3	6.7	5.8	0.6	0.4	65.7	6.9
Prior period loss development including prior period catastrophe losses	$ 12.3	3.1%	$ (6.9)	(2.5)%	$ (6.7)	(5.8)%	$ (9.6)	(6.0)%	$ (10.9)	(1.1)%

Six Months Ended June 30, 2008

	Americas		EuroAsia		London Market		U.S. Insurance		Total	
	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE
Total losses and LAE	$ 249.5	66.0%	$ 235.8	78.7%	$ 90.7	61.5%	$ 136.3	67.5%	$ 712.3	69.4%
Catastrophe Losses:										
2008 Events:										
Windstorm Emma	—	—	13.0	4.3	—	—	—	—	13.0	1.3
China winter storm	—	—	29.1	9.7	—	—	—	—	29.1	2.8
Australia floods	9.5	2.5	1.8	0.6	—	—	—	—	11.3	1.1
China earthquake	—	—	9.0	3.0	—	—	—	—	9.0	0.9
Other 2008 events	9.7	2.6	3.6	1.3	1.2	0.8	—	—	14.5	1.4
Total 2008 events	19.2	5.1	56.5	18.9	1.2	0.8	—	—	76.9	7.5
Prior period events	(2.5)	(0.7)	1.6	0.5	1.8	1.2	—	—	0.9	0.1
Total catastrophe losses	16.7	4.4	58.1	19.4	3.0	2.0	—	—	77.8	7.6
Prior period loss development including prior period catastrophe losses	$ 6.6	1.7%	$ 12.0	4.0%	$ (13.8)	(9.4)%	$ (1.4)	(0.7)%	$ 3.4	0.3%

Americas Division — Losses and LAE increased $7.2 million, or 2.9%, to $256.7 million for the six months ended June 30, 2009, from $249.5 million for the six months ended June 30, 2008. This resulted in a loss and LAE ratio of 64.8% for the six months ended June 30, 2009, compared to 66.0% for the six months ended June 30, 2008. This increase in losses and LAE was principally attributable to an increase in loss exposure associated with an increase in net premiums earned of $17.8 million, to $395.9 million for the six months ended June 30, 2009, from $378.1 million for the six months ended June 30, 2008. Losses and LAE for the six months ended June 30, 2009 included current year property catastrophe losses of $5.5 million and an increase in prior period losses of $12.3 million, principally due to loss emergence greater than expectations in the period on general and professional liability business. Losses and LAE for the six months ended June 30, 2008 included current year property catastrophe losses of $19.2 million, with $9.5 million for the Australia floods, and an increase in prior period losses of $6.6 million, principally attributable to loss emergence greater than expectations in the period on asbestos.

EuroAsia Division — Losses and LAE decreased $32.2 million, or 13.7%, to $203.6 million for the six months ended June 30, 2009, from $235.8 million for the six months ended June 30, 2008. This resulted in a loss and LAE ratio of 73.1% for the six months ended June 30, 2009, compared to 78.7% for the six months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in prior period losses of $18.9 million, to a decrease of $6.9 million for the six months ended June 30, 2009, from an increase of $12.0 million for the six months ended June 30, 2008. Losses and LAE for the six months ended June 30, 2009 included current year property catastrophe losses of $55.9 million, with $50.0 million attributable to Windstorm Klaus and a decrease in prior period losses of $6.9 million, principally due to loss emergence lower than expectations in the period on miscellaneous property lines of business. Losses and LAE for the six months ended June 30, 2008 included current year property catastrophe losses of $56.5 million, with $29.1 million for the China winter storm, $13.0 million for Windstorm Emma and $9.0 million for the China earthquake, and an increase in prior period losses of $12.0 million, principally attributable to loss emergence greater than expectations in the period on non−catastrophe property business.

London Market Division — Losses and LAE decreased $17.7 million, or 19.5%, to $73.0 million for the six months ended June 30, 2009, from $90.7 million for the six months ended June 30, 2008. This resulted in a loss and LAE ratio of 62.9% for the six months ended June 30, 2009, compared to 61.5% for the six months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in loss exposure associated with a decline in net premiums earned of $31.3 million, to $116.1 million for the six months ended June 30, 2009, from $147.4 million for the six months ended June 30, 2008. Losses and LAE for the six months ended June 30, 2009 included current year property catastrophe losses of $1.5 million and a decrease in prior period losses of $6.7 million, principally attributable to loss emergence lower than expectations in the period on liability, satellite and aviation business. Losses and LAE for the six months ended June 30, 2008 included current year property catastrophe losses of $1.2 million and a decrease in prior period losses of $13.8 million, principally due to loss emergence lower than expectations in the period on miscellaneous property lines of business.

U.S. Insurance Division — Losses and LAE decreased $30.1 million, or 22.1%, to $106.2 million for the six months ended June 30, 2009, from $136.3 million for the six months ended June 30, 2008. This resulted in a loss and LAE ratio of 66.4% for the six months ended June 30, 2009, compared to 67.5% for the six months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in loss exposure associated with a decline in net premiums earned of $41.9 million, to $160.0 million for the six months ended June 30, 2009, from $201.9 million for the six months ended June 30, 2008. Losses and LAE for the six months ended June 30, 2009 included a decrease in prior period losses of $9.6 million, principally attributable to loss emergence lower than expectations in the period on miscellaneous and professional liability lines of business. Losses and LAE for the six months ended June 30, 2008 included a decrease in prior period losses of $1.4 million, principally due to favorable loss emergence in the period on property business.

Acquisition Costs. Acquisition costs for the six months ended June 30, 2009 were $190.8 million, a decrease of $22.4 million or 10.5%, compared to $213.2 million for the six months ended June 30, 2008. The resulting acquisition expense ratio, expressed as a percentage of net premiums earned, was 20.1% for the six months ended June 30, 2009, compared to 20.8% for the six months ended June 30, 2008, a decrease of 0.7 points. The Americas, EuroAsia, London Market and U.S. Insurance divisions' acquisition ratios decreased by 0.6 points, 0.5 points, 0.1 points and 2.6 points, respectively, for the six months ended June 30, 2009 compared to the corresponding period in 2008.

Other Underwriting Expenses. Other underwriting expenses for the six months ended June 30, 2009 were $87.1 million, compared to $86.4 million for the six months ended June 30, 2008. The other underwriting expense ratio, expressed as a percentage of net premiums earned, was 9.1% for the six months ended June 30, 2009, compared to 8.4% for the corresponding period in 2008. The increase in the other underwriting expenses ratio was principally attributable to a decrease in net premiums earned of $76.5 million, with no corresponding change in underwriting expenses.

The following table reflects the acquisition and other underwriting expenses, expressed as a percentage of net premiums earned, for the six months ended June 30, 2009 and 2008 for each of our divisions:

Division	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Point Change
Americas	31.4%	32.9%	(1.5)
EuroAsia	24.7	26.0	(1.3)
London Market	28.7	28.5	0.2
U.S. Insurance	32.4	27.5	4.9
Total acquisition costs and other underwriting expense ratio	29.2%	29.1%	0.1

Our combined ratio was 96.5% for the six months ended June 30, 2009, compared to 98.5% for the six months ended June 30, 2008. The following table reflects the combined ratio for the six months ended June 30, 2009 and 2008 for each of our divisions:

Division	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Point Change
Americas	96.2%	98.9%	(2.7)
EuroAsia	97.8	104.7	(6.9)
London Market	91.6	90.0	1.6
U.S. Insurance	98.8	95.0	3.8
Total combined ratio	96.5%	98.5%	(2.0)

Investment Results

Net Investment Income. Net investment income for the six months ended June 30, 2009 increased by $22.6 million, or 16.4%, to $160.4 million, from $137.8 million for the six months ended June 30, 2008. Net investment income was comprised of gross investment income of $171.2 million less investment expenses of $10.8 million for the six months ended June 30, 2009, compared to gross investment income of $161.0 million less investment expenses of $23.2 million for the six months ended June 30, 2008. The increase in net investment income for the six months ended June 30, 2009 was primarily attributable to the following:

- investment income from fixed income securities was $121.9 million for the six months ended June 30, 2009, an increase of $23.5 million, or 24.0%, compared to the corresponding period in 2008;
- an increase of $18.2 million, or 131.7%, in net investment income from equity investments for the six months ended June 30, 2009, compared to the corresponding period in 2008. Net income of common stocks, at equity, increased by $0.9 million, along with an increase in dividends on common stocks of $17.3 million;
- a decrease in investment expenses of $12.4 million for the six months ended June 30, 2009, compared to the corresponding period in 2008, which was primarily due to the expense related to total return swaps that were closed out during the fourth quarter of 2008; offset by:
- a decrease in net investment income from short−term investments and cash of $25.3 million, or 76.8%, for the six months ended June 30, 2009, compared to the corresponding period in 2008;
- a decrease in net investment income from other invested assets of $6.3 million, or 39.2%, for the six months ended June 30, 2009, compared to the corresponding period in 2008.

Our total effective annualized yield on average invested assets, net of expense but before the impact of interest expense from funds held balance was 4.1% and 3.6% for the six months ended June 30, 2009 and 2008, respectively. The total effective annualized yield on average invested assets is calculated by dividing annualized six months' income by six months' average invested assets (computed using average amortized cost for fixed income securities and average carrying value for all other securities).

Net Realized Investment Gains. Net realized investment losses of $44.2 million for the six months ended June 30, 2009 decreased by $412.8 million, from net realized investment gains of $368.6 million for the six months ended June 30, 2008. The decrease in net realized investment gains was principally due to the following:

- a decrease in net realized investment gains on derivative securities of $313.9 million, primarily attributable to prior year gains on total return swaps that were closed out in the fourth quarter of 2008, and prior year gains on credit default swaps, with decreased holdings in the current period;
- a decrease in net realized investment gains on fixed income securities of $14.0 million;
- a decrease in net mark−to−market realized investment gains of $12.8 million on short positions, which were closed out during the second quarter of 2008;
- increased net realized investment losses on equity securities of $79.2 million, which include other−than−temporary write−downs of equity securities of $123.1 million during the six months ended June 30, 2009, compared to $35.7 million in realized investment losses for the six months ended June 30, 2008; partially offset by:
- an increase in foreign exchange realized investment gains on short−term investments, cash and cash equivalents of $7.1 million, resulting from the strengthening of the U.S. dollar compared to foreign currencies.

During the six months ended June 30, 2009, net realized investment gains were reduced by other−than−temporary impairment losses in the amount of $126.7 million, relating to equity securities of $123.1 million, fixed income securities of $3.4 million and preferred stock of $0.2 million. During the six months ended June 30, 2008, net realized investment gains were reduced by other−than−temporary impairment losses in the amount of $41.2 million, relating to fixed income securities of $5.0 million, equity securities of $35.7 million and preferred stock of $0.5 million. Other−than temporary impairments reflect situations where the fair value was below the cost of the securities and the ability of the security to recover its value could not be reasonably determined.

Other Results, Principally Holding Company and Income Taxes

Other Income/Expenses, Net. Other income, net, for the six months ended June 30, 2009 was $11.3 million as compared to other expenses, net of $19.2 million for the six months ended June 30, 2008. The other income/expense is principally comprised of foreign currency exchange gains and losses and the operating expenses of our holding company, including audit related fees, corporate−related legal fees, consulting fees and compensation expense. The change of $30.5 million for the six months ended June 30, 2009 compared to 2008 was primarily due to foreign exchange related adjustments.

Interest Expense. We incurred interest expense related to our debt obligations of $15.9 million and $17.4 million for the six months ended June 30, 2009 and 2008, respectively. The lower amount of interest expense in 2009 primarily resulted from the decrease in interest rates on our Series A, B and C floating rate Senior Notes.

Federal and Foreign Income Tax Provision. Our federal and foreign income tax provision for the six months ended June 30, 2009 decreased by $139.7 million, to $27.3 million, compared to $167.0 million for the six months ended June 30, 2008, resulting from decreased pre−tax income and an increase in tax−exempt income from municipal securities. Our effective tax rates were 18.9% and 34.4% for the six months ended June 30, 2009 and 2008, respectively.

Preferred Dividends and Repurchases. We recorded preferred dividends related to our Series A and Series B non−cumulative perpetual preferred shares of $2.7 million and $3.7 million for the six months ended June 30, 2009 and 2008, respectively. During the first quarter of 2009, Odyssey America purchased 704,737 shares of our Series B preferred stock, with a liquidation preference of $17.2 million, for $9.2 million. As a result of the repurchase of the Series B preferred shares, we recorded a gain of $8.0 million for the six months ended June 30, 2009.

Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

Underwriting Results

Gross Premiums Written. Gross premiums written for the three months ended June 30, 2009 decreased by $54.8 million, or 9.7%, to $511.4 million, compared to $566.2 million for the three months ended June 30, 2008, as reflected in the following table (in millions):

Division	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Change $	Change %
Americas	$ 190.4	$ 174.6	$ 15.8	9.0%
EuroAsia	130.9	182.5	(51.6)	(28.3)
London Market	75.0	79.2	(4.2)	(5.3)
U.S. Insurance	115.1	129.9	(14.8)	(11.4)
Total gross premiums written	$ 511.4	$ 566.2	$ (54.8)	(9.7)%

Total reinsurance gross premiums written for the three months ended June 30, 2009 were $349.1 million, compared to $389.1 million for 2008, a decrease of 10.3%. Total insurance gross premiums written for the three months ended June 30, 2009, which include our U.S. Insurance division and the insurance business underwritten by our London Market division, were $162.3 million, compared to $177.1 million for 2008, a decrease of 8.4%. For the three months ended June 30, 2009, total reinsurance gross premiums written represented 68.3% (68.7% in 2008) of our business, while insurance represented the remaining 31.7% (31.3% in 2008).

Americas. Gross premiums written in the Americas division for the three months ended June 30, 2009 were $190.4 million, an increase of $15.8 million, or 9.0%, compared to $174.6 million for the three months ended June 30, 2008. These amounts represented 37.2% of our gross premiums written for the three months ended June 30, 2009 and 30.8% for the three months ended June 30, 2008. Gross premiums written across each geographic region of the Americas division were as follows:

Division	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Change $	Change %
United States	$ 139.6	$ 126.3	$ 13.3	10.5%
Latin America	41.2	37.2	4.0	10.8
Canada	9.6	11.1	(1.5)	(13.5)
Total gross premiums written	$ 190.4	$ 174.6	$ 15.8	9.0%

- United States — The increase in gross premiums written was primarily due to an increase in casualty business of $14.0 million, to $88.4 million for the three months ended June 30, 2009, from $74.4 million for the three months ended June 30, 2008.
- Latin America — The increase in gross premiums written was primarily due to an increase in facultative business of $5.6 million, to $8.8 million, for the three months ended June 30, 2009, from $3.2 million for the three months ended June 30, 2008. This was partially offset by a decrease in treaty business of $1.6 million, to $32.4 million, for the three months ended June 30, 2009, from $34.0 million for the three months ended June 30, 2008.
- Canada — The decrease in gross premiums written was primarily due to the movement in the Canadian dollar exchange rate between 2009 and 2008.

EuroAsia. Gross premiums written in the EuroAsia division for the three months ended June 30, 2009 were $130.9 million, a decrease of $51.6 million, or 28.3%, compared to $182.5 million for the three months ended June 30, 2008. These amounts represented 25.6% of our gross premiums written for the three months ended June 30, 2009 and 32.2% in the corresponding period of 2008. The decrease in gross premiums written was comprised of $30.6 million due to a modification of our estimating method in June 2008 and $19.6 million attributable to the movement in foreign exchange rates during 2009 compared to 2008. The modification to the estimation process impacted gross and net premiums written but had no effect on earned premiums. Excluding the effects of the foreign exchange rate movement and the modification to the estimating process, gross premiums written would have decreased by $1.4 million.

London Market. Gross premiums written in the London Market division for the three months ended June 30, 2009 were $75.0 million, a decrease of $4.2 million, or 5.3%, compared to $79.2 million for the three months ended June 30, 2008. These amounts represented 14.7% of our gross premiums written for the three months ended June 30, 2009 and 14.0% for the three months ended June 30, 2008. Gross premiums written across each unit of the London Market division were as follows:

	Three Months Ended June 30,		Change	
Division	**2009**	**2008**	**$**	**%**
London branch	$ 27.8	$ 32.0	$ (4.2)	(13.1)%
Newline and NICL	47.2	47.2	—	—
Total gross premiums written	$ 75.0	$ 79.2	$ (4.2)	(5.3)%

The decrease in gross premiums written by the London branch was primarily attributable to property business of $2.4 million and casualty business of $2.1 million, offset by an increase in marine and aviation business of $0.3 million.

The decrease in gross premiums written by Newline/NICL was primarily attributable to financial lines of $1.6 million and motor of $1.7 million, offset by an increase in medical professional liability of $3.3 million.

U.S. Insurance. Gross premiums written in the U.S. Insurance division for the three months ended June 30, 2009 were $115.1 million, a decrease of $14.8 million, or 11.4%, compared to $129.9 million for the three months ended June 30, 2008. These amounts represented 22.5% and 23.0% of our gross premiums written for the three month periods ended June 30, 2009 and 2008, respectively. Gross premiums written for the three months ended June 30, 2009 and 2008 were as follows:

	Three Months Ended June 30,		Change	
	2009	**2008**	**$**	**%**
Professional liability	$ 33.4	$ 37.0	$ (3.6)	(9.7)%
Property and package	31.4	34.8	(3.4)	(9.8)
Commercial automobile	16.5	18.3	(1.8)	(9.8)
Medical professional liability	15.9	20.4	(4.5)	(22.1)
Specialty liability	13.0	12.7	0.3	2.4
Personal automobile	4.9	6.7	(1.8)	(26.9)
Total gross premiums written	$ 115.1	$ 129.9	$ (14.8)	(11.4)%

Gross premiums written decreased for the three months ended June 30, 2009 compared to the three months ended June 30, 2008 as a result of the cancellation of certain business and the overall competitive market conditions.

Ceded Premiums Written. Ceded premiums written for the three months ended June 30, 2009 decreased by $11.1 million, or 17.7%, to $51.6 million (10.1% of gross premiums written), from $62.7 million (11.1% of gross premiums written) for the three months ended June 30, 2008. The decrease in ceded premiums written was primarily related to our insurance operations and corresponds with the decrease in gross premiums written in those operations.

Net Premiums Written. Net premiums written for the three months ended June 30, 2009 decreased by $43.7 million, or 8.7%, to $459.8 million, from $503.5 million for the three months ended June 30, 2008, as reflected in the following table (in millions):

	Three Months Ended June 30,		Change	
Division	**2009**	**2008**	**$**	**%**
Americas	$ 186.9	$ 172.0	$ 14.9	8.7%
EuroAsia	124.5	176.6	(52.1)	(29.5)
London Market	61.2	56.5	4.7	8.3
U.S. Insurance	87.2	98.4	(11.2)	(11.4)
Total net premiums written	$ 459.8	$ 503.5	$ 43.7	8.7%

Americas. Net premiums written in the Americas division for the three months ended June 30, 2009 were $186.9 million, compared to $172.0 million for the 2008 period, an increase of 8.7%. These amounts represented 40.6% of our net premiums written for the three months ended June 30, 2009 and 34.2% for the three months ended June 30, 2008. The net retention ratio, which represents net premiums written as a percent of gross premiums written, was 98.2% for the three months ended June 30, 2009, compared to 98.5% for the three months ended June 30, 2008.

The increase in net premiums written in the Americas division was consistent with the 9.0% increase in gross premiums written related to the increases in casualty treaty and facultative business.

EuroAsia. Net premiums written in the EuroAsia division for the three months ended June 30, 2009 were $124.5 million, compared to $176.6 million for 2008, a decrease of 29.5%. These amounts represented 27.1% of our net premiums written for the three months ended June 30, 2009 and 35.1% for the three months ended June 30, 2008. The net retention ratio for the three months ended June 30, 2009 was 95.1%, compared to 96.8% for the three months ended June 30, 2008.

The decrease in net premiums written was consistent with the decrease in gross premiums written, which was due to movements in foreign exchange rates and a modification to our estimation method in June 2008.

London Market. Net premiums written in the London Market division for the three months ended June 30, 2009 were $61.2 million, compared to $56.5 million for 2008, an increase of 8.3%. These amounts represented 13.3% of our net premiums written for the three months ended June 30, 2009 and 11.2% for the three months ended June 30, 2008.

The increase in net premiums written was comprised of a decrease in gross premiums written of $4.2 million combined with a decrease in ceded premiums written of $8.9 million.

U.S. Insurance. Net premiums written in the U.S. Insurance division for the three months ended June 30, 2009 were $87.2 million, compared to $98.4 million for the three months ended June 30, 2008, a decrease of 11.4%. These amounts represented 19.0% of our net premiums written for the three months ended June 30, 2009 and 19.5% for the three months ended June 30, 2008. The net retention ratio was 75.8% for both the three months ended June 30, 2009 and 2008.

The decrease in net premiums written resulted from a decrease in gross premiums written of $14.8 million, offset by a decrease in ceded premiums written of $3.6 million.

Net Premiums Earned. Net premiums earned for the three months ended June 30, 2009 decreased by $35.0 million, or 6.8%, to $480.5 million, from $515.5 million for the three months ended June 30, 2008. Net premiums earned decreased by $16.0 million, or 10.3%, in the EuroAsia division, $9.0 million, or 12.7%, in the London Market division and $29.0 million, or 27.1%, in the U.S. Insurance division, offset by an increase of $19.0 million, or 10.5%, in the Americas division.

Losses and Loss Adjustment Expenses. Net losses and LAE incurred decreased $38.2 million, or 10.6%, to $321.9 million for the three months ended June 30, 2009, from $360.1 million for the three months ended June 30, 2008, as follows (in millions):

	Three Months Ended June 30,		Change	
	2009	2008	$	%
Gross losses and LAE incurred	$ 390.9	$ 403.0	$ (12.1)	(3.0)%
Less: ceded losses and LAE incurred	69.0	42.9	26.1	60.8
Net losses and LAE incurred	$ 321.9	$ 360.1	$ (38.2)	(10.6)%

The decrease in net losses and LAE incurred was principally related to: (i) a decrease in loss exposure associated with a decrease in net premiums earned of $35.0 million, to $480.5 million for the three months ended June 30, 2009, from $515.5 million for the three months ended June 30, 2008, and (ii) a decrease in current year property catastrophe losses of $23.9 million, to $15.2 million for the three months ended June 30, 2009, from $39.1 million for the three months ended June 30, 2008. Losses and LAE for the three months ended June 30, 2009 included an increase in prior period losses of $0.9 million, attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas division. Losses and LAE for the three months ended June 30, 2008 included an increase in prior period losses of $5.7 million, attributable to increased loss estimates due to loss emergence greater than expectations in the period on business written in the Americas, EuroAsia and U.S. Insurance divisions.

Ceded losses and LAE incurred increased $26.1 million, or 60.8%, to $69.0 million for the three months ended June 30, 2009, from $42.9 million for the three months ended June 30, 2008. This increase was principally attributable to increased loss cessions on property catastrophes.

