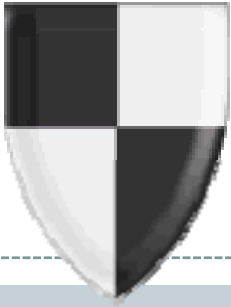




# Knight **Re**



**GENERAL INFORMATION**  
**NARRATIVE**  
**FINANCIALS**  
**RATIOS**  
**GRAPHICAL STATISTICS**



# General Information



**Business Address:** 4751 Wilshire Blvd., Suite 111  
Los Angeles, CA 90010

**Legal Address:** Governors Square  
Building 4, 2nd Floor  
23 Lime Tree Bay Avenue  
PO Box 1051  
Grand Cayman KY1-1102  
Cayman Islands

**Domicile:** Cayman Islands

**Telephone:** 323-692-4033

**Fax:** 323-692-4133

**Website:** [www.knightcompany.com](http://www.knightcompany.com)

**Company Type:** Stock, Private

**FEIN:** 95-4404334

**Business:** P&C

**Parent:** Knight Holdings, Inc

**Legal Name:** Knight Insurance Company, Ltd. d/b/a, Knight Re

**Date of Report:** 5/1/2007

**Management:**

President/CEO Eric D. Jarvis

Vice President Don Rufus Hankey

CFO Vance Ownbey

Secretary Don R. Hankey

**Rating Agency:** A.M. Best

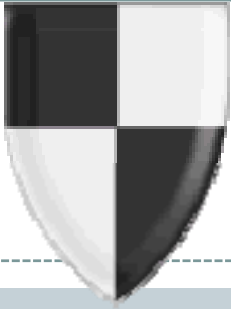
**Ratings:** B++

**Financial Size  
Category:** VI

**Outlook:** Stable

*For the latest rating, access*

[www.ambest.com](http://www.ambest.com)



# Narrative



Knight Re\* is an open market reinsurance company domiciled in the Cayman Islands. Knight Re is rated B++, FSC VII by A.M. Best. Knight Re provides quota share or excess of loss reinsurance support to small, profitable programs and companies, with an emphasis on transportation, automotive, and finance risks. Knight is well capitalized and supported, has experienced consistently strong growth, and historically favorable underwriting results.

## **Business:**

Knight Insurance Company, Ltd., d/b/a Knight Re was incorporated in the Cayman Islands in 1993 as a group captive, and later developed into an agency captive reinsurer. Knight Re is currently positioned as an open-market reinsurer with a growing book of non-affiliated reinsurance business. Knight Re is actively seeking program and reinsurance opportunities.

## **Financial Performance:**

Knight's financial performance objectives are to achieve and maintain underwriting profitability, preserve and grow surplus, and maintain a moderate underwriting leverage, while adequately utilizing its existing excess capital. Knight's pretax ROE has averaged 6.53% for the last 5 years.

## **Balance Sheet and Liquidity:**

Knight has seen significant growth in assets and surplus over the last 5 years, through retained earnings and capital injections. Investments comprise 74% of assets. Knight Re's investment portfolio has a high ratio of equity investments, which has been tempered in recent years by the acquisition of significant government securities. Knight's management is committed to strengthening its financial position with the goal of achieving an A-tier rating from AM Best. Knight has maintained favorable liquidity measures in each of the last 5 years.

\* Knight Re is a trade name of Knight Insurance Company, Ltd.



