

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

FORM 10-Q

☒ 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 1-10545

TRANSATLANTIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or
organization)

13-3355897

(I.R.S. Employer Identification Number)

80 Pine Street, New York, New York

(Address of principal executive offices)

10005

(Zip Code)

(212) 365-2200

(Registrant's telephone number, including area code)

NONE

Former name, former address and former fiscal year, if changed since last report.

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 (§232.405 of this chapter) 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 the 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 June 30, 2009. 66,375,824.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
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TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(in thousands, except share data)	
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost (fair value: 2009-\$1,240,150; 2008-\$1,210,432)	\$ 1,216,442	\$ 1,218,603
Available for sale, at fair value (amortized cost: 2009-\$8,841,672; 2008-\$8,294,813)	8,658,533	8,013,071
Equities, available for sale, at fair value:		
Common stocks (cost: 2009-\$428,680; 2008-\$479,714)	450,993	425,645
Nonredeemable preferred stocks (cost: 2009-\$48,923; 2008-\$102,804)	47,574	98,230
Other invested assets	259,696	243,795
Short-term investments, at cost (approximates fair value)	331,374	230,213
Total investments	10,964,612	10,229,557
Cash and cash equivalents	333,844	288,920
Accrued investment income	145,485	141,563
Premium balances receivable, net	672,577	665,187
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	813,973	790,499
Deferred acquisition costs	259,050	239,610
Prepaid reinsurance premiums	97,289	84,238
Deferred income taxes	598,144	692,345
Other assets	199,533	245,019
Total assets	\$ 14,084,507	\$ 13,376,938
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	\$ 8,424,403	\$ 8,124,482
Unearned premiums	1,307,313	1,220,133
5.75% senior notes due December 14, 2015	697,041	722,243
Other liabilities	106,459	111,860
Total liabilities	10,535,216	10,178,718
Commitments and contingent liabilities		
Preferred Stock, \$1.00 par value; shares authorized: 5,000,000; none issued	—	—
Common Stock, \$1.00 par value; shares authorized: 100,000,000; shares issued: 2009-67,364,724; 2008-67,353,258	67,365	67,353
Additional paid-in capital	267,051	268,027
Accumulated other comprehensive loss	(157,818)	(257,690)
Retained earnings	3,394,612	3,142,449
Treasury Stock, at cost: 988,900 shares of common stock	(21,919)	(21,919)
Total stockholders' equity	3,549,291	3,198,220
Total liabilities and stockholders' equity	\$ 14,084,507	\$ 13,376,938

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share data)			
Revenues:				
Net premiums written	\$ 1,006,340	\$ 988,524	\$ 2,053,442	\$ 2,024,137
Decrease (increase) in net unearned premiums	21,928	34,171	(48,643)	15,747
Net premiums earned	1,028,268	1,022,695	2,004,799	2,039,884
Net investment income	111,201	120,493	221,019	237,702
Realized net capital losses:				
Total other-than-temporary impairments	(20,763)	(68,767)	(66,236)	(78,225)
Less: other-than-temporary impairments recognized in other comprehensive income (loss)	472	—	472	—
Other-than-temporary impairments charged to earnings	(20,291)	(68,767)	(65,764)	(78,225)
Other realized net capital (losses) gains	(5,194)	8,899	(20,292)	3,306
Total realized net capital losses	(25,485)	(59,868)	(86,056)	(74,919)
Gain on early extinguishment of debt	—	—	9,878	—
Total revenues	1,113,984	1,083,320	2,149,640	2,202,667
Expenses:				
Net losses and loss adjustment expenses	683,847	680,626	1,353,661	1,356,055
Net commissions	236,945	240,562	481,133	497,303
Other underwriting expenses	35,817	33,892	68,543	64,216
Decrease (increase) in deferred acquisition costs	3,728	5,296	(13,637)	(508)
Interest on senior notes	9,933	10,858	20,295	21,716
Other, net	6,103	5,205	11,758	11,785
Total expenses	976,373	976,439	1,921,753	1,950,567
Income before income taxes	137,611	106,881	227,887	252,100
Income taxes	25,327	17,148	40,367	46,714
Net income	\$ 112,284	\$ 89,733	\$ 187,520	\$ 205,386
Net income per common share:				
Basic	\$ 1.69	\$ 1.35	\$ 2.83	\$ 3.10
Diluted	1.68	1.34	2.81	3.08
Cash dividends declared per common share	\$ 0.20	\$ 0.19	\$ 0.39	\$ 0.35
Weighted average common shares outstanding:				
Basic	66,371	66,253	66,368	66,247
Diluted	66,803	66,780	66,690	66,792

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
	(in thousands)	
Net cash provided by operating activities	\$ 475,793	\$ 493,427
Cash flows from investing activities:		
Proceeds of fixed maturities available for sale sold	350,426	1,349,133
Proceeds of fixed maturities available for sale redeemed or matured	255,577	460,252
Proceeds of equities available for sale sold	565,524	457,142
Purchase of fixed maturities available for sale	(902,670)	(2,058,281)
Purchase of equities available for sale	(540,624)	(478,216)
Net purchase of other invested assets	(24,784)	(23,178)
Net sales in securities lending invested collateral	—	438,556
Net purchase of short-term investments	(101,160)	(58,318)
Change in other liabilities for securities in course of settlement	15,282	4,535
Other, net	(24,354)	16,247
Net cash (used in) provided by investing activities	(406,783)	107,872
Cash flows from financing activities:		
Net change in securities lending payable	—	(438,556)
Dividends to stockholders	(25,221)	(21,200)
Common stock issued	(171)	381
Repurchase of senior notes	(15,479)	—
Other, net	(557)	696
Net cash used in financing activities	(41,428)	(458,679)
Effect of exchange rate changes on cash and cash equivalents	17,342	2,664
Change in cash and cash equivalents	44,924	145,284
Cash and cash equivalents, beginning of period	288,920	255,432
Cash and cash equivalents, end of period	\$ 333,844	\$ 400,716
Supplemental cash flow information:		
Income taxes paid, net	\$ 13,900	\$ 78,503
Interest paid on senior notes	20,110	21,563

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net income	\$ 112,284	\$ 89,733	\$ 187,520	\$ 205,386
Other comprehensive income (loss):				
Net unrealized appreciation (depreciation) of investments, net of tax:				
Net unrealized holding losses of fixed maturities on which other-than-temporary impairments were taken	(472)	—	(472)	—
Net unrealized holding gains (losses) on all other securities	125,752	(107,068)	230,693	(323,174)
Reclassification adjustment for losses included in net income	27,667	51,742	83,513	60,687
Deferred income tax (charge) benefit on above	(53,531)	19,362	(109,807)	91,870
	99,416	(35,964)	203,927	(170,617)
Net unrealized currency translation gain (loss), net of tax:				
Net unrealized currency translation gain (loss)	50,355	(28,481)	(20,297)	58,226
Deferred income tax (charge) benefit on above	(17,624)	9,968	7,104	(20,379)
	32,731	(18,513)	(13,193)	37,847
Other comprehensive income (loss)	132,147	(54,477)	190,734	(132,770)
Comprehensive income	\$ 244,431	\$ 35,256	\$ 378,254	\$ 72,616

The accompanying notes are an integral part of the condensed consolidated financial statements.

Transatlantic Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
June 30, 2009
(Unaudited)

1. Basis of Presentation

These unaudited condensed consolidated financial statements do not include all disclosures required by generally accepted accounting principles in the United States ("GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and the related notes included in the Annual Report on Form 10-K of Transatlantic Holdings, Inc. (the "Company", and collectively with its subsidiaries, "TRH") for the year ended December 31, 2008 (the "2008 10-K").

In the opinion of management, these condensed consolidated financial statements contain the normal recurring adjustments necessary for a fair statement of the results presented herein. All material intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts and related disclosures. TRH relies on historical experience and on various other assumptions that it believes to be reasonable, under the circumstances, to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

TRH believes its most critical accounting estimates are those with respect to loss reserves, fair value measurements of certain financial assets, other-than-temporary impairments of investments, premium revenues and deferred acquisition costs, as they require management's most significant exercise of judgment on both a quantitative and qualitative basis in the preparation of TRH's condensed consolidated financial statements and footnotes. The accounting estimates that result require the use of assumptions about certain matters that are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, TRH's results of operations and financial condition would be affected, possibly materially.

Subsequent events through August 7, 2009, the filing date of this Form 10-Q, were evaluated for potential recognition or disclosure in the financial statements.

Certain reclassifications and format changes have been made to prior period amounts to conform to the current period presentation.

2. Recent Accounting Standards

(a) Adoption of Financial Accounting Standards Board ("FASB") Staff Position ("FSP") No. FAS 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2")

In April 2009, the FASB issued FSP 115-2. FSP 115-2 amends the other-than-temporary impairment guidance for fixed maturities to make the guidance more operational and to improve presentation and disclosure of other-than-temporary impairments on fixed maturity and equity securities in the financial statements. FSP 115-2 requires recognition of an other-than-temporary impairment on a fixed maturity in an unrealized loss position if (a) an entity intends to sell the security; (b) it is more likely than not the entity will be required to sell the security prior to an anticipated recovery in fair value, in order to meet a liquidity, regulatory or other business need; or (c) an entity determines it will not recover the entire amortized cost basis of the security. If an impaired fixed maturity security is designated for sale, or if it is more likely than not it will have to be sold, the total amount of the unrealized loss position is recognized in earnings as a realized capital loss.

2. Recent Accounting Standards (continued)

For all other impaired fixed maturities, FSP 115-2 requires entities to develop a best estimate of the present value of expected cash flows on a security by security basis. Entities must recognize an other-than-temporary impairment equal to the difference between the present value of expected cash flows and the amortized cost basis of the security, if the results of the cash flow analysis indicate the entity will not recover the full amount of its amortized cost basis in the investment. This amount is the credit component of the other-than-temporary impairment and is recorded in earnings as a realized capital loss. The difference between the total unrealized loss position on the security and the other-than-temporary impairment amount recognized in earnings is non-credit related and is recorded in other comprehensive income ("OCI") as "net unrealized holding losses of fixed maturities on which other-than-temporary impairments were taken".