The loss and LAE ratio for the three months ended June 30, 2009 and 2008 and the percentage point change for each of our divisions and in total are as follows:

	Three Months Ended June 30,		Percentage Point
Division	2009	2008	Change
Americas	69.4%	65.0%	4.4
EuroAsia	66.3	79.9	(13.6)
London Market	62.2	60.2	2.0
U.S. Insurance	66.0	69.8	(3.8)
Total loss and LAE ratio	67.0%	69.8%	(2.8)

The following tables reflect total losses and LAE as reported for each division and include the impact of catastrophe losses and prior period reserve development, expressed as a percentage of net premiums earned (“NPE”), for the three months ended June 30, 2009 and 2008 (in millions):

Three Months Ended June 30, 2009

	Americas		EuroAsia		London Market		U.S. Insurance		Total	
	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE
Total losses and LAE	$ 139.3	69.4%	$ 92.9	66.3%	$ 38.4	62.2%	$ 51.3	66.0%	$ 321.9	67.0%
Catastrophe Losses:										
2009 Events:										
Windstorm Klaus	—	—	6.1	4.3	—	—	—	—	6.1	1.3
Other 2009 events	2.4	1.2	5.6	4.0	1.1	1.8	—	—	9.1	1.9
Total 2009 events	2.4	1.2	11.7	8.3	1.1	1.8	—	—	15.2	3.2
Prior period events	(1.6)	(0.8)	(4.2)	(3.0)	(0.3)	(0.5)	—	—	(6.1)	(1.3)
Total catastrophe losses	0.8	0.4	7.5	5.3	0.8	1.3	—	—	9.1	1.9
Prior period loss development including prior period catastrophe losses	$ 13.6	6.8%	$ (2.1)	(1.5)%	$ (4.6)	(7.5)%	$ (6.0)	(7.7)%	$ 0.9	0.2%

Three Months Ended June 30, 2008

	Americas		EuroAsia		London Market		U.S. Insurance		Total	
	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE	$	% of NPE
Total losses and LAE	$ 118.1	65.0%	$ 125.0	79.9%	$ 42.5	60.2%	$ 74.5	69.8%	$ 360.1	69.8%
Catastrophe Losses:										
2008 Events:										
Windstorm Emma	—	—	0.5	0.3	—	—	—	—	0.5	0.1
China winter storm	—	—	19.1	12.2	—	—	—	—	19.1	3.7
Australia floods	—	—	(0.5)	(0.3)	—	—	—	—	(0.5)	(0.1)
China earthquake	—	—	9.0	5.8	—	—	—	—	9.0	1.7
Other 2008 events	7.7	4.3	3.0	1.8	0.3	0.4	—	—	11.0	2.2
Total 2008 events	7.7	4.3	31.1	19.8	0.3	0.4	—	—	39.1	7.6
Prior period events	(1.2)	(0.7)	1.5	1.0	(0.1)	(0.1)	—	—	0.2	—
Total catastrophe losses	6.5	3.6	32.6	20.8	0.2	0.3	—	—	39.3	7.6
Prior period loss development including prior period catastrophe losses	$ 2.2	1.2%	$ 7.3	4.7%	$ (5.4)	(7.6)%	$ 1.6	1.5%	$ 5.7	1.1%

Americas Division — Losses and LAE increased $21.2 million, or 18.0%, to $139.3 million for the three months ended June 30, 2009, from $118.1 million for the three months ended June 30, 2008. This resulted in a loss and LAE ratio of 69.4% for the three months ended June 30, 2009, compared to 65.0% for the three months ended June 30, 2008. This increase in losses and LAE was principally due to an increase in loss exposure associated with an increase in net premiums earned of $19.0 million, to $200.7 million for the three months ended June 30, 2009, from $181.7 million for the three months ended June 30, 2008. Losses and LAE for the three months ended June 30, 2009 included current year property catastrophe losses of $2.4 million and an increase in prior period losses of $13.6 million, principally attributable to loss emergence greater than expectations in the period on professional liability business. Losses and LAE for the three months ended June 30, 2008 included current year property catastrophe losses of $7.7 million and an increase in prior period losses of $2.2 million, principally attributable loss to emergence greater than expectations in the period on general liability business.

EuroAsia Division — Losses and LAE decreased $32.1 million, or 25.7%, to $92.9 million for the three months ended June 30, 2009, from $125.0 million for the three months ended June 30, 2008. This resulted in a loss and LAE ratio of 66.3% for the three months ended June 30, 2009, compared to 79.9% for the three months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in current year property catastrophe losses of $19.4 million, to $11.7 million for the three months ended June 30, 2009, from $31.1 million for the three months ended June 30, 2008. Losses and LAE for the three months ended June 30, 2009 included $6.1 million for Windstorm Klaus and a decrease in prior period losses of $2.1 million, principally attributable to loss emergence lower than expectations in the period on miscellaneous property lines of business. Losses and LAE for the three months ended June 30, 2008 included $19.1 million for the China winter storm, $9.0 million for the China earthquake and an increase in prior period losses of $7.3 million, principally attributable to loss emergence greater than expectations in the period on non−catastrophe property business.

London Market Division — Losses and LAE decreased $4.1 million, or 9.6%, to $38.4 million for the three months ended June 30, 2009, from $42.5 million for the three months ended June 30, 2008. This resulted in a loss and LAE ratio of 62.2% for the three months ended June 30, 2009, compared to 60.2% for the three months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in loss exposure associated with a decrease in net premiums earned of $9.0 million, to $61.7 million for the three months ended June 30, 2009, from $70.7 million for the three months ended June 30, 2008. Losses and LAE for the three months ended June 30, 2009 included current year property catastrophe losses of $1.1 million and a decrease in prior period losses of $4.6 million, principally due to loss emergence lower than expectations in the period on liability and aviation business. Losses and LAE for the three months ended June 30, 2008 included current year property catastrophe losses of $0.3 million and a decrease in prior period losses of $5.4 million, principally due to favorable loss emergence in the period on miscellaneous property lines of business.

U.S. Insurance Division — Losses and LAE decreased $23.2 million, or 31.1%, to $51.3 million for the three months ended June 30, 2009, from $74.5 million for the three months ended June 30, 2008. This resulted in a loss and LAE ratio of 66.0% for the three months ended June 30, 2009, compared to 69.8% for the three months ended June 30, 2008. This decrease in losses and LAE was principally due to a decrease in loss exposure associated with a decrease in net premiums earned of $29.0 million, to $77.8 million for the three months ended June 30, 2009, from $106.8 million for the three months ended June 30, 2008. Losses and LAE for the three months ended June 30, 2009 included a decrease in prior period losses of $6.0 million, principally due to loss emergence lower than expectations in the period on miscellaneous and professional liability lines of business. Losses and LAE for the three months ended June 30, 2008 included an increase in prior period losses of $1.6 million, principally due to unfavorable loss emergence in the period on auto business.

Acquisition Costs. Acquisition costs for the three months ended June 30, 2009 were $97.8 million, a decrease of $7.2 million, or 6.9%, compared to $105.0 million for the three months ended June 30, 2008. The resulting acquisition expense ratio, expressed as a percentage of net premiums earned, was 20.4% for both the three months ended June 30, 2009 and 2008. The EuroAsia and U.S. Insurance divisions' acquisition expense ratios decreased by 0.9 points and 1.2 points, respectively, for the three months ended June 30, 2009 compared to the corresponding period in 2008. The Americas and London Market divisions' acquisition ratios increased by 0.7 points and 0.1 points, respectively.

Other Underwriting Expenses. Other underwriting expenses for the three months ended June 30, 2009 were $44.0 million, compared to $43.6 million for the three months ended June 30, 2008. The other underwriting expense ratio, expressed as a percentage of net premiums earned, was 9.2% for the three months ended June 30, 2009, compared to 8.5% for the corresponding period in 2008. The increase in other underwriting expense ratio was attributable to a decrease in net premiums earned of $35.1 million, with no corresponding change in underwriting expenses.

The following table reflects the acquisition and other underwriting expenses, expressed as a percentage of net premiums earned, for the three months ended June 30, 2009 and 2008 for each of our divisions:

Division	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Point Change
Americas	31.7%	32.8%	(1.1)
EuroAsia	24.2	26.1	(1.9)
London Market	29.0	30.1	(1.1)
U.S. Insurance	33.8	25.3	8.5
Total acquisition costs and other underwriting expense ratio	29.5%	28.9%	0.6

Our combined ratio was 96.5% for the three months ended June 30, 2009, compared to 98.7% for the three months ended June 30, 2008. The following table reflects the combined ratio for the three months ended June 30, 2009 and 2008 for each of our divisions:

Division	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Point Change
Americas	101.1%	97.8%	3.3
EuroAsia	90.5	106.0	(15.5)
London Market	91.2	90.3	0.9
U.S. Insurance	99.8	95.1	4.7
Total combined ratio	96.5%	98.7%	(2.2)

Investment Results

Net Investment Income. Net investment income for the three months ended June 30, 2009 increased by $28.3 million, or 43.7%, to $93.0 million, from $64.7 million for the three months ended June 30, 2008. Net investment income was comprised of gross investment income of $98.4 million less investment expenses of $5.4 million for the three months ended June 30, 2009, compared to gross investment income of $77.2 million less investment expenses of $12.5 million for the three months ended June 30, 2008. The increase in net investment income for the three months ended June 30, 2009 was primarily attributable to the following:

- an increase in investment income from fixed income securities of $15.0 million, or 29.9%, for the three months ended June 30, 2009, compared to the corresponding period in 2008;

- an increase of $9.8 million in net investment income from equity investments for the three months ended June 30, 2009, compared to the corresponding period in 2008. Net income of common stocks, at equity, increased by $1.8 million, while dividends on common stocks increased by $8.0 million;

- an increase in income from other invested assets of $8.5 million for the three months ended June 30, 2009, compared to the corresponding period in 2008, which was primarily comprised of income from hedge funds and private equity funds accounted for under the equity method of accounting;

- a decrease in investment expenses of $7.0 million for the three months ended June 30, 2009, compared to the corresponding period in 2008, which was primarily due to the expense related to total return swaps that were closed out during the fourth quarter of 2008; offset by:

- a decrease in investment income from short−term investments and cash of $12.1 million, or 81.4%, for the three months ended June 30, 2009, compared to the corresponding period in 2008, which was representative of a shift from shorter term to longer term investments and a decrease in short−term interest rates from the same period.

Our total effective annualized yield on average invested assets, net of expense but before the impact of interest expense from funds held balances was 4.9% and 3.3% for the three months ended June 30, 2009 and 2008, respectively. The total effective annualized yield on average invested assets is calculated by dividing annualized quarterly income by quarterly average invested assets (computed using average amortized cost for fixed income securities and average carrying value for all other securities).

Net Realized Investment Gains. Net realized investment gains of $55.2 million for the three months ended June 30, 2009 increased by $9.6 million, from $45.6 million for the three months ended June 30, 2008. The increase in net realized investment gains was principally comprised of the following:

- higher net realized investment gains on fixed income securities of $78.3 million;
- an increase in foreign exchange realized investment gains on short−term investments, cash and cash equivalents of $35.3 million resulting from the weakening of the U.S. dollar compared to foreign currencies;
- an increase in net mark−to−market realized investment gains of $4.7 million on short positions that were closed out during the second quarter of 2008;
- an increase in net realized investment gains on other invested assets of $8.4 million; offset by:
- a decrease in net realized investment gains on derivative securities of $82.3 million, primarily attributable to a decrease in net realized investment gains on credit default swaps and total return swaps and increased losses from forward currency contracts; and
- lower net realized investment gains on equity securities of $34.6 million, which include other−than−temporary write−downs of equity securities of $44.9 million during the three months ended June 30, 2009 compared to $0.3 million for the three months ended June 30, 2008.

During the three months ended June 30, 2009, net realized investment gains were reduced by other−than−temporary impairment losses in the amount of $45.3 million relating to equity securities of $44.9 million, fixed income securities of $0.2 million and preferred stock of $0.2 million. During the three months ended June 30, 2008, net realized investment gains were reduced by other−than−temporary impairment losses in the amount of $0.3 million relating to equity securities. Other−than−temporary impairments reflect situations where the fair value was below the cost of the security, and the ability of the security to recover its value could not be reasonably determined.

Other Results, Principally Holding Company and Income Taxes

Other Income/Expenses, Net. Other income, net, for the three months ended June 30, 2009 was $15.5 million as compared to other expenses, net of $8.1 million for the three months ended June 30, 2008. Other income/expense is principally comprised of foreign currency exchange gains and losses and the operating expenses of our holding company, including audit related fees, corporate−related legal fees, consulting fees and compensation expense. The change of $23.6 million for the three months ended June 30, 2009 compared to 2008 was primarily due to foreign exchange related adjustments.

Interest Expense. We incurred interest expense related to our debt obligations of $7.8 million and $8.4 million for the three months ended June 30, 2009 and 2008, respectively. The lower amount of interest expense in 2009 primarily resulted from the decrease in interest rates on our Series A, B and C floating rate Senior Notes.

Federal and Foreign Income Tax Provision. Our federal and foreign income tax provision for the three months ended June 30, 2009 increased by $15.7 million, to $49.4 million, compared to $33.7 million for the three months ended June 30, 2008, resulting from an increase in pre−tax income. Our effective tax rates were 28.6% and 33.5% for the three months ended June 30, 2009 and 2008, respectively.

Preferred Dividends. We recorded preferred dividends related to our Series A and Series B non−cumulative perpetual preferred shares of $1.3 million and $1.8 million for the three months ended June 30, 2009 and 2008, respectively.

Liquidity and Capital Resources

Our shareholders’ equity increased by $310.7 million, or 11.0%, to $3,138.4 million as of June 30, 2009, from $2,827.7 million as of December 31, 2008, due to net income of $117.3 million, a gain on the repurchase of our Series B preferred shares of $8.0 million, an increase in net unrealized appreciation on securities of $271.2 million and foreign currency translation adjustments of $1.2 million (both components of accumulated other comprehensive income). Offsetting these increases were the repurchase of $47.5 million of our common shares, the repurchase of $17.2 million of our Series B preferred shares, and dividends to our preferred and common shareholders of $11.6 million. Our book value per common share was $51.90 as of June 30, 2009, representing an increase of $6.53, or 14.4%, from our book value per common share of $45.37 as of December 31, 2008.

The following table reconciles total shareholders’ equity, a GAAP financial measure, to common shareholders’ equity, a non−GAAP financial measure, which is used in our book value per common share calculation. We believe this presentation may be useful to investors who utilize common shareholders’ equity in their book value per share calculation.

	As of June 30, 2009	As of December 31, 2008
	(In millions, except share and per share amounts)	
Total shareholders’ equity	$ 3,138.4	$ 2,827.7
Less: shareholders’ equity related to preferred stock	77.2	94.4
Total common shareholders’ equity	$ 3,061.2	$ 2,733.3
Common shares outstanding	58,980,352	60,242,949
Book value per common share	$ 51.90	$ 45.37

Odyssey Re Holdings Corp. is a holding company that does not have any significant operations or assets other than its ownership of Odyssey America, and its principal sources of funds are cash dividends and other permitted payments from its operating subsidiaries, primarily Odyssey America. If our subsidiaries are unable to make payments to the holding company, or are able to pay only limited amounts, we may be unable to pay dividends on our preferred or common shares or make payments on our indebtedness. The payment of dividends by our operating subsidiaries is subject to restrictions set forth in the insurance laws and regulations of Connecticut, Delaware, New York and the United Kingdom. Holding company cash, cash equivalents and short−term investments equaled $53.8 million as of June 30, 2009, compared to $23.9 million as of December 31, 2008. As of August 6, 2009, the holding company has received dividends from Odyssey America of $150.0 million during 2009, which was the primary driver of the increase in holding company cash, cash equivalents and short−term investments, and $410.0 million for the year ended December 31, 2008. During the remainder of 2009, Odyssey America can pay dividends to the holding company of $394.8 million without prior regulatory approval.

Odyssey America’s liquidity requirements are principally met by cash flows from operating activities, which primarily result from collections of premiums, reinsurance recoverables and investment income, net of paid losses, acquisition costs, income taxes and underwriting and investment expenses. We seek to maintain sufficient liquidity to satisfy the timing of projected claim payments and operating expenses. The estimate, timing and ultimate amount of actual claim payments is inherently uncertain and will vary based on many factors including the frequency and severity of losses across various lines of business. Claim payments can accelerate or increase due to a variety of factors, including losses stemming from catastrophic events, which are typically paid out in a short period of time, legal settlements or emerging claim issues. We estimate claim payments, net of associated reinsurance recoveries, of approximately $1.2 billion during 2009. The timing and certainty of associated reinsurance collections that may be due to us can add uncertainty to our liquidity position to the extent amounts are not received on a timely basis. As of June 30, 2009, our operating subsidiaries maintained cash and cash equivalents of $848.1 million and short−term investments of $505.7 million, which is readily available for expected claim payments. In addition, our liquidity is enhanced through the collection of premiums on new business written through the year. We believe our cash resources, together with readily marketable securities, are sufficient to satisfy expected payment obligations, including any unexpected acceleration or increase in claim payments, or timing differences in collecting reinsurance recoverables.

Although the obligations of our reinsurers to make payments to us are based on specific contract provisions, these amounts only become recoverable when we make a payment of the associated loss amount, which may be several years, or in some cases decades, after the actual loss occurred. Reinsurance recoverables on unpaid losses, which represent 92.3% of our total reinsurance recoverables as of June 30, 2009, will not be due for collection until some time in the future, and over this period of time, economic conditions and the operational performance of a particular reinsurer may negatively impact its ability to meet its future obligations to us. We manage our exposure by entering into reinsurance transactions with companies that have a strong capital position and a favorable long term financial profile.

Our total reinsurance recoverable on paid losses as of June 30, 2009, net of the reserve for uncollectible reinsurance, was $62.0 million. The top ten reinsurers measured on total reinsurance recoverables represented $34.2 million, or 55.2% of the total paid loss recoverable, of which $3.6 million is collateralized and the remaining $30.6 million is with highly rated companies. The remaining $27.8 million recoverable on paid losses is with numerous companies, and no single company has a balance greater than $4.1 million net of the reserve on uncollectible reinsurance.

Approximately $36.2 million of our total reinsurance paid recoverable is current billings, and $25.8 million is over 120 days past due. The change in the economic conditions of any of our retrocessionaires may impact their ability to meet their obligations and negatively impact our liquidity.

Cash used by operations was $77.7 million for the six months ended June 30, 2009, compared to cash provided by operations of $122.5 million for the six months ended June 30, 2008, principally due to the increase in tax payments during 2009. This reflects a decrease in cash provided by operations of $200.2 million, or 163.4%, over the corresponding period of 2008. Tax payments during the six months ended June 30, 2009 increased by $153.5 million compared to the six months ended June 30, 2008, primarily due to the recognition for tax purposes of realized investment gains during the fourth quarter of 2008 on closed credit default and total return swaps.

Total investments and cash amounted to $8.1 billion as of June 30, 2009, an increase of $197.5 million compared to December 31, 2008. Our average invested assets were $8.0 billion for the six months ended June 30, 2009, compared to $7.8 billion for the six months ended June 30, 2008. It is anticipated that our cash and cash equivalents will continue to be reinvested on a basis consistent with our long−term, value−oriented investment philosophy. Cash, cash equivalents and short−term investments, excluding cash and cash equivalents held as collateral, represented 17.4% and 25.1% of our total investments and cash, excluding cash and cash equivalents held as collateral, as of June 30, 2009 and December 31, 2008, respectively. Total fixed income securities were $4.5 billion as of June 30, 2009, compared to $3.9 billion as of December 31, 2008. As of June 30, 2009, 69.0% of our fixed income portfolio was rated “AAA”, with 12.2% of securities rated below investment grade. The duration of our investment portfolio, including short−term investments, cash and cash equivalents, was 7.7 years.

Total investments and cash exclude amounts receivable for securities sold and amounts payable for securities purchased, representing the timing between the trade date and settlement date of securities sold and purchased. As of June 30, 2009 and December 31, 2008, we had receivables for securities sold of $108.7 million and $6.3 million, respectively, which are included in other assets, and payables for securities purchased of $22.8 million and $126.6 million, respectively, which are included in other liabilities.

On November 28, 2006, we completed the private sale of $40.0 million aggregate principal amount of floating rate senior debentures, series C, due December 15, 2021 (the “Series C Notes”). Interest on the Series C Notes accrues at a rate per annum equal to the three−month London Interbank Offer Rate (“LIBOR”), reset quarterly, plus 2.50%, and is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. We have the option to redeem the Series C Notes at par, plus accrued and unpaid interest, in whole or in part on any interest payment date on or after December 15, 2011. For the six months ended June 30, 2009 and 2008, the average annual interest rate on the Series C Notes was 4.05% and 6.20%, respectively.

On February 22, 2006, we issued $100.0 million aggregate principal amount of floating rate senior debentures, pursuant to a private placement. The net proceeds from the offering, after fees and expenses, were $99.3 million.

The debentures were sold in two tranches: $50.0 million of series A, due March 15, 2021 (the “Series A Notes”), and $50.0 million of series B, due March 15, 2016 (the “Series B Notes”). Interest on each series of debentures is due quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. The interest rate on each series of debentures is equal to the three−month LIBOR, reset quarterly, plus 2.20%. The Series A Notes are callable by us on any interest payment date on or after March 15, 2011 at their par value, plus accrued and unpaid interest, and the Series B Notes are callable by us on any interest payment date on or after March 15, 2009 at their par value, plus accrued and unpaid interest. For the six months ended June 30, 2009 and 2008, the average annual interest rate on each series of notes was 3.74% and 5.90%, respectively.

In December 2008, we entered into interest rate swaps, with an aggregate notional value of $140.0 million, to protect against adverse movements in interest rates. Under these swap contracts, we receive a floating interest rate of three−month LIBOR and pay a fixed interest rate of 2.49% on the $140.0 million notional value of the contracts, for a five−year period ending in December 2013.

During the second quarter of 2005, we issued $125.0 million aggregate principal amount of senior notes due May 1, 2015. The issue was sold at a discount of $0.8 million, which is being amortized over the life of the notes. Interest accrues on the senior notes at a fixed rate of 6.875% per annum, which is due semi−annually on May 1 and November 1.

During the fourth quarter of 2003, we issued $225.0 million aggregate principal amount of senior notes due November 1, 2013. The issue was sold at a discount of $0.4 million, which is being amortized over the life of the notes. Interest accrues on the senior notes at a fixed rate of 7.65% per annum, which is due semi−annually on May 1 and November 1.

On July 13, 2007, we entered into a $200.0 million credit facility (the “Credit Agreement”) with Wachovia Bank National Association (“Wachovia”), KeyBank National Association and a syndicate of lenders. Wachovia’s parent corporation was acquired by Wells Fargo & Company effective December 31, 2008. The Credit Agreement provides for a five−year credit facility of $200.0 million, $100.0 million of which is available for direct, unsecured borrowings by us, and all of which is available for the issuance of secured letters of credit. The Credit Agreement contains an option that permits us to request an increase in the aggregate amount of the facility by an amount up to $100.0 million, to a maximum facility size of $300.0 million. Following such a request, each lender has the right, but not the obligation, to commit to all or a portion of the proposed increase. The Credit Agreement is for working capital and other corporate purposes, including the issuance of letters of credit to support our insurance and reinsurance business. As of June 17, 2009, the Credit Agreement was amended to explicitly permit us to pledge collateral to secure our obligations under swap agreements, subject to certain financial limitations, in the event that such collateral is required by the counterparty or counterparties.

As of June 30, 2009, there was $56.5 million outstanding under the Credit Agreement, all of which was in support of letters of credit. Loans under the Credit Agreement bear interest at a fluctuating rate per annum equal to the higher of (a) the federal funds rate plus 0.5%, and (b) Wachovia’s publicly announced prime rate. Alternatively, at our option, loans bear interest at the LIBOR, which is the offered rate that appears on the page of the Telerate screen that displays an average British Bankers Association Interest Settlement Rate for deposits in dollars, plus 0.55%, which additional percentage may be adjusted if our debt rating changes.

During March 2009, we filed a shelf registration statement on Form S−3 with the Securities and Exchange Commission (“SEC”), which became effective automatically upon filing. The registration statement provides for the offer and sale by us, from time to time, of debt and equity securities.

Our Board of Directors authorized a share repurchase program whereby we are authorized to repurchase shares of our common stock on the open market from time to time through December 31, 2009, up to an aggregate repurchase price of $600.0 million. Shares repurchased under the program are retired. Depending on market conditions and other factors, these repurchases may be commenced or suspended at any time, or from time to time, without prior notice. For the six months ended June 30, 2009, we repurchased and retired 1,182,800 shares of our common stock related to the share repurchase program. From the inception of the program through June 30, 2009, we have repurchased and retired 13,300,545 shares of our common stock at a total cost of $493.4 million.

We participate in Lloyd’s through our 100% ownership of Newline, through which we provide 100% of the capacity for Newline Syndicate 1218 (“Syndicate 1218”). The results of Syndicate 1218 are consolidated in our financial statements. In support of Syndicate 1218's capacity at Lloyd's, Odyssey America has pledged municipal bonds and cash with a fair value of $222.9 million as of June 30, 2009 in a deposit trust account in favor of the Society and Council of Lloyd's. These securities may be substituted with other securities at our discretion, subject to approval by Lloyd's. The securities are carried at fair value and are included in investments and cash in our consolidated balance sheets. Interest earned on the securities is included in investment income. The pledge of assets in support of Syndicate 1218 provides us with the ability to participate in writing business through Lloyd's, which remains an important part of our business. The pledged assets effectively secure the contingent obligations of Syndicate 1218 should it not meet its obligations. Odyssey America's contingent liability to the Society and Council of Lloyd's is limited to the aggregate amount of the pledged assets. We have the ability to remove funds at Lloyd's annually, subject to certain minimum amounts required to support outstanding liabilities as determined under risk−based capital models and approved by Lloyd's. The funds used to support outstanding liabilities are adjusted annually and our obligations to support these liabilities will continue until they are settled or the liabilities are reinsured by a third party approved by Lloyd's. We expect to continue to actively operate Syndicate 1218 and support its requirements at Lloyd's. We believe that Syndicate 1218 maintains sufficient liquidity and financial resources to support its ultimate liabilities and we do not anticipate that the pledged assets will be utilized.