# Balance Sheet



	2006	2005	2004	2003	2002
<b>Assets</b>					
Cash and cash equivalents	4,214,043	811,700	743,671	467,772	3,956,581
Investments	61,327,633	48,971,521	35,818,383	20,048,229	8,290,270
Dividend income receivable	101,068	94,333	36,390	-	25,250
Insurance balances receivable	118,537	271,795	96,613	9,333	-
Income tax refund receivable	-	-	-	164,692	25,143
Funds Withheld by Claims Administrator	14,412,032	4,152,462	5,895,251	2,363,483	3,959,193
Deferred Acquisition Costs	2,627,755	2,114,618	1,981,617	1,611,474	1,662,317
Prepaid expenses	48,001	53,562	40,494	10,147	-
Other	-	-	-	-	-
<b>Total Assets</b>	<b>82,849,069</b>	<b>56,469,991</b>	<b>44,612,419</b>	<b>24,675,130</b>	<b>17,918,754</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	1,265,239	637,003	183,060	358,884	22,761
Tax Payable	2,400,000	1,361,679	442,955	-	-
Losses payable	-	-	-	-	13,103
Provision for outstanding losses	10,942,845	9,740,167	6,439,157	3,854,016	2,878,811
Unearned premium reserve	11,529,958	8,624,629	6,891,490	4,509,288	3,902,701
Deferred tax liability	4,726,018	4,726,018	3,968,184	2,569,348	861,499
Open futures contracts	-	89,132	73,916	16,143	-
<b>Total Liabilities</b>	<b>30,864,060</b>	<b>25,178,628</b>	<b>17,998,762</b>	<b>11,307,679</b>	<b>7,678,875</b>
<b>Shareholders Equity</b>					
Ordinary Share Capital	400,000	400,000	400,000	250,000	120,000
Contributed Surplus	28,751,488	13,751,488	13,751,488	4,901,488	5,141,488
Comprehensive Income Adjustment	11,387,587	10,243,374	7,768,384	4,680,467	1,236,345
Retained Earnings Brought Forward	11,445,934	6,896,501	4,693,785	3,535,496	3,742,046
<b>Total Shareholders Equity</b>	<b>51,985,009</b>	<b>31,291,363</b>	<b>26,613,657</b>	<b>13,367,451</b>	<b>10,239,879</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>82,849,069</b>	<b>56,469,991</b>	<b>44,612,419</b>	<b>24,675,130</b>	<b>17,918,754</b>



# Income Statement



	2006	2005	2004	2003	2002
<b>Underwriting</b>					
Reinsurance Premiums Assumed	28,381,887	27,058,761	22,903,935	21,316,007	18,179,603
Returned Reinsurance Premiums	-	-	-	(1,051,332)	-
Premiums Written	2,931,486	1,329,255	498,691	357,969	87,128
Movement in Unearned Premium Reserve	(2,905,329)	(1,733,139)	(2,382,202)	(606,587)	(2,053,434)
<b>Total Underwriting Income</b>	<b>28,408,044</b>	<b>26,654,877</b>	<b>21,020,424</b>	<b>20,016,057</b>	<b>16,213,297</b>
<b>Underwriting Expense</b>					
Net Losses Paid	13,826,517	9,932,110	8,307,631	9,987,143	6,946,649
Movement in Loss Reserves	1,202,678	3,301,010	2,585,141	975,205	462,013
Acquisition Costs	9,216,385	9,652,316	8,381,397	9,590,652	8,837,717
Movement in deferred commissions	-	(133,001)	(370,143)	50,843	(842,160)
<b>Total Underwriting Expenses</b>	<b>24,245,580</b>	<b>22,752,435</b>	<b>18,904,026</b>	<b>20,603,843</b>	<b>15,404,219</b>
<b>Net Underwriting Income</b>	<b>4,162,464</b>	<b>3,902,442</b>	<b>2,116,398</b>	<b>(587,786)</b>	<b>809,078</b>
<b>Investment Income</b>					
Interest and Dividend Income	1,450,632	1,890,226	856,226	489,855	379,152
Net Realised Gain/(Loss) on Investments	3,687,575	(419,817)	(203,758)	94,720	(174,024)
Net Realised Gain/(Loss) on Options	-	(14,750)	-	-	-
Net Realised Gain/(Loss) on Futures Contracts	89,132	(543,578)	(115,777)	30,423	-
Movement in Net Unrealized Loss on Open Futures Contracts	-	(15,216)	(57,773)	(16,143)	-
Amortization of Original Issue Discount	143,234	-	-	-	-
	<b>5,370,573</b>	<b>896,865</b>	<b>478,918</b>	<b>598,855</b>	<b>205,128</b>
<b>Administrative Expenses</b>	<b>2,466,298</b>	<b>1,710,694</b>	<b>1,021,289</b>	<b>450,198</b>	<b>341,113</b>
<b>Net Income Before Taxes</b>	<b>7,066,739</b>	<b>3,088,613</b>	<b>1,574,027</b>	<b>(439,129)</b>	<b>673,093</b>
Provision for income tax provision	(2,517,306)	(885,897)	(415,738)	232,579	(170,829)
<b>Net Income</b>	<b>4,549,433</b>	<b>2,202,716</b>	<b>1,158,289</b>	<b>(206,550)</b>	<b>502,264</b>
<b>Statement of Retained Earnings</b>					
Retained Earnings Brought Forward	6,986,501	4,693,785	3,535,496	3,742,046	3,239,782
Net Income	4,549,433	2,202,716	1,158,289	(206,550)	502,264
<b>Retained Earnings Carried Forward</b>	<b>11,535,934</b>	<b>6,896,501</b>	<b>4,693,785</b>	<b>3,535,496</b>	<b>3,742,046</b>