TRH adopted FSP 115-2 effective April 1, 2009. Upon adoption, FSP 115-2 requires entities to assess the credit versus non-credit components of previously recognized other-than-temporary impairments on fixed maturities still held, and for which the entity does not intend to sell or will most likely not be required to sell prior to an anticipated recovery in fair value. The cumulative amount of non-credit related other-than-temporary impairment amounts on these securities, net of income tax effect, is recorded as an increase to retained earnings and an offsetting adjustment to accumulated other comprehensive loss ("AOCI") as of April 1, 2009, with no net change to total stockholders' equity. TRH recorded a cumulative effect adjustment of \$139.8 million, or \$90.9 million, net of tax, related to its adoption of FSP 115-2. The adoption of FSP 115-2 did not have a material effect on TRH's consolidated financial condition, results of operation, comprehensive income or cash flows.

(b) Adoption of Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157")

In September 2006, the FASB issued SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements but does not change existing guidance about whether an asset or liability is carried at fair value. The fair value measurement and related disclosure guidance in SFAS 157 does not apply to fair value measurements associated with share-based compensation awards accounted for in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment".

TRH adopted SFAS 157 on January 1, 2008, its required effective date. With certain specific exceptions which would require a cumulative-effect adjustment to opening retained earnings on January 1, 2008, SFAS 157 must be applied prospectively. At January 1, 2008, in accordance with the standard, TRH made no adjustment to opening retained earnings. In addition, there have since been no significant changes to valuation methodologies applied compared to those used prior to adoption.

In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-3 clarifies the application of SFAS 157 with respect to the fair value measurements of a security when the market for that security is inactive. TRH adopted FSP 157-3 in the third quarter of 2008. There were no significant changes to valuation methods applied as a result of FSP 157-3.

In April 2009, the FASB issued FSP No. 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" ("FSP 157-4"). FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly.

TRH adopted FSP 157-4 on April 1, 2009, and will apply the guidance prospectively. The adoption of FSP 157-4 did not have a material effect on TRH's consolidated financial condition, results of operations or cash flows.

See Note 3 for additional SFAS 157 disclosures.

2. Recent Accounting Standards (continued)

(c) FASB Emerging Issues Task Force Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6")

In November 2008, the FASB ratified EITF 08-6. EITF 08-6 clarified the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 was effective for TRH on January 1, 2009. The adoption of EITF 08-6 did not have a material effect on TRH's consolidated financial condition, results of operations or cash flows.

(d) SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60" ("SFAS 163")

In May 2008, the FASB issued SFAS 163. SFAS 163 requires insurance companies to recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. SFAS 163 also clarifies how SFAS No. 60, "Accounting and Reporting by Insurance Enterprises," applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenues and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. SFAS 163 does not apply to certain insurance contracts that are similar to financial guarantee insurance contracts issued by insurance companies (such as mortgage guaranty insurance or credit insurance on trade receivables), nor does it apply to financial guarantee insurance contracts that are derivative instruments included within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

SFAS 163 was effective for TRH on January 1, 2009. The adoption of SFAS 163 did not have a material effect on TRH's consolidated financial condition, results of operations or cash flows.

(e) SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R")

In December 2007, the FASB issued SFAS 141R. SFAS 141R changes the accounting for business combinations in a number of ways, including broadening the transactions or events that are considered business combinations, requiring an acquirer to recognize 100% of the fair values of assets acquired, liabilities assumed, and noncontrolling interests; recognizing contingent consideration arrangements at their acquisition-date fair values, with subsequent changes in fair value generally reflected in income; and recognizing preacquisition loss and gain contingencies at their acquisition-date fair values, among other changes.

SFAS 141R was effective for TRH on January 1, 2009. TRH was not involved in any business combinations which would have required the application of SFAS 141R.

(f) FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1")

In April 2009, the FASB issued FSP 107-1. FSP 107-1 amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 also amends Accounting Principles Board Opinion No. 28, "Interim Financial Reporting", to require those disclosures in summarized financial information at interim reporting periods.

TRH adopted FSP 107-1 on April 1, 2009, and has applied the guidance prospectively. The adoption of FSP 107-1 did not have a material effect on TRH's consolidated financial condition, results of operations or cash flows.

2. Recent Accounting Standards (continued)

(g) SFAS No. 165, "Subsequent Events" ("SFAS 165")

In May 2009, the FASB issued SFAS 165. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 sets forth; the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In addition, an entity shall disclose the date through which subsequent events have been evaluated.

TRH adopted the provisions of SFAS 165 in the second quarter of 2009, and has applied the guidance prospectively. The adoption of SFAS 165 did not have a material effect on TRH's consolidated financial condition, results of operations or cash flows.

(h) Future Application of Accounting Standards

I. In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 improves financial reporting for transfers of financial assets by eliminating the exceptions for qualifying special-purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. In addition, comparability and consistency in accounting for transferred financial assets will be improved through clarifications of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. SFAS 166 requires enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. Also, SFAS 166 clarifies and improves certain provisions in SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," that have resulted in inconsistencies in the application of the principles on which that Statement is based.

For TRH, SFAS 166 will be effective for interim and annual reporting periods beginning after November 15, 2009 and shall be applied prospectively. TRH is currently assessing the effect of implementing this guidance.

II. In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 amends FASB Interpretation 46(R), "Consolidation of Variable Interest Entities (revised December 2003) – an interpretation of ARB No. 51," ("FIN 46R") and makes significant changes in an enterprise's analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. SFAS 167 replaces the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 amends FIN 46R to add an additional reconsideration event for determining whether an entity is a variable interest entity, requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and requires additional disclosures about an enterprise's involvement in variable interest entities.

For TRH, SFAS 167 will be effective for interim and annual reporting periods beginning after November 15, 2009 and shall be applied prospectively. TRH is currently assessing the effect of implementing this guidance.

2. Recent Accounting Standards (continued)

III. In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. In the view of the FASB, the issuance of SFAS 168 and the Codification will not change GAAP for public entities.

For TRH, SFAS 168 will be effective for interim and annual financial periods ending after September 15, 2009.

3. Fair Value Measurements

Effective January 1, 2008, TRH adopted SFAS 157, which specifies measurement and disclosure standards related to assets and liabilities measured at fair value. See Note 2(b) for additional information.

(a) Fair Value Measurements on a Recurring Basis

TRH measures at fair value on a recurring basis financial instruments included principally in its available for sale securities portfolios and certain short-term investments and cash equivalents. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

A further discussion of the most significant categories of investments carried at fair value on a recurring basis follows:

I. Fixed Maturity and Equity Securities Available for Sale

TRH maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Whenever available, TRH obtains quoted prices in active markets for identical assets at the balance sheet date to measure at fair value fixed maturity and marketable equity securities in its available for sale portfolios. Market price data generally are obtained from exchange or dealer markets.

TRH estimates the fair value of fixed maturity securities not traded in active markets by referring to traded securities with similar attributes, using dealer quotations and matrix pricing methodologies, discounted cash flow analyses or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, prepayment rates and other relevant factors. For fixed maturity securities that are not traded in active markets or that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

3. Fair Value Measurements (continued)

Fair values for fixed maturity securities based on observable market prices for identical or similar instruments implicitly include the incorporation of counterparty credit risk. Fair values for fixed maturity securities based on internal models incorporate counterparty credit risk by using discount rates that take into consideration cash issuance spreads for similar instruments or other observable information.

II. Certain Short-Term Investments and Cash Equivalents

Short-term investments and cash equivalents are carried at cost or amortized cost, which approximates fair value, and principally include money market instruments and commercial paper. These instruments are typically not traded in active markets; however, their fair values are based on market observable inputs.

(b) Fair Value Measurements on a Non-Recurring Basis

TRH also measures the fair value of certain assets on a non-recurring basis, generally quarterly, annually, or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. These assets primarily include held to maturity fixed maturities, which are carried on the balance sheet at amortized cost, and cost and equity method investments. When TRH determines that the carrying value of these assets may not be recoverable, TRH records the assets at fair value with the loss recognized in income as a realized capital loss. In such cases, TRH measures the fair value of these assets using the techniques discussed above for fixed maturity and equity securities.

(c) Fair Value Hierarchy

Assets recorded at fair value in the consolidated balance sheet are measured and classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that TRH has the ability to access for identical assets. Market price data generally is obtained from exchange or dealer markets. Assets measured at fair value on a recurring basis and classified as Level 1 principally include actively traded listed common stocks and mutual funds (which are included on the balance sheet in common stocks available for sale).
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets measured at fair value on a recurring basis and classified as Level 2 generally include certain government and government agency securities, state, municipal and political subdivision obligations, investment-grade and high-yield corporate bonds, most nonredeemable preferred stocks available for sale, most commercial mortgage-backed securities (“CMBS”), most residential mortgage-backed securities (“RMBS”), certain other asset-backed securities and short-term investments and cash equivalents.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. TRH’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, TRH considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assets measured at fair value on a recurring basis and classified as Level 3 principally include certain CMBS, RMBS, other-asset backed securities and other invested assets.

3. Fair Value Measurements (continued)

(d) Assets Measured at Fair Value on a Recurring Basis

In the second quarter of 2009, TRH adopted FSP 157-4, which provides additional guidance for estimating fair value when markets are inactive or transactions are not orderly. FSP 157-4 also requires additional disclosures for fixed maturity and equity securities by major security type. Prior period information is not required to be disaggregated in this Form 10-Q and therefore, prior periods have not been restated.