On May 29, 2009, our Board of Directors declared a quarterly cash dividend of $0.075 per common share. The dividend was paid on June 30, 2009 to all common shareholders of record as of June 16, 2009, resulting in an aggregate dividend payment of $4.5 million.

On May 29, 2009, our Board of Directors declared quarterly dividends of $0.5078125 per share on our 8.125% non−cumulative Series A preferred shares and $0.2723050 (equal to 4.357% per annum) per share on our floating rate Series B preferred shares. Total dividends of $1.4 million were paid on July 20, 2009 to Series A and Series B preferred shareholders of record on June 30, 2009.

For determining the fair value of our Level 1 investments, (approximately 38.1% of total investments and cash as of June 30, 2009), we utilize quoted market prices. The majority of our Level 1 investments are common stocks that are actively traded in a public market, short−term investments and cash equivalents, where the cost basis approximates fair value.

Our Level 2 investments (approximately 55.8% of total investments and cash as of June 30, 2009), the majority of which are in government, corporate and municipal securities, are priced using publicly traded over−the−counter prices and broker−dealer quotes. Observable inputs such as benchmark yields, reported trades, broker−dealer quotes, issuer spreads and bids are available for these investments. For determining the fair value of credit default swaps, which are classified as Level 2, we utilize broker−dealer quotes, which include observable credit spreads. Also included in Level 2 are inactively traded convertible corporate debentures, which are valued using a pricing model that includes observable inputs such as credit spreads and discount rates in the calculation. During the six months ended June 30, 2009, we transferred $47.8 million of Level 3 investments to Level 2 after determining that broker−dealer quotes would be used to determine the fair value of the instruments.

As of June 30, 2009, we held $21.7 million of investments that are classified as Level 3, (approximately 0.3% of total investments and cash as of June 30, 2009). These Level 3 investments are valued using a discounted cash flow model, including unobservable inputs that are supported by limited market−based activity. We have determined that our investments in Level 3 securities are not material to our operations.

Financial Strength and Credit Ratings

We and our subsidiaries are assigned financial strength (insurance) and credit ratings from internationally recognized rating agencies, which include A.M. Best Company, Inc., Standard & Poor's Insurance Rating Services and Moody's Investors Service. Financial strength ratings represent the opinions of the rating agencies of the financial strength of a company and its capacity to meet the obligations of insurance and reinsurance contracts. The rating agencies consider many factors in determining the financial strength rating of an insurance or reinsurance company, including the relative level of statutory surplus necessary to support our business operations.

These ratings are used by insurers, reinsurers and intermediaries as an important means of assessing the financial strength and quality of reinsurers. A reduction in our financial strength ratings could limit or prevent us from writing new reinsurance or insurance business. The financial strength ratings of our principal operating subsidiaries are as follows:

	A.M. Best	Standard & Poor's	Moody's
Odyssey America	"A" (Excellent)	"A−" (Strong)	"A3" (Good)
Hudson	"A" (Excellent)	Not Rated	Not Rated
Hudson Specialty	"A" (Excellent)	"A−" (Strong)	Not Rated

Our senior unsecured debt is currently rated "BBB−" by Standard & Poor's, "Baa3" by Moody's and "bbb" by A.M. Best. Our Series A and Series B preferred shares are currently rated "BB" by Standard & Poor's, "Ba2" by Moody's and "bb+" by A.M. Best.

Accounting Pronouncements

Recently Adopted

In May 2009, the Financial Accounting Standards Board ("FASB") issued SFAS 165, "Subsequent Events," to establish a standard for accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. Entities are required to disclose the date through which they have evaluated subsequent events. We adopted SFAS 165 as of June 30, 2009. We have evaluated all subsequent events through August 6, 2009, the date the financial statements were issued. See Note 15 to the consolidated financial statements in this quarterly report on Form 10−Q for further discussion of subsequent events.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 157−4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," to provide additional guidance in estimating the fair value of assets and liabilities when the volume of activity has significantly decreased. The new standard requires additional disclosures to discuss interim and annual significant assumptions and valuation techniques used to determine the fair value of the assets and liabilities. FSP FAS 157−4 does not change the principles of fair value measurement in accordance with previously issued accounting standards, but instead enhances it to provide further guidance on inactive markets. We adopted FSP FAS 157−4 as of April 1, 2009. The adoption of FSP FAS 157−4 did not have an impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115−2 and 124−2, "Recognition and Presentation of Other−Than−Temporary Impairments," to provide additional guidance for the measurement of other−than−temporary impairments on debt securities classified as available−for−sale and held−to−maturity. This FSP requires entities to separate their other−than−temporary impairment charges on available−for−sale or held−to−maturity debt securities into credit and other components. An other−than−temporary impairment charge should be recorded to earnings for credit−related losses associated with an impaired debt security, while other other−than−temporary impairment related to other factors (i.e., interest rates and market conditions) should be recognized in other comprehensive income. If an other−than−temporary impairment exists that is related to factors other than credit, and it is more−likely−than not that the Company will have to sell the security prior to recovery, the other−than−temporary impairment should be recorded in earnings. Additionally, this standard provides additional presentation and disclosure guidance for debt and equity securities. The adoption of FSP FAS 115−2 and 124−2, as of April 1, 2009, did not have an impact on consolidated shareholders' equity or net income.

In April 2009, the FASB issued FSP FAS 107−1 and APB 28−1, "Interim Disclosures about Fair Value of Financial Instruments," to require additional interim period disclosures regarding the fair value of financial instruments that are within the scope of SFAS 107, "Disclosures about Fair Value of Financial Instruments." Entities are required to disclose how the amounts in the disclosure relate to amounts in the balance sheet, the method used to determine the fair value and significant assumptions used in the valuation. We adopted FSP FAS 107−1 and APB 28−1 as of April 1, 2009, which had no impact on the our disclosures.

In June 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") 03−6−1 ("FSP EITF 03−6−1"), "Determining Whether Instruments Granted in Share−Based Payment Transactions are Participating Securities," which addresses whether instruments granted in share−based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two−class method described in Statement of Financial Accounting Standards ("SFAS") 128, "Earnings per Share." FSP EITF 03−6−1 requires companies to treat unvested share−based payment awards that have non−forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. Under our restricted share plan, the grantees have non−forfeitable rights to dividends before the vesting date and, accordingly, the restricted shares are participating securities. On January 1, 2009, we adopted FSP EITF 03−6−1 on a retrospective basis. The adoption of this FSP resulted in a reduction of diluted earnings per share to common shareholders of $0.04 and $0.01 for the six and three months ended June 30, 2008, respectively.

In May 2008, the FASB issued FASB Staff Position Accounting Principles Bulletin 14−1 ("FSP APB 14−1"), "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)," to clarify the guidance related to convertible debt with options to settle partially or fully in cash. This statement does not change the accounting for convertible debt that does not offer a cash settlement feature, nor does it apply if the conversion feature is accounted for as an embedded derivative or for convertible preferred stock. On January 1, 2009, we adopted FSP APB 14−1 and applied it on a retrospective basis to our convertible senior debentures issued in June 2002 (see Note 13 of our 2008 Annual Report on Form 10−K). As of May 1, 2007, all of the convertible senior debentures had been either repurchased by us or converted into shares of our common stock. The adoption of FSP APB 14−1 resulted in a cumulative increase, as of May 1, 2007, to additional paid−in capital and a decrease to retained earnings of $11.5 million.

In March 2008, the FASB issued SFAS 161, "Disclosures About Derivative Instruments and Hedging Activities," which requires additional disclosures for derivative and hedging activities. On January 1, 2009, we adopted the disclosure provisions of SFAS 161 and included the required disclosures in this Form 10−Q.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations," to replace SFAS 141, "Business Combinations." While several items from SFAS 141 were retained, including the acquisition method of accounting and the recognition of intangible assets separately from goodwill, SFAS 141(R) broadens its scope and establishes a definition of the acquirer and the acquisition date. In April 2009, the FASB issued FSP FAS 141(R)−1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies," to provide guidance on pre−acquisition contingencies with an immediate effective date. Under this FSP, acquirers must recognize a contingent asset or liability if the fair value of that asset or liability as of the acquisition date can be determined during the measurement period. The adoption of these pronouncements on January 1, 2009, did not have an impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS 160, "Non−controlling Interests in Consolidated Financial Statements," which amends Accounting Research Bulletin 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non−controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies the definition of a non−controlling interest and the proper accounting for that entity. The adoption of SFAS 160 on a prospective basis on January 1, 2009, did not have an impact on our consolidated financial statements.

In November 2008, the FASB ratified EITF 08−6, "Equity Method Investment Accounting Considerations," to clarify the equity method of accounting and questions regarding the changes from current practices due to the adoption of SFAS 141(R) and SFAS 160. The adoption of EITF 08−6 on a prospective basis on January 1, 2009, did not have an impact on our consolidated financial statements.

Recently Issued

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162" ("Codification"), to provide a timeline for the application of the codification project, which, effective July 1, 2009, eliminates the current four levels of hierarchy of authoritative accounting and reporting guidance and provides one source for authoritative accounting and reporting; however, the Codification will not change existing U.S. GAAP as such affects us. The Codification is applicable to financial statements issues for interim and annual reporting periods after September 15, 2009.

In December 2008, the FASB issued FSP FAS 132(R)−1, "Employers' Disclosures about Postretirement Benefit Plan Assets," to require enhanced disclosures regarding the major categories of plan assets, concentrations of risk, inputs and valuation techniques used to measure the fair value of plan assets and the effect of using unobservable inputs (Level 3 classification under SFAS 157). The disclosure requirements of FSP FAS 132(R)−1 are effective for fiscal years ending after December 15, 2009. We are currently evaluating the impact of FSP FAS 132(R)−1, if any, on our disclosure requirements.

Off−Balance Sheet Arrangements

We have off−balance sheet arrangements, including certain arrangements with affiliated companies that have financial implications. A description of these arrangements is provided in Note 10 to our consolidated financial statements included in this Form 10−Q.

Forward Looking Statements

We have included in this Quarterly Report on Form 10−Q filing, and from time to time our management may make, written or oral statements that may include forward−looking statements that reflect our current views with respect to future events and financial performance. These forward−looking statements relate to, among other things, our plans and objectives for future operations. These forward−looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to:

- a reduction in net income if our loss reserves are insufficient;
- the occurrence of catastrophic events with a frequency or severity exceeding our estimates;
- the lowering or loss of one or more of our financial or claims−paying ratings, including those of our subsidiaries;
- an inability to realize our investment objectives;
- a decrease in the level of demand for our reinsurance or insurance business, or increased competition in the industry;
- emerging claim and coverage issues, which could expand our obligations beyond the amount we intend to underwrite;
- ongoing legislative and regulatory developments that may disrupt our business or mandate changes in industry practices in a fashion that increases our costs or requires us to alter aspects of the way we conduct our business;
- changes in economic conditions, including interest rate, currency, equity and credit conditions that could affect our investment portfolio;
- a change in the requirements of one or more of our current or potential customers relating to counterparty financial strength, claims−paying ratings, or collateral requirements;
- actions of our competitors, including industry consolidation, and increased competition from alternative sources of risk management products, such as the capital markets;
- our controlling shareholder's ability to determine the outcome of our corporate actions requiring board or shareholder approval;
- our ability to raise additional capital if it is required;
- our compliance with covenants in our credit facility, the failure of which could have an adverse effect on our financial condition;
- the availability of dividends from our reinsurance and insurance company subsidiaries;
- the loss of services of any of our key employees;

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- our use of reinsurance brokers in contract negotiations and as cash settlement agents;
- the failure of our reinsurers to honor their obligations to us;
- the growth of our specialty insurance business and the development of our infrastructure to support this growth;
- operational and financial risks relating to our utilization of program managers, third−party administrators, and other vendors to support our specialty insurance operations;
- the passage of federal or state legislation subjecting our business to additional supervision or regulation, including additional tax regulation, in the United States or other jurisdictions in which we operate;
- our reliance on computer and data processing systems; and
- acts of war, terrorism or political unrest.

The words “believe,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “will likely result,” “will seek to” or “will continue” and similar expressions or their negative or variations identify forward−looking statements. We caution readers not to place undue reliance on these forward−looking statements, which speak only as of the date on which they are made. Additional information regarding these factors and others that could cause our actual results to differ materially from our expectations is included in our Annual Report on Form 10−K filed with the Securities and Exchange Commission on February 27, 2009. The information appearing under “Risk Factors” in such Annual Report on Form 10−K is incorporated by reference into and made a part of this Form 10−Q. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward−looking statements, whether as a result of new information, future events or otherwise.

PART I — Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Market Sensitive Instruments

The term “market risk” refers to the risk of loss arising from adverse changes in prices. We believe that we are principally exposed to four types of market risk related to our investment operations. These risks are interest rate risk, credit risk, equity price risk and foreign currency risk. Market sensitive instruments discussed in this section principally relate to our fixed income securities and common stocks carried at fair value that are classified as available for sale. As of June 30, 2009, our total investments and cash of $8.1 billion include $4.5 billion of fixed income securities that are subject primarily to interest rate risk and credit risk.

Interest Rate Risk

The table below displays the potential impact of fair value fluctuations on our fixed income securities portfolio as of June 30, 2009 and December 31, 2008, based on parallel 200 basis point shifts in interest rates up and down in 100 basis point increments. This analysis was performed on each security individually.

	As of June 30, 2009			As of December 31, 2008		
Percent Change in Interest Rates	Fair Value of Fixed Income Portfolio	Hypothetical $ Change	Hypothetical % Change	Fair Value of Fixed Income Portfolio	Hypothetical $ Change	Hypothetical % Change
	(In millions)					
200 basis point rise	$ 3,717.1	$ (734.8)	(16.5)%	$ 3,276.0	$ (656.5)	(16.7)%
100 basis point rise	4,061.9	(390.0)	(8.8)	3,576.5	(356.0)	(9.1)
Base scenario	4,451.9	—	—	3,932.5	—	—
100 basis point decline	4,801.1	349.2	7.8	4,307.9	375.4	9.5
200 basis point decline	5,149.7	697.8	15.7	4,637.2	704.7	17.9

The preceding table indicates an asymmetric fair value response to equivalent basis point shifts, up and down, in interest rates. This partly reflects exposure to fixed income securities containing a put feature. In total, securities with a put feature represented 3% of the fair value of the total fixed income portfolio as of both June 30, 2009 and

December 31, 2008. The asymmetric fair value response reflects our ability to put these bonds back to the issuer for early maturity in a rising interest rate environment (thereby limiting fair value loss) but to hold these bonds to their much longer full maturity dates in a falling interest rate environment (thereby maximizing the full benefit of higher fair values in that environment).

As of June 30, 2009, we had net unrealized gains of $532.8 million, before taxes, related to our total investments and cash. This net amount was comprised of gross unrealized appreciation of $615.1 million, offset by gross unrealized depreciation of $82.3 million, which includes gross unrealized appreciation of $587.4 million and gross unrealized depreciation of $80.4 million related to fixed income securities and common stocks carried at fair value.

As of June 30, 2009, we were party to floating to fixed interest rate swap contracts with a notional amount of $140.0 million. As of June 30, 2009, the fair value of these contracts is reported in other liabilities at $0.1 million. Interest rate swaps had net realized investment losses of $0.7 million as of June 30, 2009.

During 2008, we entered into Eurodollar futures contracts to manage our interest rate risk with respect to certain investments. During the first quarter of 2009, the Company closed the futures contracts. A futures contract is a variation of a forward contract, with some additional features, such as a clearinghouse guarantee against credit losses, a daily settlement of gains and losses, and trading on an organized electronic or floor trading facility. Futures contracts are entered either long or short. We had entered into the long side, which agrees to buy the underlying currency at the future date at the agreed−upon price. Futures contracts had net realized investment losses of $0.3 million for the period ended June 30, 2009.

Disclosure About Limitations of Interest Rate Sensitivity Analysis

Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the existing level and composition of fixed income security assets, and should not be relied on as indicative of future results.

Certain shortcomings are inherent in the method of analysis used in the computation of the fair value of fixed rate instruments. Actual values may differ from those projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities, including non−parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Credit Risk

We have exposure to credit risk, primarily as a holder of fixed income securities. We control this exposure by emphasizing investment grade ratings in the fixed income securities we purchase. We also have exposure to credit risk associated with the collection of current and future amounts owing from our reinsurers. We control this exposure by emphasizing reinsurers with financial strength.

As of June 30, 2009 and December 31, 2008, 87.8% and 91.6%, respectively, of the aggregate fair value of our fixed income securities consisted of securities rated investment grade, with 12.2% and 8.4%, respectively, rated below investment grade.

In recent years, we have purchased credit default swaps, referenced to various issuers in the banking and insurance sectors of the financial services industry in the U.S. and worldwide, that serve as an economic hedge against adverse movements in the fair value of investments and other corporate assets resulting from systemic financial and credit risk. Under a credit default swap, as the buyer, we agree to pay to a specific counterparty, at specified periods fixed premium amounts based on an agreed notional principal amount in exchange for protection against default by the issuers of specified referenced debt securities. The credit events, as defined by the respective credit default swap contracts, establishing the rights to recover amounts from the counterparties, are comprised of ISDA−standard credit events, which are: bankruptcy, obligation acceleration, obligation default, failure to pay, repudiation/moratorium and restructuring. As of June 30, 2009 all credit default swap contracts held by us have been purchased from and entered into with either Citibank, N.A., Deutsche Bank AG or Barclays Bank PLC as the counterparty, with positions on certain covered risks with more than one of these counterparties.

We obtain market derived fair values for our credit default swaps from third party providers, principally broker dealers. To validate broker−dealer credit default swap fair value quotations, two reasonability tests are performed. First, we obtain credit default swap bid−spreads from independent broker−dealers (non counter−party broker−dealers). These spreads are entered as inputs into a discounted cash flow model, which calculates a fair value that is compared for reasonability to the counter party broker−dealer provided fair values. The discounted cash flow model uses the independently obtained credit default swap bid−spreads to calculate the present value of the remaining protection payments using the appropriate currency−denominated swap curve, with consideration given to various other parameters including single name bid spread in basis points and the remaining term to maturity of the credit default swap contract. A comparison is also performed against recently transacted credit default swap values as provided by independent broker−dealers, and to prices reflected in recent trades of identical financial instruments where available.

The initial premium paid for each credit default swap contract was recorded as a derivative asset and was subsequently adjusted for changes in the unrealized fair value of the contract at each balance sheet date. As these contracts do not qualify for hedge accounting, changes in the unrealized fair value of the contract were recorded as net realized investment gains (losses) on investments in our consolidated statements of operations and comprehensive income. Sales of credit default swap contracts during 2008 caused us to reverse through net gains (losses) on investments any previously recorded unrealized fair value changes since the inception of the contract, and to record the actual amount of the final cash settlement. Derivative assets were reported gross, on a contract−by−contract basis, and are recorded at fair value in other invested assets in the consolidated balance sheet. The sale, expiration or early settlement of a credit default swap will not result in a cash payment owed by us; rather, such an event can only result in a cash payment by a third party purchaser of the contract, or the counterparty, to us. Accordingly, there is no opportunity for netting of amounts owed in settlement. Cash receipts at the date of sale of the credit default swaps were recorded as cash flows from investing activities arising from net sales of assets and liabilities classified as held for trading.

The total cost of the credit default swaps was $20.6 million and $30.8 million as of June 30, 2009 and December 31, 2008, respectively, and the fair value was $25.2 million and $82.8 million, as of June 30, 2009 and December 31, 2008, respectively. The notional amount of the credit default swaps was $1.3 billion and $1.8 billion as of June 30, 2009 and December 31, 2008, respectively. The credit default swaps had net realized investment losses of $13.4 million and net realized investment gains of $172.3 million for the six months ended June 30, 2009 and 2008, respectively. The fair values of credit default swaps are subject to significant volatility given potential differences in the perceived risk of default of the underlying issuers, movements in credit spreads and the length of time to the contracts' maturities. The fair value of the credit default swaps may vary dramatically either up or down in short periods, and their ultimate value may therefore only be known upon their disposition. Credit default swap transactions generally settle in cash. As a result of the appreciation in the fair value of the credit default swaps, our counterparties to these transactions have been required to place government securities as collateral, pursuant to the swap agreements. The fair value of this collateral at June 30, 2009 was $7.8 million, of which we do not have the right to sell or repledge $1.9 million. We have not exercised our right to sell or repledge the remaining $5.9 million of this collateral. As we fund all of our obligations relating to these contracts upon initiation of the transaction, there are no requirements in these contracts for us to provide collateral. For the six months ended June 30, 2009, we sold a portion of our credit default swaps, contributing to a decrease in the fair value of the portfolio to $25.2 million as of June 30, 2009, from $82.8 million as of December 31, 2008. The credit default swap portfolio had an average term to expiration of 2.0 years as of June 30, 2009, a decrease from 2.5 years as of December 31, 2008.

It is not possible to definitively quantify how derivative instruments and the related hedged items are expected to affect our future financial position, results of operations and cash flows. We may use credit default swaps as effective hedging mechanisms in the future, but there can be no assurance that we will do so.

As of June 30, 2009, our holdings of financial instruments without quoted prices, or "non−traded investments," included a collateral loan, which was fully impaired during 2005. We periodically evaluate the carrying value of non−traded investments by reviewing the borrowers' current financial positions and the timeliness of their interest and principal payments.

Equity Price Risk

In recent years, we have made investments in equity index and common stock total return swaps as an "economic hedge" against a broad market downturn. During the fourth quarter of 2008, we removed this hedge on our equity portfolio by closing the swap contracts for significant gains. Changes in the fair value of total return swaps are recorded as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

It is not possible to definitively quantify how derivative instruments and the related hedged items are expected to affect our future financial position, results of operations and cash flows. We may use total return swaps as effective hedging mechanisms in the future, but there can be no assurance that we will do so.

In connection with the swap transactions, we owned a series of index call options on Standard and Poor's depository receipts ("SPDRs") and the iShares Canadian S&P/TSX60 (XIU), the majority of which expired in 2008 and the last of which was closed out as of January 14, 2009 with no realized investment gain or loss. A call option gives the purchaser the right, but not the obligation, to purchase an underlying security at a specific price or prices at or for a certain time. The call options were recorded at fair value in other invested assets, and changes in the fair value are recorded as realized investment gains or losses in the consolidated statements of operations. For the six months ended June 30, 2008, the call options had net realized investment losses of $1.1 million.

In addition, we had sold short primarily equity securities, all of which were closed out during the second quarter of 2008. Net realized investment gains of $12.8 million for the six months ended June 30, 2008, were recognized in our consolidated statements of operations related to the short positions.

In connection with the short sales described above, we purchased a SPDR call option as protection against a decline in the value of short positions, which were closed out during the third quarter of 2008. The call option was recorded at fair value in other invested assets in the consolidated balance sheet, and changes in the fair value were recorded as a realized investment gain or loss in the consolidated statements of operations in the period in which they occur. For the six months ended June 30, 2008, the call option had net realized investment losses of $0.1 million.

As of June 30, 2009 and December 31, 2008, 25.6% and 21.5%, respectively, of our total investments and cash was in common stocks (unaffiliated and affiliated). Marketable equity securities, which represented 24.0% and 19.9% as of June 30, 2009 and December 31, 2008, respectively, of our total investments and cash, are exposed to equity price risk, defined as the potential for loss in fair value owing to a decline in equity prices. A 10% decline in the price of each of these marketable equity securities would result in a decline of $194.1 million and $157.0 million as of June 30, 2009 and December 31, 2008, respectively, in the fair value of our total investments and cash.