# Key Ratios



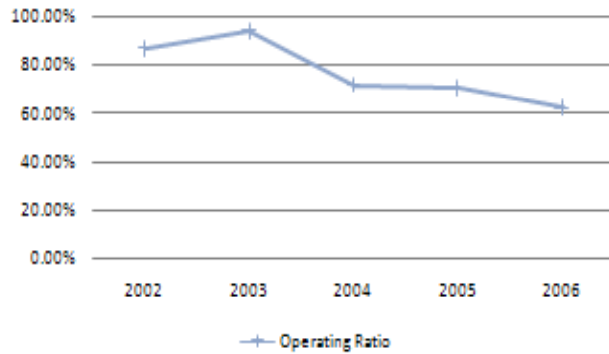
<b>IRIS</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Gross Premium to Stockholder Equity	60.47%	92.28%	89.87%	154.21%	178.47%
Net Premium to Stockholder Equity	60.47%	92.28%	89.53%	145.74%	166.17%
Change in Net Writings	8.86%	21.18%	22.31%	14.50%	93.86%
Investment Yield	8.76%	1.83%	1.34%	2.99%	2.47%
Change in Stockholder Equity	66.13%	17.58%	99.09%	30.54%	129.06%
Liabilities to Liquid Assets	38.60%	46.68%	42.39%	49.42%	47.38%
<b><u>Earnings Analysis</u></b>					
Gross Premium Written Growth	8.86%	20.72%	16.03%	12.80%	108.22%
Reinsurance Ceded as % of Gross Written Premium	0.00%	0.00%	0.38%	5.49%	6.90%
Loss & LAE Ratio	43.98%	34.40%	34.73%	48.45%	38.01%
Expense Ratio	37.16%	40.03%	40.18%	46.33%	50.25%
Combined Ratio	81.15%	73.75%	74.04%	97.16%	88.24%
Investment Income Ratio	18.91%	3.36%	2.28%	2.99%	1.27%
Investment Yield	8.76%	1.83%	1.34%	2.99%	2.47%
Operating Ratio	62.24%	70.38%	71.77%	94.16%	86.97%
Pre-Tax ROE	13.59%	9.87%	5.91%	-3.29%	6.57%
<b><u>Balance Sheet Analysis</u></b>					
Total Assets Growth	46.71%	26.58%	80.80%	37.71%	91.45%
Change in Stockholder Equity	66.13%	17.58%	99.09%	30.54%	129.06%
Net Leverage	119.84%	172.74%	157.16%	230.34%	241.16%
Stocks as % of SE	88.26%	122.55%	118.32%	135.02%	80.96%
Liquid Assets to Total Reserves	730.65%	553.74%	659.36%	593.65%	562.94%
Liquid Assets to Total Assets	96.51%	95.51%	95.17%	92.72%	90.44%
Liquid Assets to Total Liabilities	259.05%	214.21%	235.89%	202.34%	211.05%
<b><u>Reserve Analysis</u></b>					
Total Reserves to Net Written Premium	34.81%	33.73%	27.02%	19.78%	16.92%
Loss & LAE Reserves to Net Written Premium	34.81%	33.73%	27.02%	19.78%	16.92%
Loss Reserve Development to Net Written Premium	3.83%	11.43%	10.85%	5.01%	2.72%
Loss Reserve Development to Stockholder Equity	2.31%	10.55%	9.71%	7.30%	4.51%
IBNR Reserves as % of Loss Reserve	91.74%	67.48%	81.22%	84.04%	80.15%