The following tables present information about assets measured at fair value on a recurring basis at June 30, 2009 and December 31, 2008 and indicates the level of the fair value measurement based on the levels of the inputs used:

	Level 1	Level 2	Level 3	Total
	(in millions)			
As of June 30, 2009				
Assets(1):				
Fixed maturities available for sale:				
U.S. Government and government agencies	\$ —	\$ 27.9	\$ —	\$ 27.9
States, municipalities and political subdivisions	—	5,709.5	—	5,709.5
Foreign governments	—	255.7	—	255.7
Corporate	—	2,174.5	—	2,174.5
Asset-backed securities:				
RMBS	—	233.8	29.0	262.8
CMBS	—	82.3	41.1	123.4
Other asset-backed	—	84.6	20.1	104.7
Total fixed maturities available for sale	—	8,568.3	90.2	8,658.5
Common stocks available for sale	451.0	—	—	451.0
Nonredeemable preferred stocks available for sale	—	40.1	7.5	47.6
Other invested assets	—	—	60.0	60.0
Short-term investments(2)	121.3	87.7	—	209.0
Other assets	—	—	5.3	5.3
Total	\$ 572.3	\$ 8,696.1	\$ 163.0	\$ 9,431.4
As of December 31, 2008				
Assets(1):				
Fixed maturities available for sale	\$ 19.1	\$ 7,908.6	\$ 85.4	\$ 8,013.1
Common stocks available for sale	425.6	—	—	425.6
Nonredeemable preferred stocks available for sale	—	95.7	2.5	98.2
Other invested assets	0.1	—	33.2	33.3
Short-term investments(2)	1.5	89.2	—	90.7
Cash and cash equivalents(2)	—	51.2	—	51.2
Total	\$ 446.3	\$ 8,144.7	\$ 121.1	\$ 8,712.1

(1) Represents only items measured at fair value.
(2) Short-term investments and cash equivalents in Level 2 are carried at cost which approximates fair value.

At June 30, 2009 and December 31, 2008, Level 3 assets totaled \$163.0 million and \$121.1 million, respectively, representing 1.7% and 1.4%, respectively, of total assets measured at fair value on a recurring basis.

3. Fair Value Measurements (continued)

The following tables present analyses of the changes during the three and six month periods ended June 30, 2009 and 2008 in Level 3 assets measured at fair value on a recurring basis and the unrealized gains (losses) recorded in income during such three and six month periods related to those assets that remained on the consolidated balance sheet at June 30, 2009 and 2008

Three Months Ended June 30, 2009	Balance April 1, 2009	Net realized/unrealized gains/losses included in:			Purchases, sales, issuances, and settlements, net	Transfers in (out) of Level 3	Balance June 30, 2009
		Net investment income	Realized net capital gains (losses)	AOCI			
Foreign government	\$ 0.6	\$ —	\$ 0.1	\$ —	\$ (0.7)	\$ —	\$ —
Municipalities	11.3	—	—	0.2	—	(11.5)	—
Asset-backed securities:							
RMBS	29.1	1.1	2.0	0.9	(2.9)	(1.2)	29.0
CMBS	36.7	—	—	(0.5)	2.5	2.4	41.1
Other asset-backed	23.2	1.8	—	(4.1)	0.7	(1.5)	20.1
Nonredeemable preferred stocks available for sale	7.5	—	—	—	—	—	7.5
Other invested assets	57.3	2.9	—	(0.2)	—	—	60.0
Other assets	5.3	—	—	—	—	—	5.3
Total	\$ 171.0	\$ 5.8	\$ 2.1	\$ (3.7)	\$ (0.4)	\$ (11.8)	\$ 163.0

There were no unrealized losses recorded in realized net capital losses in the three months ended June 30, 2009 on instruments held at June 30, 2009.

Three Months Ended June 30, 2008	Balance April 1, 2008	Net realized/unrealized gains/losses included in:			Purchases, sales, issuances, and settlements, net	Transfers in (out) of Level 3	Balance June 30, 2008
		Net investment income	Realized net capital gains (losses)	AOCI			
Fixed maturities available for sale	\$ 2.2	\$ —	\$ —	\$ —	\$ (0.1)	\$ (1.3)	\$ 0.8
Nonredeemable preferred stocks available for sale	2.5	—	—	—	—	—	2.5
Other invested assets	18.6	0.1	—	—	(0.3)	—	18.4
Securities lending invested collateral	144.2	—	(11.4)	12.8	(1.0)	(83.3)	61.3
Other assets	—	—	—	—	1.6	—	1.6
Total	\$ 167.5	\$ 0.1	\$ (11.4)	\$ 12.8	\$ 0.2	\$ (84.6)	\$ 84.6

There were \$11.4 million of unrealized losses related to securities lending invested collateral recorded in realized net capital losses in the three months ended June 30, 2008 on instruments held at June 30, 2008.

3. Fair Value Measurements (continued)

Six Months Ended June 30, 2009	Balance January 1, 2009	Net realized/unrealized gains/losses included in:			Purchases, sales, issuances, and settlements, net	Transfers in (out) of Level 3	Balance June 30, 2009
		Net investment income	Realized net capital gains (losses)	AOCI			
Foreign government	\$ 0.7	\$ —	\$ 0.1	\$ (0.1)	\$ (0.7)	\$ —	\$ —
Municipalities	—	—	—	0.1	11.4	(11.5)	—
Asset-backed securities:							
RMBS	35.1	2.2	(6.8)	4.8	(5.1)	(1.2)	29.0
CMBS	36.7	(0.1)	0.1	(1.3)	2.3	3.4	41.1
Other asset-backed	12.9	1.5	—	(2.6)	0.4	7.9	20.1
Nonredeemable preferred stocks available for sale	2.5	—	—	—	—	5.0	7.5
Other invested assets	33.2	3.9	—	(2.1)	25.0	—	60.0
Other assets	—	—	—	—	5.3	—	5.3
Total	\$ 121.1	\$ 7.5	\$ (6.6)	\$ (1.2)	\$ 38.6	\$ 3.6	\$ 163.0

There were no unrealized losses recorded in realized net capital losses in the six months ended June 30, 2009 on instruments held at June 30, 2009.

Six Months Ended June 30, 2008	Balance January 1, 2008	Net realized/unrealized gains/losses included in:			Purchases, sales, issuances, and settlements, net	Transfers in (out) of Level 3	Balance June 30, 2008
		Net investment income	Realized net capital gains (losses)	AOCI			
Fixed maturities available for sale	\$ 0.5	\$ —	\$ —	\$ —	\$ 1.6	\$ (1.3)	\$ 0.8
Nonredeemable preferred stocks available for sale	2.5	—	—	—	—	—	2.5
Other invested assets	18.3	0.8	—	0.4	(1.1)	—	18.4
Securities lending invested collateral	151.3	—	(11.4)	6.9	(2.3)	(83.2)	61.3
Other assets	—	—	—	—	1.6	—	1.6
Total	\$ 172.6	\$ 0.8	\$ (11.4)	\$ 7.3	\$ (0.2)	\$ (84.5)	\$ 84.6

There were \$11.4 million of unrealized losses related to securities lending invested collateral recorded in realized net capital losses in the six months ended June 30, 2008 on instruments held at June 30, 2008.

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. As a result, the unrealized gains and losses on instruments held at June 30, 2009 and December 31, 2008 may include changes in fair value that were attributable to both observable inputs (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

3. Fair Value Measurements (continued)

Net unrealized depreciation related to Level 3 investments approximated \$58.2 million at June 30, 2009 and \$22.7 million at December 31, 2008. The vast majority of the increase in such net unrealized depreciation on Level 3 investments at June 30, 2009 is related to the reclassification of other-than-temporary impairment losses pursuant to the adoption of FSP 115-2 on April 1, 2009.

(e) Assets Measured at Fair Value on a Non-Recurring Basis

None of TRH's assets were written down to fair value on a non-recurring basis during the three or six month periods ended June 30, 2009 and 2008.

4. Investments

(a) Statutory Deposits:

Investments with a carrying value of \$550 million and \$552 million at June 30, 2009 and December 31, 2008, respectively, were deposited with governmental authorities as required by law. The substantial majority of the deposits are fixed maturities and common stocks available for sale.

(b) Gross Unrealized Gains and Losses:

The amortized cost and fair value of fixed maturities at June 30, 2009 and December 31, 2008 are summarized as follows:

	Gross Unrealized				
		Losses			
	Amortized Cost	Gains	Other	Other-Than-Temporary Impairments(1)	Fair Value
			(in thousands)		
June 30, 2009					
Fixed maturities held to maturity and carried at amortized cost:					
States, municipalities and political subdivisions	\$ 1,216,442	\$ 38,781	\$ (15,073)	\$ —	\$ 1,240,150
Fixed maturities available for sale and carried at fair value:					
U.S. Government and government agencies	\$ 26,654	\$ 1,276	\$ (30)	\$ —	\$ 27,900
States, municipalities and political subdivisions	5,691,585	106,437	(88,508)	—	5,709,514
Foreign governments	251,859	3,838	(2)	—	255,695
Corporate	2,166,117	70,850	(59,981)	(2,518)	2,174,468
Asset-backed securities:					
RMBS	410,455	100	(21,586)	(126,120)	262,849
CMBS	182,911	16	(47,916)	(11,622)	123,389
Other asset-backed	112,091	778	(8,151)	—	104,718
Total	\$ 8,841,672	\$ 183,295	\$ (226,174)	\$ (140,260)	\$ 8,658,533

(1) Represents other-than-temporary impairment losses in accumulated other comprehensive loss pursuant to FSP 115-2, which was adopted on April 1, 2009. See Note 2(a) for additional information.