Foreign Currency Risk

Through investment in securities denominated in foreign currencies, we are exposed to foreign (i.e., non−U.S.) currency risk. Foreign currency exchange risk exists because changes in the exchange rates of the underlying foreign currencies in which our investments are denominated affect the fair values of these investments when they are converted to the U.S. dollar. As of June 30, 2009 and December 31, 2008, our total exposure to foreign−denominated securities in U.S. dollar terms was approximately $1.9 billion and $1.9 billion, or 23.9% and 23.8%, respectively, of our total investments and cash. The primary foreign currency exposures were from securities denominated in the Euro, which represented 10.1% and 9.7% of our total investments and cash as of June 30, 2009 and December 31, 2008, respectively, the British pound, which represented 5.2% and 6.0% of our total investments and cash as of June 30, 2009 and December 31, 2008, respectively, and the Canadian dollar, which represented 3.7% and 3.5%, of our total investments and cash as of June 30, 2009 and December 31, 2008, respectively. As of June 30, 2009, the potential impact of a 10% decline in each of the foreign exchange rates on the valuation of investment assets denominated in those respective foreign currencies would result in a $193.4 million decline in the fair value of our total investments and cash, before taxes.

Through our international operations, we conduct our business in a variety of foreign (non−U.S.) currencies, with the primary exposures being the Euro, the British pound, and Canadian dollar. Assets and liabilities denominated in foreign currencies are exposed to changes in currency exchange rates to the extent that they do not offset each other resulting in a natural hedge. Our reporting currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results and financial condition. We manage this risk on a macro basis by entering into forward currency contracts. As of June 30, 2009 and December 31, 2008, we were party to forward currency contracts with notional amounts of $511.8 million and $533.9 million, respectively. As of June 30, 2009 and December 31, 2008, the fair value of these contracts is reported in other liabilities and other invested assets at $27.0 million and $28.2 million, respectively. Forward currency contracts had net realized investment losses of $33.7 million and net realized investment gains of $3.1 million for the six months ended June 30, 2009 and 2008, respectively.

Investment Impairment Risk

On a quarterly basis, we review our investment portfolio for declines in value, and specifically consider securities with fair values that have declined to less than 80% of their cost or amortized cost at the time of review. Declines in the fair value of investments that are determined to be temporary are recorded as unrealized depreciation, net of tax, in accumulated other comprehensive income. If we determine that a decline is "other−than−temporary," the cost or amortized cost of the investment will be written down to the fair value and a realized investment loss will be recorded in our consolidated statements of operations.

In assessing the value of our debt and equity securities held as investments, and possible impairments of such securities, we review (i) the issuer's current financial position and disclosures related thereto, (ii) general and specific market and industry developments, (iii) the timely payment by the issuer of its principal, interest and other obligations, (iv) the outlook and expected financial performance of the issuer, (v) current and historical valuation parameters for the issuer and similar companies, (vi) relevant forecasts, analyses and recommendations by research analysts, rating agencies and investment advisors, and (vii) other information we may consider relevant. Generally, a change in the market or interest rate environment would not, of itself, result in an impairment of an investment, but rather a temporary decline in value. In addition, we consider our ability and intent to hold the security to recovery when evaluating possible impairments.

Decisions regarding other−than−temporary impairments require an evaluation of facts and circumstances at a specific time to determine if an other−than−temporary impairment exists. For our available−for−sale fixed income securities, additional facts are evaluated to determine if the other−than−temporary impairment is related to credit or other factors. For our available−for−sale fixed income securities, should the facts and circumstances change, such that an other−than−temporary impairment is considered appropriate, and additional factors determine that the other−than−temporary impairment is related to credit, we will recognize the impairment by reducing the cost or amortized cost of the investment to its fair value and recording the loss in our consolidated statements of operations. When it is determined that an other−than−temporary impairment for our available−for−sale fixed income securities exists that is related to other factors (i.e., interest rates and market conditions), we will recognize the impairment in other comprehensive income. For our common stocks at fair value and our redeemable preferred stock at fair value, should the facts and circumstances change such that an other−than−temporary impairment is considered appropriate, we will recognize the impairment by reducing the cost of the investment to its fair value and recording the loss in our consolidated statements of operations. Upon the disposition of a security where an other−than−temporary impairment has been taken, we will record a gain or loss based on the adjusted cost or carrying value of the investment.

Risks and uncertainties are inherent in our other−than−temporary decline in value assessment methodology. Risks and uncertainties include, but are not limited to, incorrect or overly optimistic assumptions about financial condition or liquidity, incorrect or overly optimistic assumptions about future prospects, inadequacy of any underlying collateral, unfavorable changes in economic or social conditions and unfavorable changes in interest rates.

The following tables reflect the fair value and gross unrealized depreciation of our fixed income securities and common stock investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of June 30, 2009 and December 31, 2008 (in millions):

June 30, 2009	Duration of Unrealized Loss: Less than 12 Months: Fair Value	Gross Unrealized Depreciation	Number of Securities	Greater than 12 Months: Fair Value	Gross Unrealized Depreciation	Number of Securities	Total: Fair Value	Gross Unrealized Depreciation	Number of Securities
Fixed income securities investment grade:									
United States government, government agencies and authorities	$ 27.9	$ (1.7)	3	$ —	$ —	—	$ 27.9	$ (1.7)	3
States, municipalities and political subdivisions	157.1	(2.0)	10	98.0	(3.7)	6	255.1	(5.7)	16
Foreign governments	—	—	—	8.2	(0.3)	1	8.2	(0.3)	1
Total investment grade	185.0	(3.7)	13	106.2	(4.0)	7	291.2	(7.7)	20
Fixed income securities non−investment grade, corporate	2.8	(1.0)	4	—	—	—	2.8	(1.0)	4
Total fixed income securities	187.8	(4.7)	17	106.2	(4.0)	7	294.0	(8.7)	24
Common stocks, at fair value	523.6	(71.7)	12	—	—	—	523.6	(71.7)	12
Total temporarily impaired securities	$ 711.4	$ (76.4)	29	$ 106.2	$ (4.0)	7	$ 817.6	$ (80.4)	36

December 31, 2008	Duration of Unrealized Loss: Less than 12 Months: Fair Value	Gross Unrealized Depreciation	Number of Securities	Greater than 12 Months: Fair Value	Gross Unrealized Depreciation	Number of Securities	Total: Fair Value	Gross Unrealized Depreciation	Number of Securities
Fixed income securities investment grade:									
States, municipalities and political subdivisions	$ 579.0	$ (23.4)	34	$ 7.9	$ (0.7)	2	$ 586.9	$ (24.1)	36
Foreign governments	—	—	—	8.4	—	1	8.4	—	1
Total investment grade	579.0	(23.4)	34	16.3	(0.7)	3	595.3	(24.1)	37
Fixed income securities non−investment grade, corporate	90.5	(13.8)	4	—	(0.1)	1	90.5	(13.9)	5
Total fixed income securities	669.5	(37.2)	38	16.3	(0.8)	4	685.8	(38.0)	42
Redeemable Preferred stocks, at fair value	0.1	(0.4)	2	—	—	—	0.1	(0.4)	2
Common stocks, at fair value	596.3	(129.0)	15	—	—	—	596.3	(129.0)	15
Total temporarily impaired securities	$ 1,265.9	$ (166.6)	55	$ 16.3	$ (0.8)	4	$ 1,282.2	$ (167.4)	59

We believe the gross unrealized depreciation is temporary in nature and we have not recorded a realized investment loss related to these securities. Given the size of our investment portfolio and capital position, we believe it is likely that the Company will not be required to sell or liquidate these securities before the fair value recovers the gross unrealized depreciation.

PART I — Item 4. ***Controls and Procedures***

(a) Evaluation of disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a−15(e) and 15d−15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, such officers have concluded that our disclosure controls and procedures are effective as of the end of such period.

(b) Changes in internal controls over financial reporting. There have been no changes during the period covered by this Quarterly Report in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

PART II — Item 1. ***Legal Proceedings***

On September 7, 2005, we announced that we had been advised by Fairfax, our majority shareholder, that Fairfax had received a subpoena from the Securities and Exchange Commission ("SEC") requesting documents regarding any nontraditional insurance and reinsurance transactions entered into or offered by Fairfax and any of its affiliates, which included OdysseyRe. On June 25, 2009, we announced that Fairfax has been informed by the New York Regional Office of the SEC that its investigation as to Fairfax has been completed, and that it does not intend to recommend any enforcement action by the SEC.

On February 8, 2007, we were added as a co−defendant in an amended and consolidated complaint in an existing action against our majority shareholder, Fairfax, and certain of Fairfax's officers and directors, who include certain of our current and former directors. The amended and consolidated complaint has been filed in the United States District Court for the Southern District of New York by the lead plaintiffs, who seek to represent a class of all purchasers and acquirers of securities of Fairfax between May 21, 2003 and March 22, 2006, inclusive, and allege, among other things, that the defendants violated U.S. federal securities laws by making material misstatements or failing to disclose certain material information. The amended and consolidated complaint seeks, among other things, certification of the putative class, unspecified compensatory damages, unspecified injunctive relief, reasonable costs and attorneys' fees and other relief. These claims are at a preliminary stage. Pursuant to the scheduling stipulations, the various defendants filed their respective motions to dismiss the amended and consolidated complaint, the lead plaintiffs filed their opposition thereto, and the defendants filed their replies to those oppositions; the motions to dismiss were argued before the Court in December 2007. The Court has not yet issued a ruling on these motions. We intend to vigorously defend against the allegations. At this early stage of the proceedings, it is not possible to make any determination regarding the likely outcome of this matter.

In July 2006, Fairfax, our majority shareholder, filed a lawsuit in the Superior Court, Morris County, New Jersey, seeking damages from a number of defendants who, the complaint alleges, participated in a stock market manipulation scheme involving Fairfax shares, and the complaint was subsequently amended to add additional allegations and two defendants. In January 2008, two of these defendants filed a counterclaim against Fairfax and a third party complaint against, among others, OdysseyRe and certain of our directors. Those counterclaims and third−party claims were voluntarily withdrawn in March 2008. In September 2008, the same two defendants filed an amended counterclaim and third−party complaint that again named OdysseyRe and certain directors as defendants. The complaint alleges, among other things, claims of racketeering, intentional infliction of emotional distress, tortious interference with economic advantage and other torts, and seeks unspecified compensatory and punitive damages and other relief. OdysseyRe denies the allegations and intends to vigorously defend against these claims. OdysseyRe has not yet responded to the complaint, and the timing of that response has not been set. At this early stage of the proceedings, it is not possible to make any determination regarding the likely outcome of this matter.

We and our subsidiaries are involved from time to time in ordinary litigation and arbitration proceedings as part of our business operations; in our opinion, the outcome of these suits, individually or collectively, is not likely to result in judgments that would be material to our financial condition or results of operations.

PART II — Item 1A. ***Risk Factors***

There have been no material changes to the risk factors as previously disclosed in our 2008 Annual Report on Form 10−K filed with the SEC on February 27, 2009.

PART II — Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Issuer Purchases of Equity Securities

Our Board of Directors authorized a share repurchase program whereby we are authorized to repurchase shares of our common stock on the open market from time to time through December 31, 2009, up to an aggregate repurchase price of $600.0 million. Shares repurchased under the program are retired. Depending on market conditions and other factors, these repurchases may be commenced or suspended at any time, or from time to time, without prior notice. For the six months ended June 30, 2009, we repurchased and retired 1,182,800 shares of our common stock at a cost of $47.5 million.

From inception of the program through August 6, 2009, we have repurchased and retired 13,832,545 shares of our common stock at a total cost of $514.9 million, of which 532,000 shares were purchased from July 1, 2009 through August 6, 2009, at a cost of $21.6 million.

We also make open market repurchases of our common shares, from time to time as necessary, to support the grant of restricted shares and the exercise of stock options. Our stock incentive plans allow for the issuance of grants and exercises through newly issued shares, treasury stock, or a combination thereof. 216,500 shares were purchased during the six months ended June 30, 2009 to support such grants and exercises, and as of June 30, 2009, we held 110,118 common shares in treasury to support such grants and exercises. The following table sets forth purchases made by us of our common shares during the three months ended June 30, 2009.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that may yet be Purchased Under the Program
			(In thousands)	
April 1 — April 30, 2009	216,500	$ 39.77	—	$ 154,165
May 1 — May 31, 2009	577,000	39.63	577,000	131,299
June 1 — June 30, 2009	605,800	40.69	605,800	106,648
Total	1,399,300	$ 40.11	1,182,800	

PART II — Item 3. ***Defaults Upon Senior Securities***

None.

PART II — Item 4. ***Submission of Matters to a Vote of Security Holders***

The annual meeting of our shareholders was held on April 22, 2009. Proxies for the meeting previously had been solicited pursuant to Regulation 14A under the Securities Act of 1934, as amended.

Our directors were elected in an uncontested election. There were no abstentions or broker non−votes. The following are the votes cast for or withheld from the election of directors:

Directors	For	Withheld
V. Prem Watsa	50,503,668	7,034,735
James F. Dowd	49,931,154	7,607,249
Andrew A. Barnard	50,536,693	7,001,710
Peter M. Bennett	56,975,027	563,376
Anthony F. Griffiths	49,921,903	7,616,500
Patrick W. Kenny	50,949,015	6,589,388
Bradley P. Martin	54,000,782	3,537,621
Robert J. Solomon	57,350,259	188,144
Brandon W. Sweitzer	50,529,368	7,009,035

PART II — Item 5. ***Other Information***

Employment Agreement

On July 31, 2009, the Compensation Committee of the Board of Directors of Odyssey Re Holdings Corp. (“OdysseyRe”) approved the material terms of an amendment and restatement of the employment agreement between OdysseyRe and Richard Scott Donovan that was effective as of August 15, 2006. The amended and restated employment agreement is effective as of July 31, 2009.

Under the amended and restated employment agreement, Mr. Donovan will continue as OdysseyRe's Executive Vice President and Chief Financial Officer until August 15, 2012, or such later time as is mutually agreed in writing between the parties. Mr. Donovan will receive an annual base salary equal to $600,000 and an annual target bonus opportunity equal to 100% of his base salary, subject to the satisfaction of certain pre−established performance criteria. In connection with the amendment of his employment agreement, Mr. Donovan will receive an award of OdysseyRe restricted stock with a value of $1,000,000, which will fully vest on August 15, 2012 (with accelerated vesting upon death, disability, retirement, "change in control" of OdysseyRe, a "constructive termination" of employment by Mr. Donovan, or a termination of employment by OdysseyRe for reasons other than for "cause") (as such terms are defined in the employment agreement). In addition, 21,972 unvested shares of restricted stock previously granted to Mr. Donovan in connection with his entering into the employment agreement in 2006 (which were scheduled to vest in August 2009, August 2010 and August 2011) shall fully vest upon the execution of the amended and restated employment agreement.

In the event any excise taxes are imposed on account of any payments or benefits being subject to Section 280G of the federal tax code, such amounts shall be reduced as necessary to avoid such taxes, but only if such reduction will result in a greater after−tax benefit to Mr. Donovan than if such payments were not reduced.

Other than as described above, the provisions of Mr. Donovan's employment agreement, as set forth in our Current Report on Form 8−K filed with the SEC on August 25, 2006, remain in effect.

The foregoing description is qualified by reference to the full text of the amended and restated employment agreement, which is filed as an exhibit to this Quarterly Report on Form 10−Q.

PART II — Item 6. ***Exhibit Index***

NUMBER	TITLE OF EXHIBIT
*10.30	First Amendment Agreement (to Credit Agreement dated as of July 13, 2007), dated as of June 17, 2009, among Odyssey Re Holdings Corp., Wachovia Bank, National Association, KeyBank National Association, and the other parties thereto.
*10.31	Amended and Restated Employment Agreement, effective as of May 1, 2009, between Andrew Barnard and Odyssey Re Holdings Corp.
*10.32	Employment Agreement, dated as of May 1, 2009, between Odyssey Re Holdings Corp. and Brian David Young.
*10.33	Amended and Restated Employment Agreement, effective as of July 31, 2009, between Odyssey Re Holdings Corp. and Richard Scott Donovan.
*31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a−15(e) or 15d−15(e), as enacted pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
*31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13a−15 (e) or 15d−15(e), as enacted pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
*32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
*32.2	Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
99.1	Risk Factors (incorporated into Part II of this Form 10−Q by reference to Item 1A — "Risk Factors" in the Registrant's Annual Report on Form 10−K filed with the Securities and Exchange Commission on February 27, 2009)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Odyssey Re Holdings Corp.
Date: August 6, 2009	By: /s/ Andrew A. Barnard
	Name: Andrew A. Barnard Title: President and Chief Executive Officer
Date: August 6, 2009	By: /s/ R. Scott Donovan
	Name: R. Scott Donovan Title: Executive Vice President and Chief Financial Officer

Exhibit 10.30

FIRST AMENDMENT AGREEMENT

THIS FIRST AMENDMENT AGREEMENT, dated as of the 17th day of June, 2009 (this "First Amendment"), is entered into among Odyssey Re Holdings Corp., a Delaware corporation (the "Borrower"), various Subsidiary Credit Parties (as defined in the hereinafter defined Credit Agreement) party hereto, the Lenders (as defined in the hereinafter defined Credit Agreement) party hereto, and Wachovia Bank, National Association, as administrative agent for the Lenders (the "Administrative Agent").

RECITALS

A. The Borrower, the Subsidiary Credit Parties, the Lenders and the Administrative Agent are parties to that certain Credit Agreement dated as of July 13, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings given to them in the Credit Agreement as they may be amended pursuant to this First Amendment.

B. The Borrower, the Administrative Agent and the Required Lenders have agreed to make certain amendments to the Credit Documents on the terms and conditions set forth herein.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS TO CREDIT AGREEMENT

1.1 Amendments to Section 1.1 Consisting of New Definitions. The following definitions are hereby added to Section 1.1 of the Credit Agreement in appropriate alphabetical order:

"'First Amendment' shall mean the First Amendment Agreement, dated as of June 17, 2009, among the Borrower, the Subsidiary Credit Parties party thereto, the Lenders party thereto, and the Administrative Agent."

"'First Amendment Effective Date' has the meaning given to such term in Article II to this First Amendment."

"Quarterly Statement" means, with respect to any Insurance Subsidiary, the quarterly financial statements of such Insurance Subsidiary as required to be filed with the Insurance Regulatory Authority of its jurisdiction of domicile and in accordance with the laws of such jurisdiction, together with all exhibits, schedules, certificates and actuarial opinions required to be filed or delivered therewith."

1.2 Amendments to Section 1.1 Consisting of Modifying Existing Definitions. The following definitions in Section 1.1 of the Credit Agreement are hereby amended and restated in their entirety as follows:

"“Security Agreement” means each Security Agreement made by a Credit Party in favor of the Administrative Agent, in substantially the form attached as Exhibit A to the First Amendment, as amended, modified, restated or supplemented from time to time."

"“Statutory Surplus” means, with respect to any Insurance Subsidiary, the total amount shown as “surplus as regards policyholders” on line 35, column 1, page 3 of the Annual Statement or Quarterly Statement, as the case may be, of such Insurance Subsidiary, provided that only the Annual Statement of OARC shall be referred to for purposes of calculating compliance with Section 7.13(b)."

1.3 Amendments to Section 7.1 (Liens): Section 7.1 of the Credit Agreement is hereby amended by replacing the word “and” at the conclusion of clause (e) with a comma, renumbering the existing clause (f) as clause (g), replacing the parenthetical “(other than Liens specified in clauses (a) through (e) above)” in new clause (g) with “(other than Liens specified in clauses (a) through (f) above)”, and adding a new clause (f) to read as follows:

“(f) Liens securing Indebtedness permitted under **Section 7.3(d)** provided that the aggregate amount of the Indebtedness secured by such Liens shall not at any time exceed either (i) 20% of Consolidated Net Worth or (ii) 20% of the Statutory Surplus of the Material Insurance Subsidiaries (without duplication, it being understood that in calculating the Statutory Surplus of any Material Insurance Subsidiary, the Statutory Surplus of any other Material Insurance Subsidiary that is a Subsidiary of such Material Insurance Subsidiary shall be excluded), in each case for clauses (i) and (ii), measured as of the end of the most recent fiscal period for which the relevant financial statements have been delivered pursuant to Section 6.1; and”

1.4 Amendments to Section 7.13(b)(Minimum Statutory Surplus). Section 7.13(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Minimum Statutory Surplus. Permit the Statutory Surplus of OARC to be less than $1,000,000,000.”

1.5 Amendments to Section 8.1(b) (Events of Default/Specific Covenants). Section 8.1(b) is hereby amended by inserting the following parenthetical after the reference therein to Article VII:

“(other than **Section 7.1(f)**)”

1.6 Amendments to Section 8.1(c) (Events of Default/Other Defaults). Section 8.1(c) is hereby amended and restated in its entirety as follows:

"(c) Other Defaults. Any Credit Party fails to perform or observe (i) any term, covenant or agreement contained in **Section 7.1(f)** and such failure continues for 20 days, provided that if prior to the end of such 20 day period, the Credit Parties shall deposit L/C Collateral in the Custodial Accounts (in addition to the L/C Collateral securing the Tranche 2 Obligations) having an aggregate L/C Collateral Balance equal to or exceeding the aggregate amount of the outstanding Tranche 1 Obligations as collateral security for the payment and performance of such Tranche 1 Obligations and such Credit Parties shall make, execute, endorse, acknowledge and deliver any amendments, modifications or supplements to the Security Documents, and take any and all such other actions, as may from time to time be reasonably requested by the Administrative Agent to perfect and maintain the validity and priority of the Liens granted with respect to such L/C Collateral securing the Tranche 1 Obligations, then such default shall be deemed cured, provided further that if any Credit Party fails to perform or observe any term, covenant or covenant contained in the immediately preceding proviso, such failure shall be treated as an Event of Default under **Section 8.1(b)** and (ii) any other covenant or agreement (not specified in subsection (a), (b), (c)(i) or (n) of this **Section 8.1**) contained in any Credit Document on its part to be performed or observed and such failure continues for 30 days; or"

1.7 Amendments to Exhibit D (Form of Compliance Certificate) and Exhibit F (Form of Security Agreement). Exhibit D and Exhibit F to the Credit Agreement are hereby amended and restated in the form attached to this First Amendment.

1.8 Amendments to Schedule 1.1(b)(L/C Collateral Balance). Schedule 1.1(b) to the Credit Agreement is hereby amended and restated in the form attached to this First Amendment.

ARTICLE II
CONDITIONS OF EFFECTIVENESS

This First Amendment shall become effective as of the first date (such date being referred to as the "First Amendment Effective Date") on which each of the following conditions shall have been satisfied:

(a) The Administrative Agent shall have received, dated as of the First Amendment Effective Date, an executed counterpart hereof from each of the Credit Parties and the Required Lenders;

(b) On the First Amendment Effective Date, the representations and warranties set forth in Article III hereof shall be true and correct in all material respects;

(c) On or prior to the First Amendment Effective Date, the Administrative Agent shall have received counterparts of the Security Agreement (as modified by this First Amendment) executed by each Credit Party, together with for each Custodial Account, a confirmation of the effectiveness of the Account Control Agreement (as modified by this First Amendment) with respect to such Custodial Account with the applicable Custodian and applicable Credit Party; and

(d) Since December 31, 2008, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each of the Credit Parties (solely as to itself and its Subsidiaries) represents and warrants to the Administrative Agent, the Issuing Banks and the Lenders that (i) the representations and warranties contained in the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the First Amendment Effective Date, both immediately before and after giving effect to this First Amendment (except to the extent any such representation or warranty is expressly stated to have been made as of a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date), (ii) this First Amendment has been duly authorized, executed and delivered by such Credit Party and constitutes the legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms, and (iii) no Default or Event of Default shall have occurred and be continuing on the First Amendment Effective Date, both immediately before and after giving effect to this First Amendment.

ARTICLE IV
ACKNOWLEDGEMENT AND CONFIRMATION OF THE CREDIT PARTIES

Each Credit Party hereby confirms and agrees that, after giving effect to this First Amendment, the Credit Agreement and the other Credit Documents to which it is a party remain in full force and effect and enforceable against such Credit Party in accordance with their respective terms and shall not be discharged, diminished, limited or otherwise affected in any respect, and the amendments contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Obligations of the Credit Parties evidenced by or arising under the Credit Agreement, the other Credit Documents, and the liens and security interests in the Collateral, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect. Each Credit Party represents and warrants to the Lenders that it has no knowledge of any claims, counterclaims, offsets, or defenses to or with respect to its obligations under the Credit Documents, or if such Credit Party has any such claims, counterclaims, offsets, or defenses to the Credit Documents or any transaction related to the Credit Documents, the same are hereby waived, relinquished, and released in consideration of the execution of this First Amendment. This acknowledgement and confirmation by the Credit Parties is made and delivered to induce the Administrative Agent and the Lenders to enter into this First Amendment, and the Credit Parties acknowledge that the Administrative Agent and the Lenders would not enter into this First Amendment in the absence of the acknowledgement and confirmation contained herein.