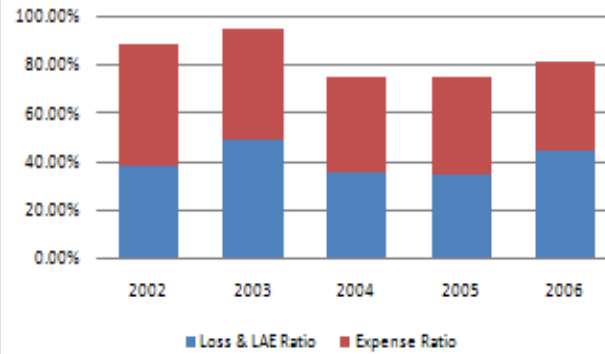
# Key Statistics



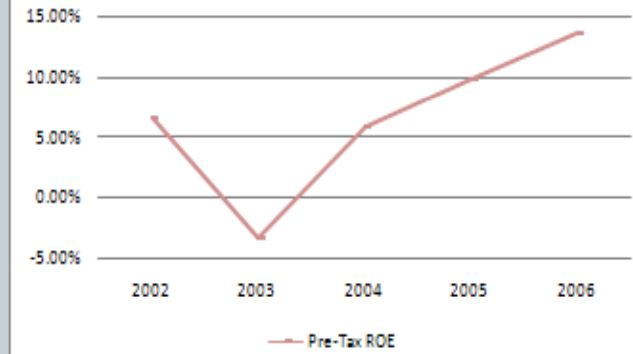
### Operating Ratio



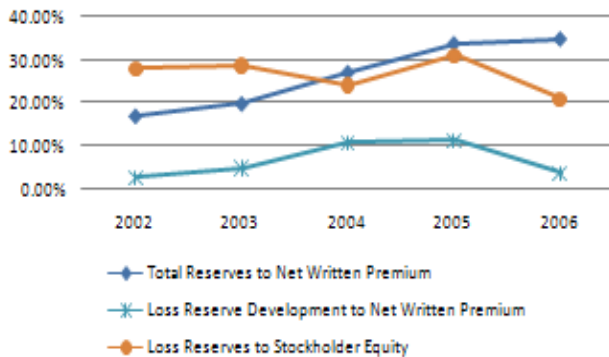
### Combined Ratio



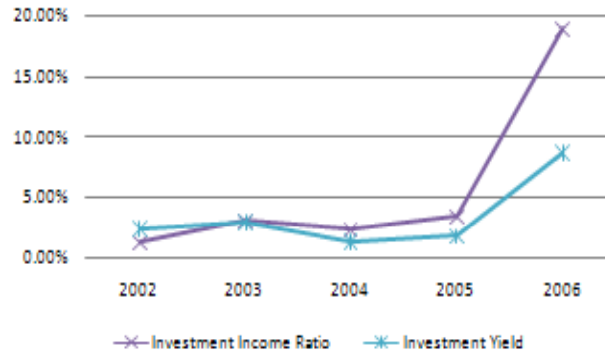
### Pre-Tax ROE



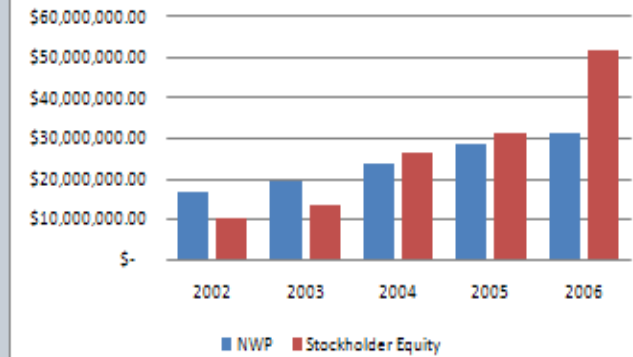
### Reserve Analysis



### Investment Ratios



### NWP to Stockholder Equity





# Knight **Re**



## **Thank you!**

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Eric Jarvis  
(323) 692-4033  
[ericj@knightcompany.com](mailto:ericj@knightcompany.com)**