4. Investments (continued)

	Gross Unrealized				
	Amortized Cost	Gains	Losses		Fair Value
			Other	Other-Than- Temporary Impairments	
			(in thousands)		
December 31, 2008					
Fixed maturities held to maturity and carried at amortized cost:					
States, municipalities and political subdivisions	\$ 1,218,603	\$ 30,069	\$ (38,240)	\$ —	\$ 1,210,432
Fixed maturities available for sale and carried at fair value:					
U.S. Government and government agencies	\$ 40,783	\$ 4,565	\$ (150)	\$ —	\$ 45,198
States, municipalities and political subdivisions	5,354,696	57,452	(263,055)	—	5,149,093
Foreign governments	275,262	5,827	(491)	—	280,598
Corporate	2,089,766	78,946	(74,683)	—	2,094,029
Asset-backed	534,306	1,205	(91,358)	—	444,153
Total	\$ 8,294,813	\$ 147,995	\$ (429,737)	\$ —	\$ 8,013,071

At June 30, 2009 and December 31, 2008, net unrealized appreciation (depreciation) of equities available for sale included gross gains of \$48.8 million and \$22.9 million and gross losses of (\$27.8) million and (\$81.5) million, respectively.

(c) Contractual Maturities of Fixed Maturities:

The amortized cost and fair value of fixed maturities at June 30, 2009 by contractual maturity are as follows. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Investments in fixed maturities exclude short-term investments.

	As of June 30, 2009	
	Amortized Cost	Fair Value
	(in thousands)	
Fixed maturities held to maturity:		
Due after five years through ten years	\$ 177,002	\$ 183,281
Due after ten years	1,039,440	1,056,869
Total	\$ 1,216,442	\$ 1,240,150
Fixed maturities available for sale:		
Non-asset backed:		
Due in one year or less	\$ 340,709	\$ 349,112
Due after one through five years	1,625,341	1,636,601
Due after five through ten years	1,963,244	1,961,878
Due after ten years	4,206,921	4,219,986
Asset-backed (1)	705,457	490,956
Total	\$ 8,841,672	\$ 8,658,533

(1) Asset-backed fixed maturities by their nature do not generally have single maturity dates.

4. Investments (continued)

(d) Net Investment Income:

An analysis of net investment income follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in millions)			
Fixed maturities	\$ 108.7	\$ 106.8	\$ 214.8	\$ 213.1
Equities	3.1	4.9	7.2	8.1
Other invested assets (including alternative investments)	(0.5)	5.5	(2.5)	9.6
Other	2.8	6.2	6.8	12.1
Total investment income	114.1	123.4	226.3	242.9
Investment expenses	(2.9)	(2.9)	(5.3)	(5.2)
Net investment income	\$ 111.2	\$ 120.5	\$ 221.0	\$ 237.7

(e) Investment Gains and Losses:

Realized net capital (losses) gains are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Realized net capital (losses) gains resulted from:				
Total other-than-temporary impairments	\$ (20,763)	\$ (68,767)	\$ (66,236)	\$ (78,225)
Less: other-than-temporary impairments recognized in other comprehensive income (loss)	472	—	472	—
Other-than-temporary impairments charged to earnings	(20,291)	(68,767)	(65,764)	(78,225)
Sales and redemptions of securities	(7,377)	17,025	(17,749)	17,538
Net foreign currency transaction gains (losses)	2,183	(8,126)	(2,543)	(14,232)
Total	\$ (25,485)	\$ (59,868)	\$ (86,056)	\$ (74,919)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in millions)			
Realized net capital (losses) gains by source:				
Fixed maturities	\$ (10.2)	\$ 7.1	\$ (20.5)	\$ 21.8
Equity securities available for sale	(17.5)	4.9	(63.1)	(18.7)
Securities lending invested collateral	—	(63.8)	—	(63.8)
Net foreign currency transaction gains (losses)	2.2	(8.1)	(2.5)	(14.2)
Total	\$ (25.5)	\$ (59.9)	\$ (86.1)	\$ (74.9)

4. Investments (continued)

The change in net unrealized appreciation (depreciation) of investments is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in millions)				
Change in net unrealized appreciation (depreciation) of investments, before deferred income tax effect:				
Fixed maturities carried at amortized cost	\$ (0.6)	\$ (5.8)	\$ 31.9	\$ (22.8)
Fixed maturities carried at fair value	64.5	(79.6)	238.4	(180.1)
Cumulative effect of adoption of FSP 115-2	(139.8)	—	(139.8)	—
Equity securities available for sale carried at fair value	88.2	(29.1)	79.6	(53.1)
Other (1)	0.2	53.3	(4.3)	(29.3)
Total	\$ 12.5	\$ (61.2)	\$ 205.8	\$ (285.3)

(1) Includes net unrealized appreciation (depreciation) from securities lending invested collateral for the three and six months ended June 30, 2008 of \$54.6 million and (\$27.3) million, respectively.

Gross realized gains and gross realized losses on sales of TRH's available for sale securities were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
(in millions)								
Fixed maturities	\$ 2.0	\$ (4.2)	\$ 10.7	\$ (3.5)	\$ 13.4	\$ (5.1)	\$ 29.5	\$ (7.6)
Equity securities	17.2	(22.5)	22.2	(12.3)	23.3	(49.3)	27.2	(31.4)

Equity securities sold at a loss in the second quarter and first six months of 2009 and 2008 were in a continuous unrealized loss position for 12 months or less and did not meet the conditions of TRH's accounting policy to be considered other-than-temporarily impaired at any quarter-end prior to the time of sale.

In the 2009 periods, securities in the equity portfolio were sold for a number of reasons, including the repositioning of TRH's equity portfolio with respect to the continuing changes in the investment and credit markets during the first six months of 2009 and the desire over time to take advantage of tax-basis capital loss carry-backs to prior years that had capital gains. TRH's equity security investment strategy includes the intent to maximize total investment return through active management, which can lead to selling securities at a gain or loss due to changing market conditions and as market opportunities arise.

In the 2008 periods, securities in the equity portfolio were sold for a number of reasons, including the unprecedented market turmoil and severe changes in the investment and credit markets, short-term changes in investment philosophies prompted by the worsening credit markets and the desire over time to take advantage of tax-basis capital loss carry-backs to prior years that had capital gains. TRH's equity security investment strategy includes the intent to maximize total investment return through active management, which can lead to selling securities at a gain or loss due to changing market conditions and as market opportunities arise.

As discussed in Note 2, the other-than-temporary impairment amounts on certain fixed maturities are separated into credit loss and non-credit loss components. The credit loss impairments are recognized in earnings as realized capital losses, while the non-credit loss impairments are recorded in OCI. The following table sets forth the amount of credit loss impairments on fixed maturities held by TRH as of June 30, 2009, for which a portion of the other-than-temporary impairment amount was recorded in OCI.

4. Investments (continued)

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
	(in millions)	
Beginning balance as of April 1, 2009	\$ 21.4	\$ 21.4
New securities subject to credit impairment losses	6.0	6.0
Ending balance	\$ 27.4	\$ 27.4

(f) Aging of Gross Unrealized Losses:

As of June 30, 2009 and December 31, 2008, the aging of the gross unrealized losses with respect to all fixed maturities and equities, grouped by months in a continuous unrealized loss position, was as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in millions)					
June 30, 2009:						
Fixed maturities:						
U.S. Government and government agencies	\$ 18	\$ *	\$ —	\$ —	\$ 18	\$ *
States, municipalities and political subdivisions	1,427	(33)	1,228	(71)	2,655	(104)
Foreign governments	11	*	—	—	11	*
Corporate	256	(24)	309	(38)	565	(62)
Asset-backed securities:						
RMBS	102	(121)	160	(27)	262	(148)
CMBS	65	(24)	57	(35)	122	(59)
Other asset-backed	3	(1)	35	(7)	38	(8)
Total fixed maturities	1,882	(203)	1,789	(178)	3,671	(381)
Equities available for sale:						
Common stock	160	(24)	—	—	160	(24)
Nonredeemable preferred stock	9	(4)	—	—	9	(4)
Total equities available for sale	169	(28)	—	—	169	(28)
Total	\$ 2,051	\$ (231)	\$ 1,789	\$ (178)	\$ 3,840	\$ (409)

* Rounds to less than 1 million

4. Investments (continued)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(in millions)						
December 31, 2008:						
Fixed maturities:						
U.S. Government and government agencies	\$ 10	\$ *	\$ —	\$ —	\$ 10	\$ *
States, municipalities and political subdivisions	3,055	(173)	624	(128)	3,679	(301)
Foreign governments	15	(1)	—	—	15	(1)
Corporate	657	(51)	155	(24)	812	(75)
Asset-backed	129	(33)	216	(58)	345	(91)
Total Fixed Maturities	3,866	(258)	995	(210)	4,861	(468)
Equities available for sale	269	(81)	1	(1)	270	(82)
Total	\$ 4,135	\$ (339)	\$ 996	\$ (211)	\$ 5,131	\$ (550)

* Rounds to less than 1 million

At June 30, 2009, the carrying value of TRH's fixed maturity and equity securities aggregated \$10.4 billion. At June 30, 2009, the aggregate pre-tax gross unrealized losses on fixed maturity and equity securities were \$409.3 million. Additional information about these securities is as follows:

- These securities were valued, in the aggregate, at approximately 90.4% of their current amortized cost.
- Approximately 83.3% of these securities had unrealized losses of less than or equal to 20% of their current cost, or amortized cost.
- Approximately 0.9% of the fixed maturity securities had issuer credit ratings, which were below investment grade.

At June 30, 2009, TRH held 513 and 188 individual fixed maturity and equity investments, respectively, that were in an unrealized loss position, of which, 252 individual investments were in a continuous unrealized loss position for over 12 months.