ARTICLE V
MISCELLANEOUS

5.1 Governing Law. This First Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York.

5.2 Full Force and Effect. Except as expressly amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Credit Agreement, “hereinafter,” “hereto,” “hereof,” and words of similar import shall, unless the context otherwise requires, mean the Credit Agreement after amendment by this First Amendment. Any reference to the Credit Agreement or any of the other Credit Documents herein or in any such documents shall refer to the Credit Agreement and Credit Documents as amended hereby. This First Amendment is limited as specified and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of the Credit Agreement except as expressly set forth herein. This First Amendment shall constitute a Credit Document under the terms of the Credit Agreement.

5.3 Expenses. The Borrower agrees on demand (i) to pay all reasonable fees and expenses of counsel to the Administrative Agent, and (ii) to reimburse the Administrative Agent for all reasonable out−of−pocket costs and expenses, in each case, in connection with the preparation, negotiation, execution and delivery of this First Amendment and the other Credit Documents delivered in connection herewith.

5.4 Severability. To the extent any provision of this First Amendment is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this First Amendment in any jurisdiction.

5.5 Successors and Assigns. This First Amendment shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

5.6 Construction. The headings of the various sections and subsections of this First Amendment have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

5.7 Counterparts. This First Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this First Amendment by telecopy shall be effective as delivery of a manually executed counterpart of this First Amendment.

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IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by their duly authorized officers as of the date first above written.

ODYSSEY RE HOLDINGS CORP.

By: /s/ R. Scott Donovan
Name: R. Scott Donovan
Title: Executive Vice President &
Chief Financial Officer

ODYSSEY AMERICA REINSURANCE CORPORATION

By: /s/ R. Scott Donovan
Name: R. Scott Donovan
Title: Executive Vice President

CLEARWATER INSURANCE COMPANY

By: /s/ R. Scott. Donovan
Name: R. Scott Donovan
Title: President

CLEARWATER SELECT INSURANCE COMPANY

By: /s/ R. Scott Donovan
Name: R. Scott Donovan
Title: President

HUDSON INSURANCE COMPANY

By: /s/ Anthony J. Slowski

Name: Anthony J. Slowski

Title: Senior Vice President & Controller

HUDSON SPECIALTY INSURANCE COMPANY

By: /s/ Anthony J. Slowski

Name: Anthony J. Slowski

Title: Senior Vice President & Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent, Fronting Bank and as a Lender

By: /s/ K. Hanke
Name: Karen Hanke
Title: Director

SIGNATURE PAGE TO
FIRST AMENDMENT AGREEMENT

KeyBank National Association

By: /s/ Mary K. Young
Name: Mary K. Young
Title: Senior Vice President

SIGNATURE PAGE TO
FIRST AMENDMENT AGREEMENT

Citibank, N.A.

By: /s/ Rahul Rajesh
Name: Rahul Rajesh
Title: Vice President
Citi — Financial Institutions Group

SIGNATURE PAGE TO
FIRST AMENDMENT AGREEMENT

Webster Bank, National Association

By: /s/ Lawrence Davis
Name: Lawrence Davis
Title: Vice President

SIGNATURE PAGE TO
FIRST AMENDMENT AGREEMENT

Exhibit 10.31

EMPLOYMENT AGREEMENT

(As amended and restated effective as of May 1, 2009)

This Amended and Restated Employment Agreement ("Agreement") is effective as of May 1, 2009, by and between Odyssey Re Holdings Corp., a Delaware Corporation ("Employer"), and Andrew Barnard ("Executive").

WITNESSETH

WHEREAS, Executive is the Chief Executive Officer of the group of reinsurance and insurance companies constituted by Odyssey America Reinsurance Corporation and its subsidiaries; and

WHEREAS, Executive entered into the Agreement effective as of June 30, 2005;

WHEREAS, the parties desire to amend and restate the Agreement as of the date hereof so as to contain the terms and conditions set forth below and to govern the employment of Executive in the capacity described in the first recital above.

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

ARTICLE I
EMPLOYMENT AND DUTIES; COMPENSATION

Section 1: Duties

During the term of this Agreement, Executive shall be employed by and shall serve Employer in the capacity of President and Chief Executive Officer and/or such other positions as may be mutually agreed upon between Executive and the Board of Directors of Employer during the term hereof, and shall be employed by and/or shall serve such subsidiaries of Employer in such capacities as Employer shall from time to time designate and as are consistent with Executive's position as President and Chief Executive Officer of Employer. Executive shall devote substantially all of his business time to the business and affairs of Employer and shall use his best efforts, skills, and energy to promote Employer's interests.

Section 2: Term of Employment

The term of employment of Executive by Employer under the Agreement commenced as of June 30, 2005 (the "Commencement Date") and shall continue until May 1, 2016 (the "Term"). At any time prior to the expiration of the Term, Employer and Executive may, by mutual written agreement, extend Executive's employment under the terms of this Agreement for such additional periods as they may agree.

Section 3: Salary, Benefits and Additional Compensation

As compensation and consideration for the performance by Executive of his duties and responsibilities pursuant to this Agreement, Employer agrees to pay, and/or to cause one or more of its subsidiaries to pay Executive, and Executive agrees to accept the following amounts and benefits (all Dollar amounts referred to herein are in United States Dollars):

(a) Base Salary: An Annual Base Salary of One Million Dollars ($1,000,000), pro rated for any calendar year within the Term for which employment does not extend for the entire calendar year. The Annual Base Salary shall be paid to Executive in equal bi−weekly installments.

(b) Bonus Pool: Executive shall participate to the extent of the percentage determined by the Board of Directors of Employer in the bonus pool (the "Bonus Pool") created with respect to each accident underwriting year, consisting of that portion of the underwriting profit for such year designated by the Board of Directors of Employer.

(c) Restricted Stock Grant:

(i) Executive shall receive as of the execution date hereof an award of that number of restricted shares (the "Restricted Shares") of Employer, consisting of its Common Stock, par value $.01 per share, which when multiplied by the simple average of the closing prices of such common stock on the New York Stock Exchange on the twenty (20) business days next preceding May 1, 2009, yields the aggregate sum of Five Million Dollars ($5,000,000). Subject to subparagraphs (ii) and (iii) below, the foregoing grant shall be subject to the terms of Employer's Restricted Share Plan. Executive shall become fully vested in the shares granted pursuant to the foregoing sentence, and all restrictions shall lapse, on May 1, 2016.

(ii) An award document evidencing the foregoing Restricted Share grant (the “Award Document”) shall be provided to Executive by Employer within 30 days of the date of execution hereof. The Award Document shall provide that (1) upon Employee’s Termination of Employment as a result of death, disability, reaching retirement age, Change in Control (as defined in Article II, Section 6 below) or termination by Employer for reasons other than For Cause (as defined in Article II, Section 3 below) the restricted period applicable to any Restricted Shares granted to Executive shall terminate and Executive shall become fully vested in the Award; and (2) if the stock of Employer at any time during the restricted period ceases to be publicly traded, then Employee shall have the option to receive a cash payment, payable by Employer within ten (10) days following written notice from Executive no later than thirty (30) days following the delisting of Employer stock from the exchange, equal to the number of shares of Restricted Stock of Employer held by Executive as of the delisting of the stock, times the greater of (a) the share price of Employer stock as of the close of business forty−five (45) trading days prior to its delisting and (b) the average share price of Employer stock (based on end of business day values) over the forty−five (45) trading day period prior to delisting. To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a “specified employee” as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), the excess amount shall be paid the earlier of (A) six (6) months following termination of employment or (B) death. The foregoing subparagraph (2) shall not apply if the stock of Employer ceases to be publicly traded as a result of Employer having made a general assignment for the benefit of creditors, been adjudicated as bankrupt or insolvent, or having filed a voluntary petition in bankruptcy, a petition or answer seeking an arrangement with creditors or to take advantage of any insolvency law or having filed an answer admitting the material allegations of a petition filed against Employer in bankruptcy.

(iii) Employer will take whatever action necessary, including, without limitation, amendment of the Odyssey Re Holdings Corp. Restricted Share Plan, to ensure that the issuance of Restricted Shares by Employer to Executive does not exceed the maximum number of shares available for such purpose.

(d) Previously Awarded Restricted Stock:

(i) On June 14, 2001, Executive was granted 27,778 Restricted Shares (the “IPO Award”) of Employer’s common stock in connection with Employer’s initial public offering. Pursuant to the terms of the grant, the IPO Award was scheduled to become fully vested on June 14, 2011, at which time all restrictions would have lapsed on the 27,778 Employer Restricted Shares.

(ii) On August 11, 2001, Executive was granted 62,432 Restricted Shares (the “2001 Award”) of Employer’s common stock pursuant to Employer’s Restricted Share Plan in consideration for cancelling all rights to 6,500 Restricted Shares of the 13,000 Restricted Shares of Financial Holdings Limited (“Fairfax”) common stock that were originally granted to Executive on September 1, 1996 in connection with his employment by Fairfax (the “1996 Award”). Executive retained his rights to the remaining 6,500 Fairfax Restricted Shares granted under the 1996 Award. Executive was originally scheduled to become fully vested with respect to both the 1996 Award and the 2001 Award on September 1, 2006, at which time all restrictions would have lapsed on the remaining 6,500 Fairfax Restricted Shares and the 62,432 Employer Restricted Shares.

Pursuant to the terms of Executive's employment agreement with Employer, effective as of June 30, 2005 (the "2005 Employment Agreement"), (A) the vesting period applicable to the remaining 6,500 Fairfax Restricted Shares granted under the 1996 Award was extended from September 1, 2006 until June 30, 2010 and (B) the vesting period applicable to the 62,432 Employer Restricted Shares was extended from September 1, 2006 until June 30, 2010.

(iii) As consideration for entering into the 2005 Employment Agreement, Executive was granted 202,135 Restricted Shares (the "2005 Award") of Employer's common stock pursuant to Employer's Restricted Share Plan. Pursuant to the terms of the grant, the 2005 Award was originally scheduled to vest with respect to twenty percent (20%) of the Restricted Shares on June 30, 2006, and on each anniversary thereafter with respect to an additional twenty percent (20%), such that on June 30, 2010 all restrictions would have lapsed on the 202,135 Employer Restricted Shares.

(iv) Upon the execution of this Agreement, each of the (A) 27,778 outstanding and unvested Employer Restricted Shares under the IPO Award, (B) remaining 6,500 outstanding and unvested Fairfax Restricted Shares under the 1996 Award, (C) 62,432 outstanding and unvested Employer Restricted Shares under the 2001 Award, and (D) remaining 80,854 outstanding and unvested Employer Restricted Shares under the 2005 Award shall fully vest and all restrictions shall lapse.

(e) Additional Benefits:

During the term of this Agreement, Executive shall be entitled to the following fringe benefits:

(i) Executive Benefits. Executive shall be eligible to participate in such benefits and perquisites as are now generally available or later made generally available to executive officers of Employer or its subsidiaries.

(ii) Vacation. Executive shall be entitled to vacation time consistent with his position as President and Chief Executive Officer of Employer.

(iii) Life Insurance. Executive shall be eligible to participate in any life insurance program available to executive officers of Employer or its subsidiaries on terms at least as favorable as those generally made available to such executive officers.

(iv) Disability Insurance. Executive shall be eligible to participate in any disability insurance program available to executive officers of Employer or its subsidiaries on terms at least as favorable as those generally made available to such executive officers.

(v) Automobile. Executive shall be provided with the exclusive use of an automobile appropriate to his position as President and Chief Executive Officer of Employer (with all operating costs, such as insurance, maintenance and fuel, paid for by Employer).

(vi) Membership Fees. Employer shall pay Executive's membership and usage fees of the St. Andrews Golf Club (or of a comparable country club of Executive's choosing).

(vii) Reimbursement for Expenses. Employer shall reimburse Executive for reasonable and properly documented out−of−pocket business and/or entertainment expenses incurred by Executive in connection with his duties under this Agreement.

(viii) Reimbursement of Attorney's Fees. Employer shall pay all reasonable attorney's fees and disbursements incurred by Executive in drafting and negotiating this Agreement;

payment shall be made either to Executive upon submission of paid invoices for such legal work or directly to the attorney chosen by Executive.

(ix) Tax Reimbursement. Employer shall reimburse Executive for all federal, state and local income taxes incurred by Executive as a result of the inclusion in income of any of the benefits provided by Employer to Executive pursuant to this paragraph (e)(v) and (e)(vi). The determination of such taxes shall be based upon all applicable state, local and federal taxes (computed at the highest marginal income tax rate) including any taxes payable pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended. Employer shall remit to Executive the amount of such taxes no later than April 15 th of the year following inclusion in income of any of the benefits for which tax reimbursement is provided herein.

ARTICLE II

TERMINATION OF EMPLOYMENT

Section 1: Termination Due to Death

The employment of Executive under this Agreement shall terminate upon Executive's death. In the event of Executive's death during Executive's employment hereunder, the estate or other legal representative of Executive shall be entitled to receive the following:

(a) Base Salary. Employer shall pay to Executive's estate or other legal representative of Executive, his Base Salary for the period ending three months following the month in which Executive dies. Such an amount and all other amounts payable under this Section 1 of Article II shall be paid by Employer in a lump sum within thirty (30) days of the date of death, provided however, that the amounts due with respect to the Bonus Pool shall be paid when such amounts would ordinarily be paid.

(b) Payment from Bonus Pool. Employer shall pay to the estate or other legal representative of Executive, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which the death of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which the death of Executive occurs.

(c) Restricted Stock. Upon the death of Executive, the restricted period with respect to all Restricted Stock previously awarded to Executive including, without limitation, Restricted Stock of Employer awarded pursuant to this Agreement, shall terminate and Executive's estate or other legal representative shall become fully vested in all Restricted Stock previously awarded to Executive.

Section 2: Termination by Reason of Disability

If, during the term of this Agreement, Executive, in the judgment of the Board of Directors of Employer, has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and such illness or incapacity continues for a period of more than (i) six (6) consecutive months or (ii) one hundred eighty three (183) days in any consecutive three hundred sixty−five (365) day period, Employer shall have the right to commence process to terminate Executive's employment under this Agreement on account of disability. Employer shall send written notice to Executive of (i) its intention to commence such process, (ii) a medical doctor chosen by Employer to make the determination referred to in the next sentence, and (iii) Executive's right within ten (10) days of receipt of the notice to choose a second medical doctor to make such determination. The purpose of the process shall be to determine whether Executive is unable on account of illness or physical or mental incapacity to perform his duties under this Agreement. Executive shall fully cooperate in this process, including by making himself available for and consenting to all examinations and tests required by any doctor making the aforesaid determination. The aforesaid determination shall be made by the medical doctor chosen by Executive, if he exercises his foregoing right to choose a doctor, and the medical doctor chosen by Employer. If the determination is being made by two medical doctors and they cannot agree within fifteen (15) days of their both being chosen, they shall as soon as reasonably possible select a third medical doctor to make the determination, who shall make the determination within fifteen (15) days of being chosen. The determination made by the foregoing process shall be conclusive. In the event Executive's employment is terminated on account of disability, Executive's rights to compensation and benefits shall be as follows:

(a) Base Salary. Executive shall be paid his Base Salary, less any benefits paid to him under disability insurance policies maintained by Employer, until his termination on account of disability.

(b) Payment from Bonus Pool. Employer shall pay to Executive, when the same would ordinarily be paid, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination due to disability of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which termination due to the disability of Executive occurs.

(c) Restricted Stock. The restricted period with respect to all restricted stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement.

Section 3: Termination for Cause

"Termination for Cause" shall mean termination by Employer of Executive's employment by Employer by reason of:

(i) a willful failure by Executive in bad faith to substantially perform his duties with Employer resulting in material harm to Employer; or

(ii) Executive's conviction of a felony involving moral turpitude.

Executive must be given written notice that Employer intends to terminate his employment for Cause. Such written notice shall specify the particular act or failure to act constituting the basis of the intention to so terminate employment. In the case of a Termination for Cause under clause (i) above, Executive shall be given the opportunity, within twenty (20) days of the receipt of such notice, to meet with the Board of Directors of Employer to refute or explain such act or failure to act. If such act or failure to act is found in violation of clause (i), Executive shall be given ten (10) days after such meeting to correct such act or failure to act, and upon failure of Executive within such ten (10) day period to correct such act or failure to act, Executive's employment by Employer shall be terminated. In the case of Termination for Cause under clause (ii) above, Executive's employment shall be terminated as of the date such notice is given.

In the event the Board of Directors shall terminate Executive's employment for Cause, Executive shall be entitled to receive the following:

(a) Base Salary. Within thirty (30) days of the date of Executive's Termination for Cause, he shall be paid his Base Salary through the date of termination of employment.

(b) Payment from Bonus Pool. Executive shall forfeit all rights to payments from the Bonus Pool.

Section 4: Constructive Termination and Termination by Employer other than for Cause

Notwithstanding anything in this Agreement to the contrary, Executive's employment hereunder may be terminated by Employer without Cause and Executive may terminate his employment hereunder in the case of a Constructive Termination as defined in this section, provided, however, that in the event that Executive's employment is so terminated, Executive shall be entitled to receive the following:

(a) Base Salary. Within thirty (30) days of his termination of employment, Employer shall pay to Executive a lump sum payment equal to:

(i) his Base Salary for the month in which termination occurs, and

(ii) Eighty Three Thousand Three Hundred and Thirty Three Dollars ($83,333) times the number of months from the month immediately following the month in which termination occurs to the end of the Term, or any extension thereto, inclusive.

(b) Payment from Bonus Pool. Employer shall pay to Executive, within thirty (30) days following termination of employment, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination of employment of Executive occurs and (ii) the pro−rated bonus determined under the Bonus Pool with respect to the year in which termination of employment of Executive occurs.

(c) Restricted Stock.

(i) The restricted period applicable to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive. Executive shall, upon such termination, have the option to take cash in lieu of Restricted Stock with respect to all, or any portion, of the Restricted Shares that vest as a result of this subparagraph based on a share price for such stock which is the greater of (a) the share price of Employer as of the close of business on the business day next preceding the date of termination of employment and (b) the share price ten (10) business days prior to the date determined under paragraph (a) above (or the closing price of the next preceding business day, if such date does not fall on a business day). To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a "specified employee" as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) 6 months following termination of employment or (B) death.

(ii) Executive shall give Employer written notice within ten (10) business days following termination of employment under this Section 4 specifying the number of Restricted Shares with respect to which Executive has elected to take cash in lieu of Restricted Shares. Employer shall within thirty (30) days of receipt of such notice deliver to Executive a check in payment of the value of the Restricted Shares as determined in the immediately preceding sentence and share certificates evidencing the remaining Restricted Shares which have vested as a result of termination of employment under this Section 4 and with respect to which Executive has not exercised his election to take cash in lieu of shares.

For purposes of this Agreement "Constructive Termination" shall mean the termination of employment by Executive following written notice to Employer for any of the following reasons:

(i) without Executive's express written consent, the loss of Executive's position described in Article I, Section 1 or a material alteration in Executive's position and responsibility as so described;

(ii) without Executive's express written consent, a breach by Employer of any of its material obligations set forth in this Agreement;

(iii) any failure by a successor to Employer to assume Employer's obligations under this Agreement, either expressly or by operation of law, or, if Employer sells all or substantially all of its assets, or as a result of a sale by Fairfax of all of Employer or a controlling interest in Employer and in either case, as a result thereof, any failure by the purchaser to assume Employer's obligations under this Agreement; or

(iv) without Executive's express written consent, relocation of Executive's work situs to a location that is not in the New York Metropolitan area.

Executive must give written notice to Employer within ninety (90) days following the initial existence of one or more of the reasons listed above if he intends to terminate his employment because of the occurrence of one of the circumstances constituting Constructive Termination under this Section 4. Such written notice shall specify the particular act or failure to act constituting the basis of Executive's claim that Constructive Termination has occurred. Employer shall be given the opportunity, within thirty (30) days of the receipt of such notice, to fully cure any such act or failure to act.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, he is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A of the Code, no such payment or benefit shall be provided under this Agreement until the earliest of (A) the date which is six (6) months after his "separation from service" for any reason or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid any person's incurrence of any penalty tax or interest under Section 409A of the Code. In addition, if any provision of this Agreement would cause any person to incur any penalty tax or interest under Section 409A of the Code, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

Section 5: Voluntary Termination

Executive may terminate his employment under this Agreement voluntarily by giving two (2) years written notice to Employer of his intention to voluntarily terminate his employment with Employer. "Voluntary Termination" shall mean termination by Executive of Executive's employment by Employer other than (i) Constructive Termination as described in Section 4, (ii) "Termination Upon a Change in Control," as described in Section 6, or (iii) termination by reason of Executive's death or disability as described in Sections 1 and 2.

In the event that Executive's employment is voluntarily terminated by Executive, Executive's rights to compensation and benefits shall be identical to those to which he would be entitled had he been Terminated for Cause, except that Employer shall pay to Executive, when the same would ordinarily be paid, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which the Voluntary Termination of Executive occurs and

(ii) the prorated bonus determined under the Bonus Pool with respect to the year in which termination of Executive occurs.

Section 6: Termination Upon a Change of Control

"Termination Upon a Change in Control" shall mean (i) a termination by Executive, by written notice given to Employer, of Executive's employment with Employer following a "Change in Control", or (ii) the termination of Executive's employment by Employer or the successor company (otherwise than for Cause as provided in Section 3 of this Article), in either case within one year following a Change in Control.

In the event that Executive's employment is Terminated Upon a Change in Control, Executive's rights to compensation, Restricted Stock and benefits shall be identical to those to which he would be entitled had he been terminated by Employer other than for Cause pursuant to Section 4.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, he is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A of the Code, no such payment or benefit shall be provided under this Agreement until the earliest of (A) the date which is six (6) months after his "separation from service" for any reason or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid any person's incurrence of any penalty tax or interest under Section 409A of the Code. In addition, if any provision of this Agreement would cause any person to incur any penalty tax or interest under Section 409A of the Code, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

"Change in Control" shall mean (i) the time that Employer or its ultimate parent, Fairfax, first determines that any person and all other persons who constitute a group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 ("Exchange Act")) have, at a time when no other person or group directly or indirectly beneficially owns securities carrying more than forty−five percent (45%) of the votes attached to all outstanding securities of Employer or Fairfax, acquired direct or indirect beneficial ownership (within the meaning of Rule 13d−3 under the Exchange Act) of outstanding securities of Employer or Fairfax carrying more than twenty percent (20%) of the votes attached to all outstanding securities of Employer or Fairfax, unless a majority of the "Continuing Directors" approves the acquisition not later than ten (10) business days after Employer or Fairfax makes that determination, or (ii) the first day on which a majority of the members of Employer's or Fairfax's Board of Directors are not "Continuing Directors", or (iii) the time that the Controlling Shareholder of either Employer or Fairfax no longer is the controlling shareholder, or (iv) the arm's length sale of a majority interest in Employer by Fairfax. For purposes of (iii) in the preceding sentence, the "Controlling Shareholder" of Fairfax is one or more of V. Prem Watsa, his family, corporations controlled by, or trusts whose beneficiaries are, V. Prem Watsa or his family, the estate of V. Prem Watsa (including the executors and administrators), and any persons to whom shares are distributed or sold upon the death or by the estate of V. Prem Watsa or his family.

"Continuing Directors" shall mean, as of any date of determination, any member of the Board of Directors of Employer or Fairfax who (i) was a member of that Board of Directors on the date of this Agreement, (ii) has been a member of that Board of Directors for the two years immediately preceding such date of determination, or (iii) was nominated for election or elected to the Board of Directors by the Controlling Shareholder or with the affirmative vote of all, or one less than all, of the Continuing Directors who were members of the Board at the time of such nomination or election.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 1: Payment Obligations

The obligation of Employer to pay Executive the compensation and to make the arrangements provided herein shall be unconditional, and Executive shall have no obligation whatsoever to mitigate damages hereunder. If litigation after a Change in Control (otherwise than in connection with a Termination for Cause which is ultimately upheld in litigation) shall be brought to enforce or interpret any provision contained herein, Employer, to the extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorney's fees and disbursements incurred in such litigation.

Section 2: Confidentiality

Executive agrees that all confidential and proprietary information relating to the business of Employer shall be kept and treated as confidential both during and after the term of this Agreement, except as may be permitted in writing by Employer’s Board of Directors or as such information is within the public domain or comes within the public domain without any breach of this Agreement.

Section 3: Arbitration

Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York, New York under the employment arbitration rules of the American Arbitration Association before a single arbitrator of exemplary qualifications and stature, who shall be selected jointly by Employer and Executive, or, if Employer and Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. The party that prevails in any arbitration hereunder shall be reimbursed by the other party hereto for any reasonable legal fees and out of pocket expenses directly attributable to such arbitration, and such other party shall bear all expenses of the arbitrator.

Section 4: Withholdings

All compensation and benefits to Executive hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

Section 5: Parachute Payments

Notwithstanding anything in this Agreement to the contrary, the amount of any payment or benefit to be received by Executive pursuant to this Agreement or otherwise which would be subject to the excise tax imposed by Section 4999 of the Code shall be reduced (but not below zero) by the amount, if any, necessary to prevent any part of any such payment or benefit received or to be received by Executive (such foregoing payments or benefits referred to collectively as the “Total Payments”), from being subject to such excise tax, but only if and to the extent such reduction will also result in, after taking into account all applicable state and Federal taxes (computed at the highest applicable marginal rate), including any taxes payable pursuant to Section 4999 of the Code, a greater after−tax benefit to Executive than the after−tax benefit to Executive of the Total Payments computed without regard to any such reduction. For purposes of the foregoing, (a) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by Executive (“Tax Counsel”) does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code; (b) any reduction in payments or benefits pursuant to this Agreement shall be computed by taking into account, in accordance with Section 280G(b)(4) of the Code, that portion of the Total Payments which is reasonable compensation, within the meaning of Section 280G(b)(4) of the Code, in the opinion of Tax Counsel; (c) the value of any non−cash benefits or of any deferred or accelerated payments or benefits included in the Total Payments shall be determined by a public accounting firm, selected by Executive, in accordance with the principles of Section 280G(d)(3) and (4) of the Code and the Treasury Regulations promulgated thereunder; and (d) in the event of any uncertainty as to whether a reduction in Total Payments to Executive is required pursuant hereto, Employer shall initially make all payments otherwise required to be paid to Executive hereunder, and any amounts so paid which are ultimately determined not to have been payable hereunder (other than as a loan to Executive), either (x) upon mutual agreement of Executive and Employer, or (y) upon Tax Counsel furnishing Executive with its written opinion setting forth the amount of such payments not to have been so payable (other than as a loan to Executive under this Section 5), or (z) in the event a portion of the Total Payments shall be determined by a court or an Internal Revenue Service proceeding to have otherwise been an “excess parachute payment,” the amount so determined in clause (x), (y) or (z) shall constitute a loan by Employer to Executive under this Section 5, and Executive shall repay to Employer, within ten (10) business days after the time of such mutual agreement, such opinion is so furnished to Executive, or of such determination, as applicable, the amount of such loan plus interest thereon at the rate provided in Section 1274(b)(2)(B) of the Code for the period from the date of the initial payments to Executive to the date of such repayment by Executive. All fees and expenses of any Tax Counsel or accounting firm selected under this Section 5 shall be borne solely by Employer.

Section 6: Indemnification

In addition to any rights to indemnification to which Executive is entitled under Employer's Articles of Incorporation and Bylaws, Employer shall indemnify Executive at all times during and after the term of this Agreement to the maximum extent permitted under the Delaware General Corporation Law and any successor provision thereof and any other applicable corporate law, and shall pay Executive's expenses in defending any civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding and any appeal thereof, to the maximum extent permitted under such applicable laws.

Employer shall use reasonable efforts to maintain at all times Directors and Officers Coverage comparable to its existing Directors and Officers Coverage, if the same can be obtained at a reasonable cost in comparison to the cost of the then existing coverage, to cover all or a portion of the foregoing liability.

Section 7: Notices

Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery, addressed to Employer at:

Odyssey Re Holdings Corp.
Attn: General Counsel
300 First Stamford Place
Stamford, Connecticut 06902

and addressed to Executive at: the address on file with Employer;

or at any other address as either party may, from time to time, designate by notice given in compliance with this Section.

Section 8: Law Governing

This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York.

Section 9: Titles and Captions

All sections titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context nor affect the interpretation of this Agreement.

Section 10: Entire Agreement

This Agreement contains the entire understanding between the parties, and supersedes any prior understandings and agreements between Executive and Employer and/or any affiliate of Employer, including the Prior Agreement, respecting the subject matter of this Agreement.

Section 11: Agreement Binding

The Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

Section 12: Attorney Fees

In the event a suit or action is brought by Executive under this Agreement to enforce any of its terms, or in any appeal therefrom, it is agreed that Executive shall be entitled to reasonable attorney's fees to be fixed by the trial court and/or appellate court.

Section 13: Computation of Time

In computing any period of time pursuant to this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period shall begin to run on the next day which is not a Saturday, Sunday or legal holiday, and if the period ends on a Saturday, Sunday or legal holiday, the period shall run until the end of the next day thereafter which is not a Saturday, Sunday or legal holiday.

Section 14: Pronouns and Plurals

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

Section 15: Presumption

This Agreement or any section thereof shall not be construed against any party due to the fact that said Agreement or any section thereof was drafted by said party.

Section 16: Further Action

The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 17: Parties in Interest

Nothing herein shall be construed to be to the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

Section 18: Savings Clause

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Section 19: Failure to Enforce and Waiver

The failure to insist upon strict compliance with any of the terms, covenants or conditions of this Agreement shall not be deemed a waiver of such terms, covenants or conditions, and the waiver or relinquishment or any right or power under this
Agreement at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 20: Section 409A Compliance

(i) Anything in this Agreement to the contrary notwithstanding, any reimbursement payable to Executive pursuant to any provisions of this Agreement, shall be paid no later than the last day of the calendar year following the calendar year in which the related expense was incurred, except to the extent that the right to reimbursement does not provide for a “deferral of compensation” subject to Section 409A of the Code. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, and the right to reimbursement or in−kind benefits shall not be subject to liquidation or exchange for another benefit.

(ii) Anything in this Agreement to the contrary notwithstanding, any payment that is delayed as a result Executive being a “specified employee” as defined in Section 409A of the Code shall commence earlier in the event of Executive’s death prior to the six−month anniversary of the date of Executive’s termination of employment. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of Employer.

[Remainder of page intentionally left blank]

Date: May 29, 2009

ODYSSEY RE HOLDINGS CORP.

By: /s/ V. Prem Watsa
V. PREM WATSA, CHAIRMAN

/s/ Andrew Barnard
ANDREW BARNARD

FAIRFAX FINANCIAL HOLDINGS LIMITED
(AS TO ARTICLE I, SECTION 3(d) ONLY)

By: /s/ Eric Salsberg
ERIC SALSBERG, VICE PRESIDENT,
CORPORATE AFFAIRS

Exhibit 10.32

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into as of May 1, 2009 (the "Effective Date") by and between ODYSSEY RE HOLDINGS CORP., a Delaware Corporation ("Employer") and Mr. Brian David Young ("Executive"), and supersedes all prior agreements, written or oral, between Employer and its subsidiaries and Executive regarding the matters referenced herein.

WHEREAS, the Board of Directors of Employer believes it is in the best interests of Employer (i) to ensure that the reasonable employment, compensation and benefits expectations of Executive are satisfied; (ii) to induce and encourage Executive to join Employer as a senior executive; and (iii) to reward Executive's commitment to provide continued service, full attention and dedication to Employer, by providing Executive with the compensation and benefits arrangements described below during the term provided for in this Agreement; and

WHEREAS, to accomplish these objectives, the Board has authorized and directed Employer to enter into this Agreement with Executive.

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

ARTICLE I
EMPLOYMENT AND DUTIES; COMPENSATION

Section 1: Duties.

During the term of this Agreement, Executive shall be employed by and shall serve Employer in the capacity of Executive Vice President and Chief Operating Officer, and shall be employed by and/or shall serve Employer and such subsidiaries of Employer in such capacities as Employer shall from time to time designate and as are consistent with Executive's position as Executive Vice President of Employer, and his duties as Chief Operating Officer. In such capacity, all division heads of Employer's business operations shall directly report to Executive. Executive shall devote substantially all of his business time to the business and affairs of Employer and shall use his best efforts, skills, and energy to promote Employer's interests, provided that it shall not be a violation of the foregoing for Executive to act or serve as a director, trustee or committee member of any civic or charitable organization, as long as such activities are disclosed to Employer, and Employer, in the exercise of its reasonable judgment, agrees that such activities do not present any conflict of interest with Employer.

Section 2: Term of Employment.

The term of employment of Executive by Employer under this Agreement shall commence as of May 1, 2009 (the "Commencement Date") and shall continue until May 1, 2014 (the "Term"). At any time prior to the expiration of the Term, Employer and Executive may, by mutual written agreement, extend Executive's employment under the terms of this Agreement for such additional periods as they may agree.

Section 3: Salary, Benefits and Additional Compensation.

As compensation and consideration for the performance by Executive of his duties and responsibilities pursuant to this Agreement, Employer agrees to pay, and/or to cause one or more of its subsidiaries to pay Executive, and Executive agrees to accept the following amounts and benefits (all Dollar amounts referred to herein are in United States Dollars):

(a) Base Salary: During the Term, Executive shall receive an annual base salary ("Base Salary") of Seven Hundred Fifty Thousand Dollars ($750,000), as it may be increased from time to time at the discretion of Employer's Board of Directors, upon advice and consent of the Compensation Committee of Employer's Board of Directors (the "Compensation Committee"), pro rated for any calendar year within the Term for which employment hereunder does not extend for the entire calendar year. The Base Salary shall be paid to Executive in equal bi−weekly installments.

(b) Bonus Pool: Executive shall participate in the bonus pool (the "Bonus Pool") created with respect to each accident underwriting year, consisting of that portion of the underwriting profit for such year designated by the Board, and the Board shall establish performance criteria upon which Executive's bonus shall be determined. During Executive's employment under this Agreement, Executive shall be eligible to receive a target bonus of 100% of Base Salary, although it is agreed that actual bonus awards may exceed, match or be less than the target bonus, as Executive's performance or Employer's performance warrant. The form of payment and other terms and conditions of such bonus shall be determined by Employer, upon advice and consent of the Compensation Committee. Notwithstanding the foregoing, to the extent Executive is a “covered employee” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), the annual bonus may be implemented and administered in a manner intended to insure the treatment of such bonus as “performance−based compensation” within the meaning of Section 162(m) of the Code (including, without limitation, by having the relevant performance goals established by the Compensation Committee and having the Compensation Committee certify the achievement of such goals before the annual bonus is paid).

Bonuses will be paid on or about March 15 of the year following the related accident underwriting year (and in no event later than April 15 of the year following the related accident underwriting year).

(c) Restricted Stock Grant:

(i) Executive shall receive, as of the execution date hereof, an award consisting of that number of restricted shares of Employer’s common stock, par value $.01 per share (“Restricted Shares”), which, when multiplied by the simple average of the closing prices of Employer’s common stock on the New York Stock Exchange on the twenty (20) business days next preceding May 1, 2009, yields the aggregate sum of One Million Five Hundred Thousand Dollars ($1,500,000), and, subject to subparagraphs (ii) and (iii) below, the foregoing grant shall be subject to the terms of the Employer’s Restricted Share Plan (the “Restricted Share Plan”). Executive shall become fully vested in the shares granted pursuant to the foregoing sentence, and all restrictions on the Restricted Shares shall lapse, on May 1, 2014.

(ii) An award document evidencing the foregoing Restricted Share grant (the "Award Document") shall be provided to Executive by Employer within 30 days of the date of execution hereof. The Award Document shall provide that (a) upon Executive's Termination of Employment as a result of death, disability, reaching retirement age, Change in Control (as defined in Article II, Section 6 below), termination by Executive as a result of a Constructive Termination (as defined in Article II, Section 4 below), or termination by Employer for reasons other than For Cause (as defined in Article II, Section 3 below) the restricted period applicable to any Restricted Shares granted to Executive thereunder (an "Award") shall terminate and Executive shall become fully vested in such Award; and (b) if the stock of Employer at any time during the restricted period ceases to be publicly traded, then Executive shall have the option to receive a cash payment, payable by Employer within ten (10) days following written notice from Executive no later than thirty (30) days following the delisting of Employer's stock from the exchange, equal to the number of shares of Restricted Stock granted under the Award Document and held by Executive as of the delisting of the stock, times the greater of (i) the share price of Employer's stock as of the close of business forty−five (45) trading days prior to its delisting and (ii) the average share price of Employer's stock (based on end of business day values) over the forty−five (45) trading day period prior to delisting. To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a "specified employee" as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment, or (B) death. The foregoing subparagraph (b) shall not apply if the stock of Employer ceases to be publicly traded as a result of Employer having made a general assignment for the benefit of creditors, been adjudicated as bankrupt or insolvent, or having filed a voluntary petition in bankruptcy, a petition or answer seeking an arrangement with creditors or to take advantage of any insolvency law or having filed an answer admitting the material allegations of a petition filed against Employer in bankruptcy.

(iii) Employer will take whatever action necessary, including, without limitation, requesting amendment of the Restricted Share Plan, to ensure that the issuance of Restricted Shares to Executive pursuant to the Award Document does not exceed the maximum number of shares available for such purpose.

(d) Additional Benefits: During the term of this Agreement, Executive shall be entitled to the following fringe benefits:

(i) Executive Benefits: Executive shall be eligible to participate in such benefits and perquisites as are now generally available or later made generally available to executive officers of Employer.

(ii) Vacation: Executive shall be entitled to vacation time consistent with his position as Executive Vice President — Chief Operating Officer of Employer.

(iii) Life Insurance: Executive shall be eligible to participate in any life insurance program available to executive officers of Employer on terms at least as favorable as those generally made available to such executive officers.

(iv) Disability Insurance: Executive shall be eligible to participate in any disability insurance program available to executive officers of Employer on terms at least as favorable as those generally made available to such executive officers.

(v) Reimbursement for Expenses: Except as otherwise provided herein, Employer shall reimburse Executive for reasonable and properly documented out−of−pocket business, travel and/or entertainment expenses incurred by Executive in connection with the performance of his duties under this Agreement, consistent with Employer's Travel and Entertainment Policy.

(vi) Retirement Plans and Related Arrangements: Executive shall continue to participate in all retirement plans and related arrangements made available by Employer to its executives.

(vii) Reimbursement of Attorney's Fees: Employer shall pay all reasonable attorney's fees and disbursements incurred by Executive in negotiating this Agreement; payment shall be made either to Executive upon submission of paid invoices for such legal work or directly to the attorney chosen by Executive.

(viii) Tax Assistance: Any tax obligations relating to the performance by Executive of his duties and responsibilities pursuant to this Agreement, and the preparation and filing of any related United States federal, state and local returns (as required), shall be the sole responsibility of Executive, provided, however, that during the term hereof, an accounting firm selected by Employer will assist in the preparation and filing of any United Kingdom and United States federal, state and local returns (as required) that are reasonably related to, or resulting from, Executive's service to Employer during the term of Executive's prior expatriation to London on behalf of

Employer's subsidiary, Odyssey America Reinsurance Corporation ("London Service"), and will provide Employer with a statement of the tax liability on Executive's total income subject to certain limitations. At such time as Executive's actual tax returns, if any, relating to Executive's London Service are filed, a reconciliation will be prepared, comparing the hypothetical tax withheld throughout the year to Executive's final hypothetical tax. This reconciliation will take into account Executive's actual personal income and deductions.

ARTICLE II

TERMINATION OF EMPLOYMENT

Subject to Section 7 of this Article II, Employer shall provide Executive with the following payments and benefits upon termination of employment:

Section 1: Termination Due to Death.

The employment of Executive under this Agreement shall terminate upon Executive's death. In the event of Executive's death during Executive's employment hereunder, the estate or other legal representative of Executive shall be entitled to receive the following:

(a) Base Salary: Employer shall pay to Executive's estate or other legal representative of Executive, Executive's Base Salary for the period ending one year following the month in which Executive dies. Such an amount and all other amounts payable under this Section 1 of Article II shall be paid by Employer in a lump sum within thirty (30) days of the date of death, provided, however, that the amounts due with respect to the Bonus Pool shall be paid when such amounts would ordinarily be paid.

(b) Payment from Bonus Pool: Employer shall pay to the estate or other legal representative of Executive, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which the death of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which the death of Executive occurs.

(c) Restricted Stock: Upon the death of Executive, the restricted period with respect to all Restricted Stock previously awarded to Executive including, without limitation, Restricted Stock awarded pursuant to this Agreement, shall terminate and Executive's estate or other legal representative shall become fully vested in all Restricted Stock previously awarded to Executive. In addition, upon the death of Executive, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

Section 2: Termination by Reason of Disability.

If, during the term of this Agreement, Executive, in the judgment of the Chief Executive Officer of Employer, has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and such illness or incapacity continues for a period of more than (i) six (6) consecutive months or (ii) one hundred eighty three (183) days in any consecutive three hundred sixty−five (365) day period, Employer shall have the right to commence process to terminate Executive's employment under this Agreement on account of disability. Employer shall send written notice to Executive of (x) its intention to commence such process, (y) a medical doctor chosen by

Employer to make the determination referred to in the next sentence, and (z) Executive's right within ten (10) days of receipt of the notice to choose a second medical doctor to make such determination. Termination for disability shall be based on a determination that Executive is either unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months; or by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the service provider's employer. Executive shall fully cooperate in this process, including by making himself available for and consenting to all examinations and tests required by any doctor making the aforesaid determination. The aforesaid determination shall be made by the medical doctor chosen by Executive, if Executive exercises his foregoing right to choose a doctor, and the medical doctor chosen by Employer. If the determination is being made by two medical doctors and they cannot agree within fifteen (15) days of their both being chosen, they shall as soon as reasonably possible select a third medical doctor to make the determination, who shall make the determination within fifteen (15) days of being chosen. The determination made by the foregoing process shall be conclusive.

In the event Executive's employment is terminated on account of disability, Executive's rights to compensation and benefits shall be as follows:

(a) Base Salary: Executive shall be paid his pro rated Base Salary, as determined in accordance with the terms of Section 3(a) of Article I for a period of no less than one year, less any benefits paid to him under disability insurance policies maintained by Employer, following his termination on account of disability.

(b) Payment from Bonus Pool: Employer shall pay to Executive, when the same would ordinarily be paid, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination due to disability of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which termination due to the disability of Executive occurs.

(c) Restricted Stock: The restricted period with respect to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. In addition, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

Section 3: Termination for Cause.

"Termination for Cause" shall mean termination by Employer of Executive's employment by Employer by reason of:

(i) a willful failure by Executive in bad faith to substantially perform his duties with Employer resulting in material harm to Employer; or

(ii) Executive's conviction of a felony involving moral turpitude.

Executive must be given written notice that Employer intends to terminate his employment for Cause. Such written notice shall specify the particular act or failure to act constituting the basis of the intention to so terminate employment.

In the case of a Termination for Cause under clause (i) above, Executive shall be given the opportunity, within twenty (20) days of the receipt of such notice, to meet with the Board of Directors of Employer to refute or explain such act or failure to act. If such act or failure to act is reasonably determined by the Board of Directors to be in violation of clause (i) of this Section 3, Executive shall be given ten (10) days after such meeting to correct such act or failure to act, and upon failure of Executive within such ten (10) day period to correct such act or failure to act to the reasonable satisfaction of the Board of Directors, Executive's employment by Employer shall be terminated. In the case of Termination for Cause under clause (ii) above, Executive's employment shall be terminated as of the date such notice is given.

In the event the Board of Directors shall terminate Executive's employment for Cause, Executive shall be entitled to receive the following:

(a) Base Salary: Within thirty (30) days of the date of Executive's Termination for Cause, Executive shall be paid his pro rated Base Salary, as determined in accordance with the terms of Section 3(a) of Article I.

(b) Payment from Bonus Pool: Executive shall forfeit all rights to payments from the Bonus Pool.

Section 4: Termination without Cause; Constructive Termination.

Notwithstanding anything in this Agreement to the contrary, Executive's employment hereunder may be terminated by Employer without Cause, and Executive may terminate his employment hereunder in the case of Constructive Termination, as defined in this Section 4, provided, however, that in the event that Executive's employment is terminated in accordance with the terms of this Section 4, Executive shall be entitled to receive the following:

(a) Base Salary: Within thirty (30) days of Executive's termination of employment, Employer shall pay to Executive a lump sum payment equal to Executive's Base Salary, as determined in accordance with the terms of Section 3(a) of Article I, for the month in which termination occurs, and for the period incepting the first day of the month immediately following the month in which termination occurs to the end of the Term, or any extension thereto, inclusive (but in no event for less than one (1) year).

(b) Payment from Bonus Pool: Employer shall pay to Executive, within thirty (30) days following termination of employment, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination of employment of Executive occurs and (ii) the pro−rated bonus determined under the Bonus Pool with respect to the year in which termination of employment of Executive occurs.

(c) Restricted Stock:

(i) The restricted period applicable to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. Executive shall, upon such termination, have the option to take cash in lieu of Restricted Stock with respect to all, or any portion, of the shares of Restricted Stock that vest as a result of this subparagraph, based on a share price for such Restricted Stock that is the greater of (a) the share price of Employer stock as of the close of business on the business day next preceding the date of termination of employment and (b) the share price of Employer stock ten (10) business days prior to the date determined under paragraph (a) above (or the closing price of the next preceding business day, if such date does not fall on a business day). To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a "specified employee" as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment or (B) death. In addition, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

(ii) Executive shall give Employer written notice within ten (10) business days following termination of employment under this Section 4, specifying the number of shares of Restricted Stock with respect to which Executive has elected to take cash in lieu of shares of Restricted Stock. Employer shall, within thirty (30) days of receipt of such notice, deliver to Executive a check in payment of the value of the shares of Restricted Stock as determined in accordance with the immediately preceding subsection, and share certificates evidencing the remaining shares of Restricted Stock that have vested as a result of termination of employment under this Section 4 and with respect to which Executive has not exercised his election to take cash in lieu of shares.

(d) Health Coverage: Executive's medical and dental coverage shall cease upon the termination of Executive's employment. In the event of such termination in accordance with the terms of this Section 4, Employer shall provide Executive with notice and enrollment materials confirming Executive's right to continue medical and dental insurance coverage to the extent permitted under COBRA; provided, however, that Executive shall only be required to pay the premiums charged to similarly−situated active employees during the entire COBRA continuation period, and Employer shall pay the remaining cost of coverage.

For purposes of this Agreement, “Constructive Termination” shall mean the termination of employment by Executive following written notice to Employer for any of the following reasons:

(i) without Executive’s express written consent, the loss of Executive’s position described in Article I, Section 1, or a material alteration in Executive’s position or responsibility as so described;

(ii) without Executive’s express written consent, a breach by Employer of any of its material obligations set forth in this Agreement;

(iii) any failure by a successor to Employer to assume Employer’s obligations under this Agreement, either expressly or by operation of law, or, in the event that Employer sells all or substantially all of its assets, or as a result of a sale by Fairfax Financial Holdings Limited (“Fairfax”) of all of its holdings of Employer or a controlling interest in Employer and in either case, as a result thereof, any failure by the purchaser to assume Employer’s obligations under this Agreement;

(iv) without Executive’s express written consent, relocation of Executive’s work situs to a location that is not in the New York Metropolitan Area, an area that, for purposes of this Agreement, shall be understood to include Stamford, Connecticut.

Executive must give written notice to Employer within ninety (90) days following the initial existence of one or more of the reasons listed above if Executive intends to terminate Executive’s employment because of the occurrence of one of the circumstances constituting Constructive Termination under this Section 4. Such written notice shall specify the particular act or failure to act constituting the basis of Executive's claim that Constructive Termination has occurred. Employer shall be given the opportunity, within thirty (30) days of the receipt of such notice, to fully cure any such act or failure to act.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, Executive is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earliest of (A) the date which is six (6) months after his "separation from service" for any reason, or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid Executive's incurrence of any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder. In addition, if any provision of this Agreement would cause Executive to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

Section 5: Non−Extension of Employment.