(g) Evaluating Investments for Other-Than-Temporary Impairments:

TRH evaluates its investments for other-than-temporary impairments in valuation. TRH evaluates its investments for other-than-temporary impairment such that a security is considered a candidate for other-than-temporary impairment if it meets any of the following criteria:

- Trading at a significant (25% or more) discount to par, amortized cost (if lower) or cost for an extended period of time (nine consecutive months or longer);
- The occurrence of a discrete credit event resulting in (1) the issuer defaulting on a material outstanding obligation; (2) the issuer seeking protection from creditors under the bankruptcy laws or any similar laws intended for court supervised reorganization of insolvent enterprises; or (3) the issuer proposing a voluntary reorganization pursuant to which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than the par value of their claims; or
- TRH may not realize a full recovery on its investment, regardless of the occurrence of one or more of the foregoing events.

4. Investments (continued)

TRH evaluated the significant categories of fixed maturity investments in an unrealized loss position for other-than-temporary impairments. For state, municipality and political subdivision securities, TRH takes into account the taxing power of the issuer, source of revenue, credit risk and credit enhancements and prerefunding. For asset-backed and mortgage-backed securities, TRH discounted its best estimate of future cash flows at an effective rate equal to the original effective yield of the security. Those models included TRH's assumptions about prepayment speeds, default and delinquency rates, and underlying collateral (if any), as well as credit ratings, credit enhancements and other observable market data. For corporate fixed maturities, TRH reviewed business prospects, credit ratings and available information from asset managers and rating agencies for individual securities.

The unrealized losses on total fixed maturities resulted largely from changes in market interest rates caused principally by a widening of credit spreads from market dislocation and general market illiquidity in recent periods. Fixed maturities in an unrealized loss position principally consist of highly-rated corporate, state, municipality or political subdivision and asset-backed and mortgage-backed fixed maturities. TRH does not intend to sell these securities, and will not likely be required to sell these securities before an anticipated recovery in fair value. Further, TRH did not consider the unrealized losses on these impaired fixed maturities to be credit related. In making these determinations, TRH has considered factors specific to the securities that have unrealized losses coupled with TRH's history of consistently strong operating cash flows, levels of cash, cash equivalents and liquid investment classes, as well as its short and medium-term cash needs. Other considerations included the length of time and extent to which the security has been in an unrealized loss position, observable adverse conditions specifically related to the issuer or industry sector of the security, conditions in the country of issuance or primary market for the security, historical and implied volatility of the security's fair value, defaults on principal or interest payments, and recoveries or further declines in fair value subsequent to the balance sheet date.

Since the beginning of 2008, the collapse of the U.S. residential mortgage market, credit quality deterioration, increased credit losses in many sectors, the collapse of several prominent financial institutions and a general decline in global market conditions, among other factors, contributed to a steep decline in equity markets and thus, a decline in the fair values of TRH's common equity securities. At June 30, 2009, the pre-tax gross unrealized loss for all equities was \$28 million, of which none were in an unrealized loss position over 12 months. As these equities did not meet TRH's criteria for other-than-temporary impairment write-down of equity securities and TRH has the intent and ability to hold these securities to recovery, TRH determined that these securities were not other-than-temporarily impaired.

(h) Additional Information on Gross Unrealized Losses on All Fixed Maturities and Equities Available for Sale:

As of June 30, 2009 and December 31, 2008, TRH's aggregate gross unrealized losses on all fixed maturities and equities available for sale totaled \$409.3 million and \$549.5 million, respectively. As of June 30, 2009 and December 31, 2008, no single issuer accounted for more than 6% and 5%, respectively of the aggregate gross unrealized losses.

4. Investments (continued)

At June 30, 2009 and December 31, 2008, the gross unrealized losses for all fixed maturities and equities available for sale included the following concentrations:

Concentration as of June 30, 2009	Gross Unrealized Losses
	(in thousands)
RMBS	\$ 147,706
State, municipalities and political subdivisions	103,580
Banking and financial institutions	69,447
CMBS	59,538
Other asset-backed	8,151
Other	20,894
Total	\$ 409,316

Concentration as of December 31, 2008	Gross Unrealized Losses
	(in thousands)
State, municipalities and political subdivisions	\$ 301,295
Banking and financial institutions	91,175
RMBS	70,304
Energy	14,807
CMBS	13,799
Technology	12,086
Other	46,055
Total	\$ 549,521

The fair value of fixed maturities in an unrealized loss position at June 30, 2009 and December 31, 2008, by contractual maturity, is shown below:

	June 30, 2009	December 31, 2008
	(in thousands)	
Non-asset backed:		
Due in one year or less	\$ 59,835	\$ 73,915
Due after one year through five years	293,933	408,603
Due after five through ten years	496,354	553,534
Due after ten years	2,399,542	3,479,123
Asset-backed (1)	420,671	345,472
Total	\$ 3,670,335	\$ 4,860,647

(1) Asset-backed fixed maturities by their nature do not generally have single maturity dates.

5. Net Income Per Common Share

Net income per common share for the periods presented below has been computed based upon weighted average common shares outstanding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in thousands, except per share data)				
Net income (numerator)	\$ 112,284	\$ 89,733	\$ 187,520	\$ 205,386
Weighted average common shares outstanding used in the computation of net income per common share:				
Average shares issued	67,360	67,242	67,357	67,236
Less: Average shares in treasury	989	989	989	989
Average outstanding shares - basic (denominator)	66,371	66,253	66,368	66,247
Average potential shares from stock compensation (1)	432	527	322	545
Average outstanding shares - diluted (denominator)	66,803	66,780	66,690	66,792
Net income per common share:				
Basic	\$ 1.69	\$ 1.35	\$ 2.83	\$ 3.10
Diluted	1.68	1.34	2.81	3.08

(1) The three and six months ended June 30, 2009 each exclude the effect of 2.4 million anti-dilutive shares (from a total of 3.1 million and 3.0 million potential shares, respectively). The three and six months ended June 30, 2008 each exclude the effect of 0.9 million anti-dilutive shares (from a total of 3.2 million and 3.1 million potential shares, respectively).

6. 5.75% Senior Notes Due on December 14, 2015 (the “Senior Notes”)

At June 30, 2009 and December 31, 2008, \$699 million and \$725 million, respectively, principal amount of the Senior Notes remained outstanding. In addition, the unamortized original issue discount, which totaled \$2.4 million and \$2.8 million on June 30, 2009 and December 31, 2008, respectively, has been deducted from the carrying value of the Senior Notes and is being amortized over the term of the Senior Notes on the effective interest rate method. At June 30, 2009 and December 31, 2008, \$450 million principal amount of the Senior Notes was owned by related parties. The fair value of the Senior Notes as of June 30, 2009 and December 31, 2008 was \$580.6 million and \$469.4 million, respectively, based on quoted market price.

In the first quarter of 2009, TRH repurchased \$26 million principal amount of the Senior Notes for \$16 million from non-related parties. The first six months of 2009 reflect a gain of \$10 million from this early extinguishment of debt.

Interest expense incurred and interest paid in connection with the Senior Notes in the second quarter and first six months of 2009 are shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in thousands)				
Interest expense incurred	\$ 9,933	\$ 10,858	\$ 20,295	\$ 21,716
Interest paid	20,110	21,563	20,110	21,563

7. Reinsurance Ceded

Premiums written, premiums earned and losses and loss adjustment expenses incurred were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Gross premiums written	\$ 1,066,294	\$ 1,065,227	\$ 2,200,621	\$ 2,196,489
Ceded premiums written	(59,954)	(76,703)	(147,179)	(172,352)
Net premiums written	\$ 1,006,340	\$ 988,524	\$ 2,053,442	\$ 2,024,137
Gross premiums earned	\$ 1,100,356	\$ 1,090,405	\$ 2,140,820	\$ 2,175,748
Ceded premiums earned	(72,088)	(67,710)	(136,021)	(135,864)
Net premiums earned	\$ 1,028,268	\$ 1,022,695	\$ 2,004,799	\$ 2,039,884
Gross incurred losses and loss adjustment expenses	\$ 691,797	\$ 722,805	\$ 1,399,885	\$ 1,421,583
Reinsured losses and loss adjustment expenses ceded	(7,950)	(42,179)	(46,224)	(65,528)
Net incurred losses and loss adjustment expenses	\$ 683,847	\$ 680,626	\$ 1,353,661	\$ 1,356,055

Gross premiums written and earned, ceded premiums written and earned, gross incurred losses and loss adjustment expenses and reinsured losses and loss adjustment expenses ceded include amounts, which, by prearrangement with TRH, were assumed from a related party and then ceded in an equal amount to affiliates of that related party. Gross premiums written and ceded premiums written include \$37.1 million and \$60.8 million in the second quarter of 2009 and 2008, respectively, and \$94.9 million and \$108.0 million in the first six months of 2009 and 2008, respectively, relating to such arrangements. Gross premiums earned and ceded premiums earned include \$45.5 million and \$43.6 million in the second quarter of 2009 and 2008, respectively, and \$86.5 million and \$75.4 million in the first six months of 2009 and 2008, respectively, relating to such arrangements. Gross incurred losses and loss adjustment expenses and reinsured losses and loss adjustment expenses ceded include \$2.6 million and \$29.1 million in the second quarter of 2009 and 2008, respectively, and \$25.6 million and \$41.3 million in the first six months of 2009 and 2008, respectively, relating to such arrangements.

8. Cash Dividends

In the second quarter of 2009, the Company’s Board of Directors declared a dividend of \$0.20 per common share, or approximately \$13.6 million in the aggregate, payable on September 17, 2009.

9. Segment Information

TRH conducts its business and assesses performance through segments organized along geographic lines. The Domestic segment principally includes financial data from branches in the United States except Miami, as well as revenues and expenses of the Company (including interest expense on the Senior Notes) and stock-based compensation expense.

Financial data from the London and Paris branches and from Trans Re Zurich are reported in the aggregate as International – Europe and considered as one segment due to operational and regional similarities. Data from the Miami (which serves Latin America and the Caribbean), Toronto, Hong Kong and Tokyo branches are grouped as International – Other and represent the aggregation of non-material segments. In each segment, property and casualty reinsurance is provided to insurers and reinsurers on a treaty and facultative basis, through brokers or directly to ceding companies.