Employer shall provide Executive written notice ("Notice") of its intention not to extend Executive's employment under the terms of this Agreement ("Non−Extension of Employment") at least ninety (90) days prior to the end of the Term, and in such event, Executive's employment with Employer shall terminate upon the completion of the final day of the Term. In the event of Non−Extension of Employment in accordance with the terms of this Section 5, Executive shall be entitled to receive the following:

(a) Base Salary; Health Coverage: Employer shall continue to pay Executive the Base Salary (at the rate in effect at the end of the Term) for twelve (12) months following Executive's termination of employment at such intervals as the same would have been paid to Executive had Executive remained in the active service of Employer. Executive's medical and dental coverage shall cease upon the termination of Executive's employment. In the event of such termination in accordance with the terms of this Section 5, Employer shall provide Executive with notice and enrollment materials confirming Executive's right to continue medical and dental insurance coverage to the extent permitted under COBRA; provided, however, that Executive shall only be required to pay the premiums charged to similarly−situated active employees during the entire COBRA continuation period, and Employer shall pay the remainder of the cost of coverage.

(b) Payment from Bonus Pool: Employer shall pay to Executive, thirty (30) days following the end of the Term, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which Non−Extension of Employment occurs and (ii) the pro−rated bonus determined under the Bonus Pool with respect to the year in which Non−Extension of Employment occurs.

(c) Restricted Stock:

(i) The restricted period applicable to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. Executive shall, upon such termination, have the option to take cash in lieu of Restricted Stock with respect to all, or any portion, of the shares of Restricted Stock that vest as a result of this subparagraph, based on a share price for such stock which is the greater of (a) the share price of Employer as of the close of business on the business day next preceding the date of termination of employment and (b) the share price ten (10) business days prior to the date determined under clause (a) above (or the closing price of the next preceding business day, if such date does not fall on a business day). To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a “specified employee” as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment, or (B) death. In addition, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

(ii) Executive shall give Employer written notice within ten (10) business days following termination of employment under this Section 5, specifying the number of shares of Restricted Stock with respect to which Executive has elected to take cash in lieu of shares of Restricted Stock. Employer shall, within thirty (30) days of receipt of such notice, deliver to Executive a check in payment of the value of the shares of Restricted Stock as determined in accordance with the immediately preceding subsection, and share certificates evidencing the remaining shares of Restricted Stock that have vested as a result of termination of employment under this Section 5 and with respect to which Executive has not exercised his election to take cash in lieu of shares.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, Executive is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earliest of (A) the date which is six (6) months after Employee's "separation from service" for any reason or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid Executive's incurrence of any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder. In addition, if any provision of this Agreement would cause Executive to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

For the avoidance of doubt, this Section 5 shall not apply to the extent Section 4, above, is applicable.

Section 6: Termination Upon a Change of Control.

"Termination Upon a Change in Control" shall mean the termination of Executive's employment by Employer or the successor company (otherwise than for Cause as provided in Section 3 of this Article II) or by Executive in a Constructive Termination, in either case within one year following a Change in Control. In the event that Executive's employment is Terminated Upon a Change in Control, Executive's rights to compensation, Restricted Stock and benefits shall be identical to those to which Executive would be entitled had Executive been terminated by Employer other than for Cause pursuant to Section 4, provided, however, that the minimum severance benefit described in Section 4(a)(i) (relating to Base Salary) shall be no less than two (2) years.

"Change in Control" shall mean (i) the time that Employer or its ultimate parent, Fairfax, first determines that any person and all other persons who constitute a group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 ("Exchange Act")) have, at a time when no other person or group directly or indirectly beneficially owns securities carrying more than forty−five percent (45%) of the votes attached to all outstanding securities of Employer or Fairfax, acquired direct or indirect beneficial ownership (within the meaning of Rule 13d−3 under the Exchange Act) of outstanding securities of Employer or Fairfax carrying more than twenty percent (20%) of the votes attached to all outstanding securities of Employer or Fairfax, unless a majority of the "Continuing Directors" approves the acquisition not later than ten (10) business days after Employer or Fairfax makes that determination, or (ii) the first day on which a majority of the members of Employer's or Fairfax's Board are not "Continuing

Directors," or (iii) the time that the Controlling Shareholder of either Employer or Fairfax no longer is the controlling shareholder, or (iv) the arm's length sale of a majority interest in Employer by Fairfax, or (v) a sale of substantially all of the assets of Employer or Fairfax. For purposes of (iii) in the preceding sentence, the "Controlling Shareholder" of Employer and Fairfax is one or more of V. Prem Watsa, his family, corporations controlled by, or trusts whose beneficiaries are, V. Prem Watsa or his family, the estate of V. Prem Watsa (including the executors and administrators), and any persons to whom shares are distributed or sold upon the death or by the estate of V. Prem Watsa or his family.

"Continuing Directors" shall mean, as of any date of determination, any member of the Board of Directors of Employer or Fairfax who (i) was a member of that Board of Directors on the date of this Agreement, (ii) has been a member of that Board of Directors for the two years immediately preceding such date of determination, or (iii) was nominated for election or elected to the Board of Directors by the Controlling Shareholder or with the affirmative vote of all, or one less than all, of the Continuing Directors who were members of the Board at the time of such nomination or election.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, Executive is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earliest of (A) the date which is six (6) months after Executive's "separation from service" for any reason or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid Executive's incurrence of any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder. In addition, if any provision of this Agreement would cause Executive to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

Section 7: Release.

In consideration of the payments and benefits to be provided to Executive under Sections 2, 4, 5, and 6 of Article II of this Agreement, Executive shall execute and deliver Employer's standard waiver and release.

ARTICLE III
MISCELLANEOUS PROVISIONS

Section 1: Payment Obligations.

The obligation of Employer to pay Executive the compensation and to make the arrangements provided herein shall be unconditional, and except as provided herein, Executive shall have no obligation whatsoever to mitigate damages hereunder. If litigation after a Change in Control (otherwise than in connection with a Termination for Cause that is ultimately upheld in litigation) shall be brought to enforce or interpret any provision contained herein, Employer, to the extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorney's fees and disbursements incurred in such litigation.

Section 2: Confidentiality.

Executive agrees that all confidential and proprietary information relating to the business of Employer shall be kept and treated as confidential both during and after the term of this Agreement, except as may be permitted in writing by Employer or as such information is within the public domain or comes within the public domain without any breach of this Agreement.

Section 3: Arbitration.

Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York, New York under the employment arbitration rules of the American Arbitration Association before a single arbitrator of exemplary qualifications and stature, who shall be selected jointly by Employer and Executive, or, if Employer and Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. The party that prevails in any arbitration hereunder shall be reimbursed by the other party hereto for any reasonable legal fees and out of pocket expenses directly attributable to such arbitration, and such other party shall bear all expenses of the arbitrator.

Section 4: Withholdings.

Unless otherwise provided herein, all compensation and benefits to Executive hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

Section 5: Parachute Payments

Notwithstanding anything in this Agreement to the contrary, the amount of any payment or benefit to be received by Executive pursuant to this Agreement or otherwise which would be subject to the excise tax imposed by Section 4999 of the Code shall be reduced (but not below zero) by the amount, if any, necessary to prevent any part of any such payment or benefit received or to be received by Executive (such foregoing payments or benefits referred to collectively as the “Total Payments”), from being subject to such excise tax, but only if and to the extent such reduction will also result in, after taking into account all applicable state and Federal taxes (computed at the highest applicable marginal rate), including any taxes payable pursuant to Section 4999 of the Code, a greater after−tax benefit to Executive than the after−tax benefit to Executive of the Total Payments computed without regard to any such reduction. For purposes of the foregoing, (a) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by Executive (“Tax Counsel”) does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code; (b) any reduction in payments or benefits pursuant to this Agreement shall be computed by taking into account, in accordance with Section 280G(b)(4) of the Code, that portion of the Total Payments which is reasonable compensation, within the meaning of Section 280G(b)(4) of the Code, in the opinion of Tax Counsel; (c) the value of any non−cash benefits or of any deferred or accelerated payments or benefits included in the Total Payments shall be determined by a public accounting firm, selected by Executive, in accordance with the principles of Section 280G(d)(3) and (4) of the Code and the Treasury Regulations promulgated thereunder; and (d) in the event of any uncertainty as to whether a reduction in Total Payments to Executive is required pursuant hereto, Employer shall initially make all payments otherwise required to be paid to Executive hereunder, and any amounts so paid which are ultimately determined not to have been payable hereunder (other than as a loan to Executive), either (x) upon mutual agreement of Executive and Employer, or (y) upon Tax Counsel furnishing Executive with its written opinion setting forth the amount of such payments not to have been so payable (other than as a loan to Executive under this Section 5), or (z) in the event a portion of the Total Payments shall be determined by a court or an Internal Revenue Service proceeding to have otherwise been an “excess parachute payment,” the amount so determined in clause (x), (y) or (z) shall constitute a loan by Employer to Executive under this Section 5, and Executive shall repay to Employer, within ten (10) business days after the time of such mutual agreement, such opinion is so furnished to Executive, or of such determination, as applicable, the amount of such loan plus interest thereon at the rate provided in Section 1274(b)(2)(B) of the Code for the period from the date of the initial payments to Executive to the date of such repayment by Executive. All fees and expenses of any Tax Counsel or accounting firm selected under this Section 5 shall be borne solely by Employer.

Section 6: Indemnification.

In addition to any rights to indemnification to which Executive is entitled under Employer's Articles of Incorporation and Bylaws, Employer shall indemnify Executive at all times during and after the term of this Agreement to the maximum extent permitted under the Delaware General Corporation Law and any successor provision thereof and any other applicable corporate law, and shall pay Executive's expenses in defending any civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding and any appeal thereof, to the maximum extent permitted under such applicable laws. Employer shall use reasonable efforts to maintain at all times Directors and Officers Coverage comparable to its existing Directors and Officers Coverage, if the same can be obtained at a reasonable cost in comparison to the cost of the then existing coverage, to cover all or a portion of the foregoing liability.

Section 7: Notices.

Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery, addressed to Employer at:

Odyssey Re Holdings Corp.
Attn: General Counsel
300 First Stamford Place
Stamford, Connecticut 06902

and addressed to Executive at: the address on file with Employer:

or at any other address as either party may, from time to time, designate by notice given in compliance with this Section.

Section 8: Governing Law.

This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York.

Section 9: Titles and Captions.

All section titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context nor affect the interpretation of this Agreement.

Section 10: Entire Agreement.

This Agreement contains the entire understanding between the parties, and supercedes any prior understandings and agreements, whether written or oral, between Executive and Employer and/or any affiliate of Employer regarding the matters referenced in this Agreement, any representations contained within public notices, press releases or regulatory filings previously issued or made by Employer or Fairfax. No provision in this Agreement may be amended unless such amendment is set forth in a writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Executive and by a representative of Employer.

Section 11: Agreement Binding.

The Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

Section 12: Computation of Time.

In computing any period of time pursuant to this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period shall begin to run on the next day which is not a Saturday, Sunday or legal holiday, and if the period ends on a Saturday, Sunday or legal holiday, the period shall run until the end of the next day thereafter which is not a Saturday, Sunday or legal holiday.

Section 13: Pronouns and Plurals.

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

Section 14: Presumption.

This Agreement or any section thereof shall not be construed against any party due to the fact that said Agreement or any section thereof was drafted by said party.

Section 15: Further Action.

The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16: Parties in Interest.

Nothing herein shall be construed to be to the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

Section 17: Savings Clause.

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Section 18: Failure to Enforce and Waiver.

The failure to insist upon strict compliance with any of the terms, covenants or conditions of this Agreement shall not be deemed a waiver of such terms, covenants or conditions, and the waiver or relinquishment or any right or power under this Agreement at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 19: Counterparts; Facsimile Signatures.

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. This Agreement may be executed by facsimile signatures.

Section 20: Headings.

The headings of the Sections and sub−sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

Section 21: Section 409A Compliance.

(i) Anything in this Agreement to the contrary notwithstanding, any reimbursement payable to Executive pursuant to any provisions of this Agreement, shall be paid no later than the last day of the calendar year following the calendar year in which the related expense was incurred, except to the extent that the right to reimbursement does not provide for a “deferral of compensation” subject to Section 409A of the Code. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, and the right to reimbursement or in−kind benefits shall not be subject to liquidation or exchange for another benefit.

(ii) Anything in this Agreement to the contrary notwithstanding, any payment that is delayed as a result Executive being a “specified employee” as defined in Section 409A of the Code shall commence earlier in the event of Executive’s death prior to the six−month anniversary of the date of Executive’s termination of employment. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of Employer.

[Remainder of page intentionally left blank]

Date: May 29, 2009

ODYSSEY RE HOLDINGS CORP.

By: /s/ Andrew Barnard
Andrew Barnard, Chief Executive Office

/s/ Brian David Young
BRIAN DAVID YOUNG

Exhibit 10.33

EMPLOYMENT AGREEMENT

(As amended and restated effective as of July 31, 2009)

This Amended and Restated Employment Agreement (the “Agreement”) is effective as of July 31, 2009 (the Effective Date”) by and between ODYSSEY RE HOLDINGS CORP. (“Employer”), a holding company, incorporated in the State of Delaware, that owns all of the shares of the entities comprising the group of reinsurance and insurance companies constituted by Odyssey America Reinsurance Corporation and its subsidiaries, and Richard Scott Donovan (“Executive”).

WITNESSETH

WHEREAS, Executive is the Chief Financial Officer of the Employer;

WHEREAS, Executive entered into the Agreement effective as of August 15, 2006; and

WHEREAS, the parties desire to amend and restate the Agreement as of the date hereof so as to contain the terms and conditions set forth below and to govern the employment of Executive in the capacity described in the first recital above.

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

ARTICLE I
EMPLOYMENT AND DUTIES; COMPENSATION

Section 1: Duties.

During the term of this Agreement, Executive shall be employed by and shall serve Employer in the capacity of Executive Vice President and Chief Financial Officer, and shall be employed by and/or shall serve such subsidiaries of Employer in such capacities as Employer shall from time to time designate and as are consistent with Executive’s position as Executive Vice President and Chief Financial Officer of Employer. Executive shall devote substantially all of his business time to the business and affairs of Employer and shall use his best efforts, skills, and energy to promote Employer’s interests, provided that it shall not be a violation of the foregoing for Executive to act or serve as a director, trustee or committee member of any civic or charitable organization, as long as such activities are disclosed to Employer and Employer, in the exercise of its reasonable judgment, agrees that such activities do not present any conflict of interest with the Employer.

Section 2: Term of Employment.

The term of employment, hereunder, of Executive by Employer commenced as of August 15, 2006 (the “Commencement Date”) and shall continue until August 15, 2012 (the “Term”). At any time prior to the expiration of the Term, Employer and Executive may, by mutual written agreement, extend Executive’s employment under the terms of this Agreement for such additional periods as they may agree.

Section 3: Salary, Benefits and Additional Compensation.

As compensation and consideration for the performance by Executive of his duties and responsibilities pursuant to this Agreement, Employer agrees to pay, and/or to cause one or more of its subsidiaries to pay Executive, and Executive agrees to accept the following amounts and benefits (all Dollar amounts referred to herein are in United States Dollars):

(a) Base Salary:

During the term hereof, Executive shall receive an annual base salary ("Base Salary") of Six Hundred Thousand Dollars ($600,000), as it may be increased from time to time at the discretion of the Employer's Board of Directors (the "Board of Directors"), upon advice and consent of the Compensation Committee of the Board of Directors (the "Compensation Committee"), pro rated for any calendar year within the Term for which employment does not extend for the entire calendar year. The Base Salary shall be paid to Executive in equal bi−weekly installments.

(b) Bonus Pool:

Executive shall participate in the bonus pool (the "Bonus Pool") created with respect to each accident underwriting year, consisting of that portion of the underwriting profit for such year designated by the Board of Directors, and the Board of Directors shall establish performance criteria upon which Executive's bonus shall be determined. During Executive's employment under this Agreement, Executive shall be eligible to receive a target bonus of 100% of Base Salary, although it is agreed that actual bonus awards may exceed, match or be less than the target bonus, as Executive's performance or Employer's performance warrant. The form of payment and other terms and conditions of such bonus shall be determined by Employer, upon advice and consent of the Compensation Committee. Notwithstanding the foregoing, to the extent Executive is a "covered employee" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the annual bonus may be implemented and administered in a manner intended to insure the treatment of such bonus as "performance−based compensation" within the meaning of Section 162(m) of the Code (including, without limitation, by having the relevant performance goals established by the Compensation Committee of the Board of Directors and having the Compensation Committee certify the achievement of such goals before the annual bonus is paid).

Bonuses will be paid on or about March 15 of the year following the related accident underwriting year (and in no event later than April 15 of the year following the related accident underwriting year).

(c) Restricted Stock Grant:

(i) As consideration for entering into this Agreement, Executive shall receive an award of that number of restricted shares (the "Restricted Shares") of Employer, consisting of its Common Stock, par value $.01 per share, which when multiplied by the simple average of the closing prices of such common stock on the New York Stock Exchange on the twenty (20) business days next preceding July 31, 2009, yields the aggregate sum of One Million Dollars ($1,000,000), and, subject to subparagraphs (ii) and (iii) below, the foregoing grant shall be subject to the terms of Employer's Restricted Share Plan (the "Restricted Share Plan"). Executive shall become vested in the shares granted pursuant to the foregoing sentence, and all restrictions shall lapse, on August 15, 2012.

(ii) An award document evidencing the foregoing Restricted Share grant (the "Award Document") shall be provided to Executive by Employer within 30 days of the date of execution hereof. The Award Document shall provide that (a) upon Executive's Termination of Employment as a result of death, disability, reaching retirement age, Change in Control (as defined in Article II, Section 7 below), termination by Executive as a result of a Constructive Termination (as defined in Article II, Section 4 below), or termination by Employer for reasons other than For Cause (as defined in Article II, Section 3 below) the restricted period applicable to any Restricted Shares granted to Executive thereunder (an "Award") shall terminate and Executive shall become fully vested in such Award; and (b) if the stock of Employer at any time during the restricted period ceases to be publicly traded, then Executive shall have the option to receive a cash payment, payable by Employer within ten (10) days following written notice from Executive no later than thirty (30) days following the delisting of Employer stock from the exchange, equal to the number of shares of Restricted Stock of Employer granted under the Award Document and held by Executive as of the delisting of the stock times the greater of (i) the share price of Employer stock as of the close of business forty−five (45) trading days prior to its delisting and (ii) the average share price of Employer stock (based on end of business day values) over the forty−five (45) trading day period prior to delisting. To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a "specified employee" as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment, or (B) death. The foregoing subparagraph (b) shall not apply if the stock of Employer ceases to be publicly traded as a result of Employer having made a general assignment for the benefit of creditors, been adjudicated as bankrupt or insolvent, or having filed a voluntary petition in bankruptcy, a petition or answer seeking an arrangement with creditors or to take advantage of any insolvency law or having filed an answer admitting the material allegations of a petition filed against Employer in bankruptcy.

(iii) Employer will take whatever action necessary, including, without limitation, amendment of the Restricted Share Plan, to ensure that the issuance of Restricted Shares by Employer to Executive pursuant to the Award Document does not exceed the maximum number of shares available for such purpose.

(d) Previously Awarded Restricted Stock:

As consideration for entering Executive’s employment with Employer, effective as of August 15, 2006, Executive was granted 36,621 Restricted Shares (the “2006 Award”) of Employer’s common stock pursuant to Employer’s Restricted Share Plan. Pursuant to the terms of the grant, the 2006 Award was originally scheduled to vest with respect to twenty percent (20%) of the Restricted Shares on August 15, 2007, and on each anniversary thereafter with respect to an additional twenty percent (20%), such that on August 15, 2011, all restrictions would have lapsed on the 36,621 Restricted Shares comprising the 2006 Award. Upon the execution of this Agreement, the remaining 21,972 outstanding and unvested Employer Restricted Shares granted to Executive under the 2006 Award shall fully vest and all restrictions shall lapse.

(e) Living Allowance:

(i) During the term of this Agreement, for such time as Executive’s principal residence is in the State of Texas, Executive shall be entitled to a bi−weekly living allowance (“Living Allowance”) of $3,000. Each bi−weekly payment of the Living Allowance shall be “grossed up” such that after all federal, state, local and other withholdings and similar taxes and payments required by applicable law have been deducted, Executive will receive the amount stated in the previous sentence. This Section 3(e)(i) shall no longer apply upon Executive’s relocation as described in Section 3(e)(ii) below.

(ii) In the event that Executive relocates his principal residence to the New York Metropolitan Area, Executive shall be eligible to participate in such benefits and perquisites as are now generally available to executive officers of Employer that transfer from an affiliate company, including, without limitation, the prompt payment, or reimbursement to Executive upon presentation of appropriate substantiation, the following relocation expenses: (a) packing, moving, storage and travel expenses reasonably incurred by Executive in connection with moving Executive, Executive’s immediate family, and their possessions; (b) home sale and purchase closing costs, including loan origination fees, brokers’ fees and commissions, home appraisal and inspection fees, title costs, attorney and escrow office fees, recording fees, and state and local recording, transfer and real property gains taxes, etc., reasonably incurred by Executive in connection with Executive and Executive’s family moving from their residence; and (c) such other expenses reasonably related to Executive’s move.

(f) Additional Benefits:

During the term of this Agreement, Executive shall be entitled to the following fringe benefits:

(i) Executive Benefits: Executive shall be eligible to participate in such benefits and perquisites as are now generally available or later made generally available to executive officers of Employer or its subsidiaries.

(ii) Vacation: Executive shall be entitled to vacation time consistent with his position as Executive Vice President and Chief Financial Officer of Employer.

(iii) Life Insurance: Executive shall be eligible to participate in any life insurance program available to executive officers of Employer or its subsidiaries on terms at least as favorable as those generally made available to such executive officers.

(iv) Disability Insurance: Executive shall be eligible to participate in any disability insurance program available to executive officers of Employer or its subsidiaries on terms at least as favorable as those generally made available to such executive officers.

(v) Reimbursement for Expenses: Employer shall reimburse Executive for reasonable and properly documented out−of−pocket business and/or entertainment expenses incurred by Executive in connection with his duties under this Agreement, consistent with Employer's Travel and Entertainment Policy.

(vi) Reimbursement of Attorney's Fees: Employer shall pay all reasonable attorney's fees and disbursements incurred by Executive in drafting and negotiating this Agreement; payment shall be made either to Executive upon submission of paid invoices for such legal work or directly to the Attorney chosen by Executive.

(vii) Retirement Plans and Related Arrangements: Executive shall continue to participate in all retirement plans and arrangements made available to Employer's executives, and for purposes of all such plans and arrangements, Employer shall credit Executive's vesting service with Employer and any of its affiliates, including its majority stockholder, Fairfax Financial Holdings Limited ("Fairfax") and its subsidiaries, since April 15, 1999.

ARTICLE II

TERMINATION OF EMPLOYMENT

Subject to Section 8 of this Article II, Employer shall provide Executive with the following payments and benefits upon termination of employment:

Section 1: Termination Due to Death.

The employment of Executive under this Agreement shall terminate upon Executive's death. In the event of Executive's death during Executive's employment hereunder, the estate or other legal representative of Executive shall be entitled to receive the following:

(a) Base Salary:

Employer shall pay to Executive's estate or other legal representative of Executive, Executive's Base Salary and Living Allowance, if then applicable, for the period ending one year following the month in which Executive dies. Such an amount and all other amounts payable under this Section 1 of Article II shall be paid by Employer in a lump sum within thirty (30) days of the date of death, provided, however, that the amounts due with respect to the Bonus Pool shall be paid when such amounts would ordinarily be paid.

(b) Payment from Bonus Pool:

Employer shall pay to the estate or other legal representative of Executive, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which the death of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which the death of Executive occurs.

(c) Restricted Stock:

Upon the death of Executive, the restricted period with respect to all Restricted Stock previously awarded to Executive including, without limitation, Restricted Stock of Employer awarded pursuant to this Agreement, shall terminate and the Executive’s estate or other legal representative shall become fully vested in all Restricted Stock previously awarded to Executive. In addition, upon the death of Executive, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

Section 2: Termination by Reason of Disability.