The following table presents a summary of comparative financial data by segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in thousands)				
Domestic:				
Net premiums written	\$ 510,699	\$ 455,197	\$ 1,095,072	\$ 1,003,319
Net premiums earned(1)	514,386	485,319	1,029,650	995,007
Net investment income	71,542	73,297	143,610	144,670
Realized net capital losses	(28,370)	(53,801)	(82,459)	(65,175)
Revenues	557,558	504,815	1,100,679	1,074,502
Net losses and loss adjustment expenses	321,087	355,369	675,850	728,751
Underwriting expenses(3)	138,580	120,506	295,107	268,357
Underwriting profit(4)	54,911	3,208	76,751	1,888
Income before income taxes	82,055	6,655	115,866	47,881
International-Europe:				
Net premiums written	\$ 356,078	\$ 405,642	\$ 703,759	\$ 787,995
Net premiums earned(1)	371,493	418,316	727,661	789,249
Net investment income	32,016	38,648	61,639	75,784
Realized net capital gains (losses)	2,132	(5,661)	261	(4,994)
Revenues(2)	405,641	451,303	789,561	860,039
Net losses and loss adjustment expenses	293,145	272,177	552,400	504,912
Underwriting expenses(3)	89,636	111,193	180,395	209,492
Underwriting (loss) profit(4)	(15,570)	32,337	(11,273)	76,083
Income before income taxes	18,845	65,266	50,759	146,814
International-Other(5):				
Net premiums written	\$ 139,563	\$ 127,685	\$ 254,611	\$ 232,823
Net premiums earned(1)	142,389	119,060	247,488	255,628
Net investment income	7,643	8,548	15,770	17,248
Realized net capital gains (losses)	753	(406)	(3,858)	(4,750)
Revenues	150,785	127,202	259,400	268,126
Net losses and loss adjustment expenses	69,615	53,080	125,411	122,392
Underwriting expenses(3)	44,546	42,755	74,174	83,670
Underwriting profit(4)	28,590	26,774	49,621	44,847
Income before income taxes	36,711	34,960	61,262	57,405

9. Segment Information (continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in thousands)				
Consolidated:				
Net premiums written	\$ 1,006,340	\$ 988,524	\$ 2,053,442	\$ 2,024,137
Net premiums earned(1)	1,028,268	1,022,695	2,004,799	2,039,884
Net investment income	111,201	120,493	221,019	237,702
Realized net capital losses	(25,485)	(59,868)	(86,056)	(74,919)
Revenues(2)	1,113,984	1,083,320	2,149,640	2,202,667
Net losses and loss adjustment expenses	683,847	680,626	1,353,661	1,356,055
Underwriting expenses(3)	272,762	274,454	549,676	561,519
Underwriting profit(4)	67,931	62,319	115,099	122,818
Income before income taxes	137,611	106,881	227,887	252,100

- (1) Net premiums earned from related parties approximate \$89 million and \$110 million for the three months ended June 30, 2009 and 2008, respectively, and approximately \$169 million and \$206 million for the six months ended June 30, 2009 and 2008 respectively, and are included mainly in Domestic.
- (2) Revenues from the London branch totaled \$219 million and \$249 million for the three months ended June 30, 2009 and 2008, respectively, and \$422 million and \$469 million for the six months ended June 30, 2009 and 2008, respectively.
- (3) Underwriting expenses represent the sum of net commissions and other underwriting expenses.
- (4) Underwriting profit (loss) represents net premiums earned less net losses and loss adjustment expenses and underwriting expenses, plus (minus) the increase (decrease) in deferred acquisition costs.
- (5) The Miami and Toronto branch segment data are considered significant for only the second quarter and/or first six months of 2009 and 2008. Certain key Miami and Toronto data elements, which are included in International - Other, in the 2009 and 2008 periods are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in thousands)				
Miami:				
Revenues	\$ 77,143	\$ 58,667	\$ 132,930	\$ 134,643
Income before income taxes	14,914	11,412	30,707	23,292
Toronto:				
Revenues	\$ 21,694	\$ 25,852	\$ 41,944	\$ 56,689
Income before income taxes	8,592	17,650	10,941	30,245

10. Related Party Transactions

(a) Secondary Public Offering of the Company’s Common Stock by American International Group, Inc. (“AIG”)

On June 10, 2009, AIG and American Home Assurance Company (“AHAC”), a wholly owned subsidiary of AIG, consummated the secondary public offering (the “Offering”) of 29.9 million issued and outstanding shares of the common stock of the Company owned by AIG and AHAC. TRH did not receive any proceeds from the Offering. As of June 30, 2009, AHAC owned 9.2 million common shares of the Company, representing approximately 13.9% of the Company’s outstanding common shares, and AIG owned no common shares of the Company directly.

In connection with the Offering, TRH entered into a Master Separation Agreement (the “MSA”) with AIG and AHAC on May 28, 2009. The MSA sets forth TRH’s agreements with AIG and AHAC regarding the orderly separation of TRH from AIG, AHAC and their subsidiaries (the “Separation”) and governs certain aspects of TRH’s relationship with AIG, AHAC and their subsidiaries on a going forward basis, including their waiver of certain rights they may have under intercompany agreements and insurance agreements.

10. Related Party Transactions (continued)

In connection with the Offering, TRH also entered into (i) a transition services agreement (the "TSA") with AIG, (ii) a stockholders agreement (the "Stockholders Agreement") with AIG and AHAC and (iii) a registration rights agreement (the "Registration Rights Agreement") with AIG and AHAC. The TSA sets forth TRH's agreements with AIG regarding the provision by AIG, AHAC and their subsidiaries of limited services to TRH for a specified period of time following the Separation. The Stockholders Agreement provides AIG and AHAC with certain information and consent rights and will subject AIG, AHAC, and their respective subsidiaries, affiliates, officers and directors to certain standstill provisions. Additionally, pursuant to the Stockholders Agreement, AIG, AHAC and their subsidiaries are subject to voting and transfer restrictions covering their shares of the Company's common stock. The Registration Rights Agreement provides AIG and AHAC with registration rights relating to any shares of the Company's common stock held by them. AIG and AHAC may require TRH to register under the Securities Act of 1933 all or a portion of these shares. The registration rights are subject to certain limitations, including TRH's right to temporarily suspend the registration of shares.

TRH is subject to various regulatory requirements and is a party to numerous contracts, agreements, licenses, permits, authorizations and other arrangements ("the Applicable Authorizations and Arrangements") that contain provisions giving regulators and counterparties certain rights (including, in some cases, termination rights) in the event of a change in control of the Company or its subsidiaries, as applicable. Whether the transactions that AIG has entered into with the Federal Reserve Bank of New York (the "NY Fed") constituted a change in control of the Company or any of its subsidiaries under any of the Applicable Authorizations and Arrangements is dependent upon the specific provisions thereof. Based upon the facts and circumstances known to TRH as of the date hereof, TRH does not believe that the exercise of rights, if any, accruing to counterparties as a result of the transactions that AIG has entered into with the NY Fed will have a material impact on TRH.

Additionally, the Offering may be deemed to have constituted a change of control of TRH under a significant portion of TRH's reinsurance agreements. If a change in control occurs, cedants may be permitted to cancel contracts on a cut-off or run-off basis, and TRH may be required to provide collateral to secure premium and reserve balances or be required to cancel and commute contracts, subject to an agreement between the parties that may be settled in arbitration. If the contract is cancelled on a cut-off basis, TRH may be required to return unearned premiums, net of commissions.

Whether a ceding company would have cancellation rights in connection with the Offering depends upon the language of its agreement with TRH. Whether a ceding company would exercise any cancellation rights it did have would depend on, among other factors, such ceding company's views with respect to the prevailing market conditions, the pricing and availability of replacement reinsurance coverage and TRH's ratings. The exercise of cancellation rights following a change in control could materially impact TRH's financial condition, results of operations and cash flows. As of June 30, 2009, no cedants have notified TRH of their intention to exercise any cancellation rights they may have as a result of the Offering.

(b) Premiums Assumed From AIG Subsidiaries

Gross premiums written of approximately \$67.7 million (6.3%) and \$80.7 million (7.6%) in the second quarter of 2009 and 2008, respectively, and \$143.5 million (6.5%) and \$161.7 million (7.4%) in the first six months of 2009 and 2008, respectively, were originated by subsidiaries of AIG and ceded to TRH. These amounts exclude premiums assumed that initially were insured by AIG subsidiaries as a result of TRH's marketing efforts and then ceded to TRH by prearrangement. Such amounts are not material. (See Note 7 for the amount of premiums assumed from an AIG subsidiary and ceded in an equal amount to other AIG subsidiaries.)

(c) Reinsurance Recoverables on Paid and Unpaid Losses and Loss Adjustment Expenses

As of June 30, 2009 and December 31, 2008, \$269.7 million and \$250.5 million, respectively, of reinsurance recoverables on paid and unpaid losses and loss adjustment expenses, were recoverable from subsidiaries of AIG.

Transatlantic Holdings, Inc. and Subsidiaries
Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q and other publicly available documents may include, and Transatlantic Holdings, Inc. and its subsidiaries (collectively, “TRH”), through their officers and representatives, may from time to time make, statements which may constitute “forward-looking statements” within the meaning of the U.S. federal securities laws. These forward-looking statements are identified, including without limitation, by their use of such terms and phrases as:

- | | |
|-----------------|------------------------|
| • “intend” | • “plans” |
| • “intends” | • “anticipates” |
| • “intended” | • “anticipated” |
| • “goal” | • “should” |
| • “estimate” | • “think” |
| • “estimates” | • “thinks” |
| • “expect” | • “designed to” |
| • “expects” | • “foreseeable future” |
| • “expected” | • “believe” |
| • “project” | • “believes” |
| • “projects” | • “scheduled” |
| • “projected” | • similar expressions |
| • “projections” | |

These statements are not historical facts but instead represent only TRH's belief regarding future events and financial performance, many of which, by their nature, are inherently uncertain and outside of TRH's control. These statements may address, among other things, TRH's strategy and expectations for growth, product development, government and industry regulatory actions, legal matters, financial, credit and industry market conditions, financial results and reserves, as well as the expected impact on TRH of natural and man-made (e.g., terrorist attacks) catastrophic events and political, economic, legal and social conditions.

It is possible that TRH's actual results, financial condition and expected outcomes may differ, possibly materially, from those anticipated in these forward-looking statements. Important factors that could cause TRH's actual results to differ, possibly materially, from those discussed in the specific forward-looking statements may include, but are not limited to, uncertainties relating to economic conditions, financial and credit market conditions, cyclical industry conditions, credit quality, government, regulatory and accounting policies, volatile and unpredictable developments (including natural and man-made catastrophes), the legal environment, legal and regulatory proceedings, failures of pricing models to accurately assess risks, the reserving process, the competitive environment in which TRH operates, interest rate and foreign currency exchange rate fluctuations and the uncertainties inherent in international operations.

These factors are further discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and in Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q. TRH is not under any obligation to (and expressly disclaims any such obligations to) update or alter any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Transatlantic Holdings, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")
June 30, 2009

Throughout this Quarterly Report on Form 10-Q, Transatlantic Holdings, Inc. and its subsidiaries (collectively "TRH") presents its operations in the way it believes will be most meaningful. TRH's unpaid losses and loss adjustment expenses net of related reinsurance recoverable ("net loss reserves") and TRH's combined ratio and its components are included herein and presented in accordance with principles prescribed or permitted by insurance regulatory authorities as these are standard measures in the insurance and reinsurance industries.

Financial Statements

The following discussion refers to the consolidated financial statements of TRH as of June 30, 2009 and December 31, 2008 and for the three and six month periods ended June 30, 2009 and 2008, which are presented elsewhere herein. Financial data discussed below have been affected by certain transactions between TRH and related parties. (See Note 7 of Notes to Condensed Consolidated Financial Statements ("Note 7") and Note 10 of Notes to Condensed Consolidated Financial Statements ("Note 10").)

Executive Overview

The operations of Transatlantic Holdings, Inc. (the "Company") are conducted principally by its three major operating subsidiaries – Transatlantic Reinsurance Company® ("TRC"), Trans Re Zurich ("TRZ") and Putnam Reinsurance Company ("Putnam") – and managed based on its geographic segments. Through its operations on six continents, TRH offers reinsurance capacity on both a treaty and facultative basis – structuring programs for a full range of property and casualty products, with an emphasis on specialty lines, which may exhibit greater volatility of results over time than most other lines. Such capacity is offered through reinsurance brokers and, to a lesser extent, directly to domestic and foreign insurance and reinsurance entities.

TRH conducts its business and assesses performance through segments organized along geographic lines. The Domestic segment principally includes financial data from branches in the United States except Miami, as well as revenues and expenses of the Company (including interest expense on the Company's senior notes) and stock-based compensation expense. Data from the London and Paris branches and from TRZ are reported in the aggregate as International – Europe and considered as one segment due to operational and regional similarities. Data from the Miami (which serves Latin America and the Caribbean), Toronto, Hong Kong and Tokyo branches are grouped as International – Other and represent the aggregation of non-material segments.

TRH's operating strategy emphasizes product and geographic diversification as key elements in managing its level of risk concentration. TRH seeks to focus on more complex risks within the casualty and property lines and adjusts its mix of business to take advantage of market opportunities. Over time, TRH has most often capitalized on market opportunities when they arise by strategically expanding operations in an existing location or opening a branch or representative office in new locations. TRH's operations that serve international markets leverage TRH's product knowledge, worldwide resources and financial strength, typically utilizing indigenous management and staff with a thorough knowledge of local markets and product characteristics.

Casualty lines have comprised approximately 71% and 70% of TRH's net premiums written in the first six months 2009 and 2008, respectively, while property lines comprised the balance. In addition, treaty reinsurance totaled approximately 97% of net premiums written in each of the first six months of 2009 and 2008, respectively, with the balance representing facultative accounts. Moreover, business written by international branches has represented approximately 47% and 50% of net premiums written in the first six months of 2009 and 2008, respectively. (See **Operational Review** for detailed period to period comparisons of such measures.)

TRH's major sources of revenues are net premiums earned for reinsurance risks undertaken and income from investments. The great majority of TRH's investments are in fixed maturity securities held to maturity and available for sale with an average duration of 6.0 years as of June 30, 2009. In general, premiums are received significantly in advance of related claims payments.

Secondary Public Offering of the Company's Common Stock by American International Group, Inc. ("AIG", and collectively with its subsidiaries, the "AIG Group")

On June 10, 2009, AIG and American Home Assurance Company ("AHAC"), a wholly owned subsidiary of AIG, consummated the secondary public offering (the "Offering") of 29.9 million issued and outstanding shares of the common stock of the Company owned by AIG and AHAC. TRH did not receive any proceeds from the Offering. As of June 30, 2009, AHAC owned 9.2 million common shares of the Company, representing approximately 13.9% of the Company's outstanding common shares, and AIG owned no common shares of the Company directly. As a result of the Offering, TRH is no longer considered a "controlled company" pursuant to the corporate governance listing standards of the New York Stock Exchange ("NYSE") and will no longer be able to avail itself of the exemptions from certain of the NYSE's corporate governance listing standards applicable to controlled companies (subject to the rules of the NYSE permitting a phase in period for compliance with such corporate governance listing standards).

In connection with the Offering, TRH entered into a Master Separation Agreement (the "MSA") with AIG and AHAC on May 28, 2009. The MSA sets forth TRH's agreements with AIG and AHAC regarding the orderly separation of TRH from AIG, AHAC and their subsidiaries (the "Separation") and governs certain aspects of TRH's relationship with AIG, AHAC and their subsidiaries on a going forward basis, including their waiver of certain rights they may have under intercompany agreements and insurance agreements.

In connection with the Offering, TRH also entered into (i) a transition services agreement (the "TSA") with AIG, (ii) a stockholders agreement (the "Stockholders Agreement") with AIG and AHAC and (iii) a registration rights agreement (the "Registration Rights Agreement") with AIG and AHAC. The TSA sets forth TRH's agreements with AIG regarding the provision by AIG, AHAC and their subsidiaries of limited services to TRH for a specified period of time following the Separation. The Stockholders Agreement provides AIG and AHAC with certain information and consent rights and will subject AIG, AHAC, and their respective subsidiaries, affiliates, officers and directors to certain standstill provisions. Additionally, pursuant to the Stockholders Agreement, AIG, AHAC and their subsidiaries are subject to voting and transfer restrictions covering their shares of the Company's common stock. The Registration Rights Agreement provides AIG and AHAC with registration rights relating to any shares of the Company's common stock held by them. AIG and AHAC may require TRH to register under the Securities Act of 1933 all or a portion of these shares. The registration rights are subject to certain limitations, including TRH's right to temporarily suspend the registration of shares.

TRH is a party to numerous contracts, agreements, licenses, permits, authorizations and other arrangements (the "Applicable Arrangements and Authorizations") that contain provisions giving counterparties certain rights (including, in some cases, termination rights) in the event of a change in control of the Company or its subsidiaries.

In the second half of 2008, the AIG Group, which then owned approximately 59% of the Company's common stock, experienced an unprecedented strain on its liquidity. This strain led to a series of transactions between AIG and the Federal Reserve Bank of New York (the "NY Fed") and the U.S. Department of the Treasury. The transactions that the AIG Group has entered into with the NY Fed and/or the Offering may be deemed to have constituted a change in control of TRH under a significant portion of TRH's reinsurance agreements.

If a change in control occurs, cedants may be permitted to cancel contracts on a cut-off or run-off basis, and TRH may be required to provide collateral to secure premium and reserve balances or be required to cancel and commute the contract, subject to an agreement between the parties that may be settled in arbitration. If the contract is cancelled on a cut-off basis, TRH may be required to return unearned premiums, net of commissions.

Whether a ceding company would have cancellation rights in connection with the Offering depends upon the language of its agreement with TRH. Whether a ceding company exercises any cancellation rights it has would depends on, among other factors, such ceding company's views with respect to the prevailing market conditions, the pricing and availability of replacement reinsurance coverage and TRH's ratings. As of June 30, 2009, no cedants have notified TRH of their intention to exercise any cancellation rights they may have as a result of the Offering.

Based upon the facts and circumstances known to TRH as of the date of this Quarterly Report on Form 10-Q, TRH does not believe that the exercise of rights, if any, accruing to counterparties as a result of the transactions that the AIG Group has entered into with the NY Fed, will have a material impact on TRH. If, however, these actions, individually or collectively, or the Offering are deemed a change in control under the Applicable Arrangements and Authorizations, TRH's business may be materially adversely affected. The exercise of cancellation rights following a change in control could materially impact TRH's financial condition, results or operations and cash flows as discussed in Part II, Item 1A Risk Factors.

Consolidated Results

The following table summarizes TRH's revenues, income before income taxes and net income for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	Change	2009	2008	Change
(dollars in millions)						
Revenues	\$ 1,114.0	\$ 1,083.3	2.8%	\$ 2,149.6	\$ 2,202.7	(2.4)%
Income before income taxes	137.6	106.9	28.8	227.9	252.1	(9.6)
Net income	112.3	89.7	25.1	187.5	205.4	(8.7)

Revenues for the second quarter of 2009 increased compared to the same period in the prior year principally due to lower realized net capital losses, partially offset by decreased net investment income. Revenues for the first six months of 2009 decreased compared to the same prior year period principally due to decreases in net premiums earned and net investment income. The decrease in realized net capital losses primarily reflects lower other-than-temporary impairment write-downs in the second quarter of 2009. The decrease in net investment income is primarily due to lower investment income from alternative investments. The decrease in net premiums earned in the first six months emanated from international operations and was due in part to changes in foreign currency exchange rates compared to the U.S. dollar. In general, changes in net premiums earned between periods are influenced by prevailing market conditions, strategic decisions by TRH's management in recent periods and changes in foreign currency exchange rates.