If, during the term of this Agreement, Executive, in the judgment of the Board of Directors, has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and such illness or incapacity continues for a period of more than (i) six (6) consecutive months or (ii) one hundred eighty three (183) days in any consecutive three hundred sixty−five (365) day period, Employer shall have the right to commence process to terminate Executive’s employment under this Agreement on account of disability. Employer shall send written notice to Executive of (x) its intention to commence such process, (y) a medical doctor chosen by Employer to make the determination referred to in the next sentence, and (z) Executive's right within ten (10) days of receipt of the notice to choose a second medical doctor to make such determination. Termination for disability shall be based on a determination that Executive is either unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months; or by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the service provider's employer. Executive shall fully cooperate in this process, including by making himself available for and consenting to all examinations and tests required by any doctor making the aforesaid determination. The aforesaid determination shall be made by the medical doctor chosen by Executive, if Executive exercises his foregoing right to choose a doctor, and the medical doctor chosen by Employer. If the determination is being made by two medical doctors and they cannot agree within fifteen (15) days of their both being chosen, they shall as soon as reasonably possible select a third medical doctor to make the determination, who shall make the determination within fifteen (15) days of being chosen. The determination made by the foregoing process shall be conclusive. In the event the Executive's employment is terminated on account of disability, Executive's rights to compensation and benefits shall be as follows:

(a) Base Salary:

Executive shall be paid his pro rated Base Salary, as determined in accordance with the terms of Section 3(a) of Article I for a period of no less than one year, less any benefits paid to him under disability insurance policies maintained by Employer, until his termination on account of disability.

(b) Payment from Bonus Pool:

Employer shall pay to Executive, when the same would ordinarily be paid, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination due to disability of Executive occurs and (ii) the pro−rated bonus payable with respect to the year in which termination due to the disability of Executive occurs.

(c) Restricted Stock:

The restricted period with respect to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. In addition, all other equity awards shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

(d) Living Allowance:

Executive shall be paid his pro rated Living Allowance, as determined in accordance with the terms of Section 3(e) of Article I, until his termination on account of disability.

Section 3: Termination for Cause.

"Termination for Cause" shall mean termination by Employer of Executive's employment by Employer by reason of:

(i) a willful failure by Executive in bad faith to substantially perform his duties with Employer resulting in material harm to Employer; or

(ii) Executive's conviction of a felony involving moral turpitude.

Executive must be given written notice that Employer intends to terminate Executive's employment for Cause. Such written notice shall specify the particular act or failure to act constituting the basis of the intention to so terminate employment. In the case of a Termination for Cause under clause (i) above, Executive shall be given the opportunity, within twenty (20) days of the receipt of such notice, to meet with the Board of Directors to refute or explain such act or failure to act. If such act or failure to act is reasonably determined by the Board of Directors to be in violation of Section 3, clause (i), Executive shall be given ten (10) days after such meeting to correct such act or failure to act, and upon failure of Executive within such ten (10) day period to correct such act or failure to act to the reasonable satisfaction of the Board of Directors, Executive's employment by Employer shall be terminated. In the case of Termination for Cause under (ii) above, Executive's employment shall be terminated as of the date such notice is given.

In the event the Board of Directors shall terminate Executive's employment for Cause, Executive shall be entitled to receive the following:

(a) Base Salary and Living Allowance:

Within thirty (30) days of the date of Executive's Termination for Cause, Executive shall be paid his pro rated Base Salary, as determined in accordance with the terms of Section 3(a) of Article I, and his Living Allowance, if applicable, as determined in accordance with the terms of Article I, Section 3(e), through the date of termination of employment.

(b) Payment from Bonus Pool:

Executive shall forfeit all rights to payments from the Bonus Pool.

Section 4: Termination without Cause; Constructive Termination.

Notwithstanding anything in this Agreement to the contrary, Executive's employment hereunder may be terminated by Employer without Cause, and Executive may terminate his employment hereunder in the case of a Constructive Termination as defined in this Section 4, provided, however, that in the event that Executive's employment is terminated in accordance with the terms of this Section 4, Executive shall be entitled to receive the following:

(a) Base Salary and Living Allowance:

Within thirty (30) days of his termination of employment, Employer shall pay to Executive a lump sum payment equal to:

(i) his Base Salary, as determined in accordance with the terms of Section 3(a) of Article I, for the month in which termination occurs, and for the period incepting the first day of the month immediately following the month in which termination occurs to the end of the Term, or any extension thereto, inclusive (but in no event for less than one (1) year); and

(ii) his Living Allowance, if then applicable, as determined in accordance with the terms of Section 3(e) of Article I, through the date of termination of employment (or, if longer, the end of the lease term for his temporary living quarters in the New York Metropolitan area; provided, however, that Executive shall use reasonable efforts to sublease the premises or assign the lease agreement, and in such event the Living Allowance shall not be paid to the extent Executive's obligations under the lease are relieved).

(b) Payment from Bonus Pool:

Employer shall pay to Executive, within thirty (30) days following termination of employment, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which termination of employment of Executive occurs and (ii) the pro−rated bonus determined under the Bonus Pool with respect to the year in which termination of employment of Executive occurs.

(c) Restricted Stock:

(i) The restricted period applicable to all Restricted Stock previously awarded to Executive shall terminate and the Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. Executive shall, upon such termination, have the option to take cash in lieu of Restricted Stock with respect to all, or any portion, of the shares of Restricted Stock that vest as a result of this subparagraph, based on a share price for such Restricted Stock that is the greater of (a) the share price of Employer stock as of the close of business on the business day next preceding the date of termination of employment and (b) the share price of Employer stock ten (10) business days prior to the date determined under paragraph (a) above (or the closing price of the next preceding business day, if such date does not fall on a business day). To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a "specified employee" as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment or (B) death. In addition, all other equity awards shall vest (and, with respect to stock options and stock appreciation rights, if any, shall become fully exercisable).

(ii) Executive shall give Employer written notice within ten (10) business days following termination of employment under this Section 4 specifying the number of shares of Restricted Stock with respect to which Executive has elected to take cash in lieu of shares of Restricted Stock. Employer shall within thirty (30) days of receipt of such notice deliver to Executive a check in payment of the value of the shares of Restricted Stock as determined in the immediately preceding sentence and share certificates evidencing the remaining shares of Restricted Stock that have vested as a result of termination of employment under this Section 4 and with respect to which Executive has not exercised his election to take cash in lieu of shares.

(d) Health Coverage.

Executive's medical and dental coverage shall cease upon the termination of the Executive's employment. In the event of such termination in accordance with the terms of this Section 4, Employer shall provide Executive with notice and enrollment materials confirming Executive's right to continue medical and dental insurance coverage to the extent permitted under COBRA; provided, however, that Executive shall only be required to pay the premiums charged to similarly−situated active employees during the entire COBRA continuation period, and Employer shall pay the remaining cost of coverage.

For purposes of this Agreement, "Constructive Termination" shall mean the termination of employment by Executive following written notice to Employer for any of the following reasons:

(i) without Executive's express written consent, the loss of Executive's position described in Article I, Section 1 or a material alteration in Executive's position or responsibility as so described;

(ii) without Executive's express written consent, a breach by Employer of any of its material obligations set forth in this Agreement;

(iii) any failure by a successor to Employer to assume Employer's obligations under this Agreement, either expressly or by operation of law, or, if Employer sells all or substantially all of its assets, or as a result of a sale by Employer's majority stockholder, Fairfax of all of its holdings of Employer or a controlling interest in Employer, and in either case, as a result thereof, any failure by the purchaser to assume Employer's obligations under this Agreement; or

(iv) without Executive's express written consent, relocation of Executive's work situs to a location that is not in the New York Metropolitan area.

Executive must give written notice to Employer within ninety (90) days following the initial existence of one or more of the reasons listed above if Executive intends to terminate Executive's employment because of the occurrence of one of the circumstances constituting Constructive Termination under this Section 4. Such written notice shall specify the particular act or failure to act constituting the basis of Executive's claim that Constructive Termination has occurred. Employer shall be given the opportunity, within thirty (30) days of the receipt of such notice, to fully cure any such act or failure to act.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with the Employer, Executive is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earliest of (A) the date which is six (6) months after his "separation from service" for any reason, or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid Executive's incurrence of any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder. In addition, if any provision of this Agreement would cause Executive to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

Section 5: Non−Extension of Employment.

Employer shall provide Executive written notice ("Notice") of its intention not to extend Executive's employment under the terms of this Agreement ("Non−Extension of Employment") at least ninety (90) days prior to the end of the Term, and in such event, Executive's employment with Employer shall terminate upon the completion of the final day of the Term. In the event of Non−Extension of Employment in accordance with the terms of this Section 5, Executive shall be entitled to receive the following:(a) Base Salary; Health Coverage:

Employer shall continue to pay Executive the Base Salary (at the rate in effect at the end of the Term) for twelve (12) months following Executive's termination of employment at such intervals as the same would have been paid to Executive had Executive remained in the active service of Employer. Executive's medical and dental coverage shall cease upon the termination of Executive's employment. In the event of such termination in accordance with the terms of this Section 5, Employer shall provide Executive with notice and enrollment materials confirming Executive's right to continue medical and dental insurance coverage to the extent permitted under COBRA; provided, however, that Executive shall only be required to pay the premiums charged to similarly−situated active employees during the entire COBRA continuation period, and Employer shall pay the remainder of the cost of coverage.

(b) Payment from Bonus Pool:

Employer shall pay to Executive, thirty (30) days following the end of the Term, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which Non−Extension of Employment occurs and (ii) the pro− rated bonus payable with respect to the year in which Non−Extension of Employment occurs.

(c) Restricted Stock:

(i) The restricted period applicable to all Restricted Stock previously awarded to Executive shall terminate and Executive shall become fully vested in all Restricted Stock previously awarded to Executive, including, without limitation, Restricted Stock awarded pursuant to this Agreement. Executive shall, upon such termination, have the option to take cash in lieu of Restricted Stock with respect to all, or any portion, of the shares of Restricted Stock that vest as a result of this subparagraph, based on a share price for such stock which is the greater of (a) the share price of Employer as of the close of business on the business day next preceding the date of termination of employment and (b) the share price ten (10) business days prior to the date determined under paragraph (a) above (or the closing price of the next preceding business day, if such date does not fall on a business day). To the extent the cash payment exceeds the fair market value of the stock at the time of payment and Executive is a “specified employee” as defined in Section 409A of the Code, the excess amount shall be paid the earlier of (A) six (6) months following termination of employment, or (B) death. In addition, all other equity awards, if any, shall vest (and, with respect to stock options and stock appreciation rights, shall become fully exercisable).

(ii) Executive shall give Employer written notice within ten (10) business days following termination of employment under this Section 5 specifying the number of shares of Restricted Stock with respect to which Executive has elected to take cash in lieu of shares of Restricted Stock. Employer shall within thirty (30) days of receipt of such notice deliver to Executive a check in payment of the value of the shares of Restricted Stock as determined in the immediately preceding subsection and share certificates evidencing the remaining shares of Restricted Stock that have vested as a result of termination of employment under this Section 5 and with respect to which Executive has not exercised his election to take cash in lieu of shares.

Notwithstanding any provision of this Agreement to the contrary, if, at the time of Executive's termination of employment with Employer, Executive is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earliest of (A) the date which is six (6) months after Employee's "separation from service" for any reason or (B) death. If any payment is delayed pursuant to the above sentence, the first payment after such delay expires shall include all amounts not previously paid as a result of such delay. The determination of whether Section 409A of the Code requires any such delay shall be made by Employer, after consultation with Executive's tax counsel. The provisions of this paragraph shall only apply to the extent required to avoid Executive's incurrence of any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder. In addition, if any provision of this Agreement would cause Executive to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, Employer shall reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

For the avoidance of doubt, this Section 5 shall not apply to the extent Section 4 above is applicable.

Section 6: Voluntary Termination.

Executive may terminate his employment under this Agreement voluntarily by giving no less than sixty (60) days written notice to Employer of his intention to voluntarily terminate his employment with Employer. "Voluntary Termination" shall mean termination by Executive of Executive's employment by Employer other than (i) Constructive Termination as described in Section 4, (ii) "Termination Upon a Change in Control," as described in Section 7, or (iii) termination by reason of Executive's death or disability as described in Sections 1 and 2.

In the event that Executive's employment is voluntarily terminated by Executive, Executive's rights to compensation and benefits shall be identical to those to which he would be entitled had he been Terminated for Cause, except that Employer shall pay to Executive, when the same would ordinarily be paid, (i) all amounts accrued in the Bonus Pool by Executive with respect to years preceding the year in which the Voluntary Termination of Executive occurs and (ii) the prorated bonus payable with respect to the year in which termination of Executive occurs.

Section 7: Termination Upon a Change of Control.

"Termination Upon a Change in Control" shall mean the termination of Executive's employment by Employer or the successor company (otherwise than for Cause as provided in Section 3 of this Article II) or by Executive in a Constructive Termination, in either case within one year following a Change in Control.

In the event that Executive's employment is Terminated Upon a Change in Control, Executive's rights to compensation, Restricted Stock and benefits shall be identical to those to which he would be entitled had he been terminated by Employer other than for Cause pursuant to Section 4, provided, however, that the minimum severance benefit described in Section 4(a)(i) (relating to Base Salary) shall be no less than two (2) years.

"Change in Control" shall mean (i) the time that Employer or its ultimate parent, Fairfax, first determines that any person and all other persons who constitute a group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 ("Exchange Act")) have, at a time when no other person or group directly or indirectly beneficially owns securities carrying more than forty−five percent (45%) of the votes attached to all outstanding securities of Employer or Fairfax, acquired direct or indirect beneficial ownership (within the meaning of Rule 13d−3 under the Exchange Act) of outstanding securities of Employer or Fairfax carrying more than twenty percent (20%) of the votes attached to all outstanding securities of Employer or Fairfax, unless a majority of the "Continuing Directors" approves the acquisition not later than ten (10) business days after Employer or Fairfax makes that determination, or (ii) the first day on which a majority of the members of Employer's or Fairfax's Board of Directors are not "Continuing Directors", or (iii) the time that the Controlling Shareholder of either Employer or Fairfax no longer is the controlling shareholder, or (iv) the arm's length sale of a majority interest in Employer by Fairfax, or (v) a sale of substantially all of the assets of Employer or Fairfax. For purposes of (iii) in the preceding sentence, the “Controlling Shareholder” of Fairfax is one or more of V. Prem Watsa, his family, corporations controlled by, or trusts whose beneficiaries are, V. Prem Watsa or his family, the estate of V. Prem Watsa (including the executors and administrators), and any persons to whom shares are distributed or sold upon the death or by the estate of V. Preen Watsa or his family.

“Continuing Directors” shall mean, as of any date of determination, any member of the Board of Directors of Employer or Fairfax who (i) was a member of that Board of Directors on the date of this Agreement, (ii) has been a member of that Board of Directors for the two years immediately preceding such date of determination, or (iii) was nominated for election or elected to the Board of Directors by the Controlling Shareholder or with the affirmative vote of all, or one less than all, of the Continuing Directors who were members of the Board at the time of such nomination or election.

Section 8: Release.

In consideration of the payments and benefits to be provided to the Executive under Sections 2, 4, 5, 6 and 7 of this Agreement, the Executive shall execute and deliver the Employer’s standard waiver and release.

ARTICLE III
MISCELLANEOUS PROVISIONS

Section 1: Payment Obligations.

The obligation of Employer to pay Executive the compensation and to make the arrangements provided herein shall be unconditional, and Executive shall have no obligation whatsoever to mitigate damages hereunder. If litigation after a Change in Control (otherwise than in connection with a Termination for Cause which is ultimately upheld in litigation) shall be brought to enforce or interpret any provision contained herein, Employer, to the extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorney's fees and disbursements incurred in such litigation.

Section 2: Confidentiality.

Executive agrees that all confidential and proprietary information relating to the business of Employer shall be kept and treated as confidential both during and after the term of this Agreement, except as may be permitted in writing by the Board of Directors or as such information is within the public domain or comes within the public domain without any breach of this Agreement.

Section 3: Arbitration.

Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in New York, New York under the employment arbitration rules of the American Arbitration Association before a single arbitrator of exemplary qualifications and stature, who shall be selected jointly by Employer and Executive, or, if Employer and Executive cannot agree on the selection of the arbitrator, shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. The party that prevails in any arbitration hereunder shall be reimbursed by the other party hereto for any reasonable legal fees and out of pocket expenses directly attributable to such arbitration, and such other party shall bear all expenses of the arbitrator.

Section 4: Withholdings.

Unless otherwise provided herein, all compensation and benefits to Executive hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

Section 5: Parachute Payments.

Notwithstanding anything in this Agreement to the contrary, the amount of any payment or benefit to be received by Executive pursuant to this Agreement or otherwise which would be subject to the excise tax imposed by Section 4999 of the Code shall be reduced (but not below zero) by the amount, if any, necessary to prevent any part of any such payment or benefit received or to be received by Executive (such foregoing payments or benefits referred to collectively as the “Total Payments”), from being subject to such excise tax, but only if and to the extent such reduction will also result in, after taking into account all applicable state and Federal taxes (computed at the highest applicable marginal rate), including any taxes payable pursuant to Section 4999 of the Code, a greater after−tax benefit to Executive than the after−tax benefit to Executive of the Total Payments computed without regard to any such reduction. For purposes of the foregoing, (a) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by Executive (“Tax Counsel”) does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code; (b) any reduction in payments or benefits pursuant to this Agreement shall be computed by taking into account, in accordance with Section 280G(b)(4) of the Code, that portion of the Total Payments which is reasonable compensation, within the meaning of Section 280G(b)(4) of the Code, in the opinion of Tax Counsel; (c) the value of any non−cash benefits or of any deferred or accelerated payments or benefits included in the Total Payments shall be determined by a public accounting firm, selected by Executive, in accordance with the principles of Section 280G(d)(3) and (4) of the Code and the Treasury Regulations there; and (d) in the event of any uncertainty as to whether a reduction in Total Payments to Executive is required pursuant hereto, the Employer shall initially make all payments otherwise required to be paid to Executive hereunder, and any amounts so paid which are ultimately determined not to have been payable hereunder (other than as a loan to Executive), either (x) upon mutual agreement of Executive and Employer, or (y) upon Tax Counsel furnishing Executive with its written opinion setting forth the amount of such payments not to have been so payable (other than as a loan to Executive under this Section 5), or (z) in the event a portion of the Total Payments shall be determined by a court or an Internal Revenue Service proceeding to have otherwise been an “excess parachute payment,” to the extent permitted by law, the amount so determined in (x), (y) or (z) shall constitute a loan by Employer to Executive under this Section 5, and Executive shall repay to Employer, within ten (10) business days after the time of such mutual agreement, such opinion is so furnished to Executive, or of such determination, as applicable, the amount of such loan plus interest thereon at the rate provided in Section 1274(b)(2)(B) of the Code for the period from the date of the initial payments to Executive to the date of such repayment by Executive. All fees and expenses of any Tax Counsel or accounting firm selected under this Section 5 shall be borne solely by Employer.

All fees and expenses of any accounting firm selected under this Section 5 shall be borne solely by Employer.

Section 6: Indemnification.

In addition to any rights to indemnification to which Executive is entitled under Employer's Articles of Incorporation and Bylaws, Employer shall indemnify Executive at all times during and after the term of this Agreement to the maximum extent permitted under the Delaware General Corporation Law and any successor provision thereof and any other applicable corporate law, and shall pay Executive's expenses in defending any civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding and any appeal thereof, to the maximum extent permitted under such applicable laws. Employer shall use reasonable efforts to maintain at all times Directors and Officers Coverage comparable to its existing Directors and Officers Coverage, if the same can be obtained at a reasonable cost in comparison to the cost of the then existing coverage, to cover all or a portion of the foregoing liability.

Section 7: Notices.

Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery, addressed to the Employer at:

Odyssey Re Holdings Corp.
300 First Stamford Place
Stamford, Connecticut 06902

and addressed to Executive at the address on file with Employer or at any other address as either party may, from time to time, designate by notice given in compliance with this Section.

Section 8: Governing Law.

This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York.

Section 9: Titles and Captions.

All sections titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context nor affect the interpretation of this Agreement.

Section 10: Entire Agreement.

This Agreement contains the entire understanding between the parties, and supersedes any prior understandings and agreements between Executive and Employer and/or any affiliate of Employer respecting the subject matter of this Agreement, including, without limitation, any representations contained within public notices, press releases or regulatory filings previously issued or made by Employer or Fairfax. No provision in this Agreement may be amended unless such amendment is set forth in a writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Executive and by a representative of the Employer.

Section 11: Agreement Binding.

The Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

Section 12: Computation of Time.

In computing any period of time pursuant to this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period shall begin to run on the next day which is not a Saturday, Sunday or legal holiday, and if the period ends on a Saturday, Sunday or legal holiday, the period shall run until the end of the next day thereafter which is not a Saturday, Sunday or legal holiday.

Section 13: Pronouns and Plurals.

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

Section 14: Presumption.

This Agreement or any section thereof shall not be construed against any party due to the fact that said Agreement or any section thereof was drafted by said party.

Section 15: Further Action.

The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16: Parties in Interest.

Nothing herein shall be construed to be to the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

Section 17: Savings Clause.

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Section 18: Failure to Enforce and Waiver.

The failure to insist upon strict compliance with any of the terms, covenants or conditions of this Agreement shall not be deemed a waiver of such terms, covenants or conditions, and the waiver or relinquishment or any right or power under this Agreement at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 19: Counterparts; Facsimile Signatures.

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. This Agreement may be executed by facsimile signatures.

Section 20: Headings.

The headings of the Sections and sub−sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

Section 21: Section 409A Compliance.

(i) Anything in this Agreement to the contrary notwithstanding, any reimbursement payable to Executive pursuant to any provisions of this Agreement, shall be paid no later than the last day of the calendar year following the calendar year in which the related expense was incurred, except to the extent that the right to reimbursement does not provide for a "deferral of compensation" subject to Section 409A of the Code. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, and the right to reimbursement or in−kind benefits shall not be subject to liquidation or exchange for another benefit.

(ii) Anything in this Agreement to the contrary notwithstanding, any payment that is delayed as a result Executive being a "specified employee" as defined in Section 409A of the Code shall commence earlier in the event of Executive's death prior to the six−month anniversary of the date of Executive's termination of employment. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of

[Remainder of page intentionally left blank]

termination”), the actual date of payment within the specified period shall be within the sole discretion of Employer.
Date: August 3, 2009
ODYSSEY RE HOLDINGS CORP.

By: /s/ Andrew A. Barnard
ANDREW A. BARNARD, CHIEF EXECUTIVE OFFICER

/s/ Richard Scott Donovan
RICHARD SCOTT DONOVAN

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES−OXLEY ACT OF 2002

I, Andrew A. Barnard, certify that:

1. I have reviewed this quarterly report on Form 10−Q of the registrant, Odyssey Re Holdings Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   (d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Andrew A. Barnard
Andrew A. Barnard
President and Chief Executive Officer

Date: August 6, 2009

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES−OXLEY ACT OF 2002

I, R. Scott Donovan, certify that:

1. I have reviewed this quarterly report on Form 10−Q of the registrant, Odyssey Re Holdings Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   (d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ R. Scott Donovan
R. Scott Donovan
Executive Vice President and
Chief Financial Officer

Date: August 6, 2009

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES−OXLEY
ACT OF 2002**

In connection with the quarterly report on Form 10−Q of Odyssey Re Holdings Corp. (the “Company”) for the period ended June 30, 2009 (the “Report”) as filed with the Securities and Exchange Commission on the date hereof, I, Andrew A. Barnard, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes−Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew A. Barnard
Andrew A. Barnard
President and Chief Executive Officer

August 6, 2009

A signed original of this written statement required by Section 906 has been provided to Odyssey Re Holdings Corp. and will be retained by Odyssey Re Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES−OXLEY
ACT OF 2002**

In connection with the quarterly report on Form 10−Q of Odyssey Re Holdings Corp. (the “Company”) for the period ended June 30, 2009 (the “Report”) as filed with the Securities and Exchange Commission on the date hereof, I, R. Scott Donovan, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes−Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. Scott Donovan
R. Scott Donovan
Executive Vice President and
Chief Financial Officer

August 6, 2009

A signed original of this written statement required by Section 906 has been provided to Odyssey Re Holdings Corp. and will be retained by Odyssey Re Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request.