Income before income taxes and net income increased in the second quarter of 2009 as compared to the same 2008 period as a result of decreased realized net capital losses, partially offset by a decrease in net investment income. Income before income taxes and net income decreased in the first six months of 2009 as compared to the same 2008 period principally due to a decrease in net investment income and a decrease in underwriting profit. The decrease in underwriting profit is due to increased loss experience in the International-Europe segment, offset in part by improved loss experience in the Domestic segment.

Underwriting profit (loss) is defined as net premiums earned less net losses and loss adjustment expenses (“LAE”) incurred, net commissions and other underwriting expenses, plus (minus) the increase (decrease) in deferred acquisition costs. (See **Operational Review** for further discussion.)

Market Conditions and General Trends

The market conditions in which TRH operates have historically been cyclical, experiencing cycles of price erosion followed by rate strengthening as a result of catastrophes or other significant losses that affect the overall capacity of the industry to provide coverage. For several years, the reinsurance market has been characterized by significant competition worldwide in most lines of business. Additionally, TRH is exposed to the operating cycles of primary insurers as the rates charged by, and the policy terms associated with, primary insurance agreements may affect the rates charged by, and the policy terms associated with, reinsurance agreements, particularly for pro rata reinsurance business.

Following improvements in the U.S. property marketplace after significant catastrophe losses in 2004 and 2005, additional capacity entered the reinsurance market in the form of new companies in Bermuda as well as the entrance of capacity from the capital markets via sidecars, catastrophe bonds and other derivative products. The entrance of the new capacity slowly eroded property insurance and reinsurance rates through the first half of 2008, although the marketplace remained generally favorable.

During the second half of 2008, however, the global credit and financial crisis began to significantly impact the insurance and reinsurance markets. First, many alternative reinsurance solutions (such as sidecars) were terminated or not renewed. Second, the impairment of insurance company balance sheets meant historical risk levels in many cases now represented a higher than desired percentage of surplus. Third, Hurricane Ike produced one of the highest insured losses from a natural peril event despite being only a category 2 storm. These changes produced an increase in demand for traditional reinsurance from insurance companies as they could not raise capital by issuing debt; did not want to issue equity at depressed stock prices; and lost the ability to access the capital markets for alternative reinsurance solutions. In addition, many reinsurers, affected by similar issues, could not maintain the levels of capacity that they had in recent years to take on risk.

Through the first half of 2009, the reinsurance marketplace as a whole continues to be disciplined. Increased demand coupled with decreased supply improved property pricing in many catastrophe-exposed regions, particularly in the southeastern U.S. and Japan. However, other regions, like Europe, showed only modest improvements.

In casualty lines, market condition improvements have been inconsistent. Adverse industry loss experience over the last twelve months has improved rates in ocean marine and aviation. Recent aviation losses will likely lead to further improvements. Directors’ and officers’ liability (“D&O”) and errors and omissions liability (“E&O”) covers for certain categories including financial institutions, retail and real estate-related companies saw significant improvements on primary pricing as well as modest improvements on reinsurance pricing. In certain casualty lines, rates remained flat or experienced some rate deterioration.

The existence of favorable or improving market conditions in certain regions and lines of business does not necessarily translate into ultimate pricing adequacy for business written under such conditions. In addition, there can be no assurance that these favorable or improving conditions will occur or remain in effect in the future.

Starting in mid-2007 and continuing through 2009, the U.S. residential mortgage market and the global credit and financial markets have been experiencing serious disruptions. TRH’s operating results and financial condition have been adversely affected and may continue to be adversely affected by this disruption (see **Disruption in Global Credit and Financial Markets**).

Further information relating to items discussed in this **Executive Overview** may be found throughout **MD&A**.

Critical Accounting Estimates

This discussion and analysis of financial condition and results of operations is based on TRH's condensed consolidated financial statements which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these financial statements requires the use of estimates and judgments that affect the reported amounts and related disclosures. TRH relies on historical experience and on various other assumptions that it believes to be reasonable, under the circumstances, to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

TRH believes its most critical accounting estimates are those with respect to loss reserves, fair value measurements of certain financial assets, other-than-temporary impairments of investments, premium revenues and deferred acquisition costs, as they require management's most significant exercise of judgment on both a quantitative and qualitative basis in the preparation of TRH's condensed consolidated financial statements and footnotes. The accounting estimates that result require the use of assumptions about certain matters that are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, TRH's results of operations and financial condition would be affected, possibly materially. A discussion of these most critical accounting estimates follows:

(a) Loss Reserves

Estimates of loss reserves take into account TRH's assumptions with respect to many factors that will affect ultimate loss costs but are not yet known. The ultimate process by which actual carried reserves are determined considers not only actuarial estimates but a myriad of other factors. Such factors, both internal and external, which contribute to the variability and unpredictability of loss costs, include trends relating to jury awards, social inflation, medical inflation, worldwide economic conditions, tort reforms, court interpretations of coverages, the regulatory environment, underlying policy pricing, terms and conditions and claims handling, among others. In addition, information gathered through underwriting and claims audits is also considered. To the extent that these assumptions underlying the loss reserve estimates are significantly incorrect, ultimate losses may be materially different from the estimates included in the financial statements and may materially and adversely affect results of operations and financial condition. The impact of those differences is reflected in the period they become known.

The reserving process is inherently difficult and subjective, especially in view of changes in the legal and tort environment which impact the development of loss reserves, and therefore quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect development to the same degree in the future.

While this process is difficult and subjective for ceding companies, the inherent uncertainties of estimating loss reserves are even greater for reinsurers, due primarily to the longer-term nature of much reinsurance business, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies, which are subject to change without notice. Nevertheless, data received from cedants is subjected to audits periodically by TRH claims and underwriting personnel, to help ensure that reported data is supported by proper documentation and conforms to contract terms, and analyzed, as appropriate, by TRH underwriting and actuarial personnel. Such analysis often includes a detailed review of reported data to assess the underwriting results of reinsurance assumed and to explain any significant departures from expected performance. Over time, reported loss information is ultimately corroborated when such information eventually attains paid status.

Standard actuarial methodologies employed to estimate ultimate losses incorporate the inherent “lag” from the time claims are reported to the cedant to when the cedant reports the claims to the reinsurer. Certain actuarial methodologies may be more appropriate than others in instances where this “lag” may not be consistent from period to period. Consequently, additional actuarial judgment is employed in the selection of methodologies to best incorporate the potential impact of this situation.

Generally, for each line of business, significant actuarial judgments are made with respect to the following factors used in the loss reserve setting process:

- **Loss trend factors** are used to establish expected loss ratios (“ELRs”) for subsequent accident years based on the projected loss ratios for prior accident years. Provisions for inflation and social inflation (e.g., awards by judges and juries which progressively increase in size at a rate exceeding that of general inflation) and trends in court interpretations of coverage are among the factors which must be considered.
- **ELRs** for the latest accident years generally reflect the ELRs from prior accident years adjusted for the loss trend (see **Loss trend factors** discussion), as well as the impact of rate level changes and other quantifiable factors. For certain longer tail lines of business that are typically lower frequency, higher severity classes, such as excess medical malpractice and D&O, ELRs are often utilized for the last several accident years.
- **Loss development factors** are used to arrive at the ultimate amount of losses incurred for each accident year based on reported loss information. These factors, which are initially calculated based on historical loss development patterns (i.e., the emergence of reported losses over time relative to the ultimate losses to be paid) are then adjusted for current trends.

During the loss settlement period, which can be many years in duration, additional facts regarding individual claims and trends usually become known. As these facts and trends emerge, it usually becomes necessary to refine and adjust the loss reserves upward or downward and even then the ultimate net liability may be materially different from the revised estimates. There is potential for significant variation in the development of loss reserves when actual costs differ from those costs implied by the use of the assumptions employed in the reserve setting process. This is particularly true for assumed reinsurance of long-tail casualty classes. Among the most critical assumptions are those made for ELRs and loss development factors.

The actuarial methods that TRH employs to determine the appropriate loss reserves for short tail lines of business are the same as those employed for longer-tail lines. However, the judgments that are made with regard to factors such as loss trends, ELRs and loss development factors for shorter tail lines generally have much less of an effect on the determination of the loss reserve amount than when those same judgments are made regarding longer-tailed lines of business. In contrast to the longer-tailed lines of business, reported losses for the shorter-tailed classes, such as the property lines of business (e.g., fire and homeowners multiple peril) and certain marine and energy classes, generally reach the ultimate level of incurred losses in a relatively short period of time. Rather than having to rely on assumptions regarding ELRs and loss development factors for many accident years for a given line, these assumptions are generally only relevant for the most recent accident year or two. Therefore, these assumptions tend to be less critical and the reserves calculated pursuant to these assumptions are subject to less variability for the shorter-tailed lines of business.

The characteristics of each line of business are considered in the reserving process. TRH’s major lines of business are discussed below:

- **Other Liability:** The key components of the other liability line of business are excess casualty, D&O and E&O.

- **Excess Casualty:** The vast majority of this class consists of domestic treaties, including pro rata and excess-of-loss contracts of general liability business. Excess casualty is dominated by umbrella business, some of which have very high attachment points. This business is generally very long tailed and characterized by relatively low frequency and high severity type losses.
- **D&O and E&O:** These classes are dominated by high layer excess-of-loss D&O business as well as E&O classes such as lawyers and accountants. Much of this business is domestic, although significant amounts are written by the London branch. This business is reviewed separately by operating branch and for pro rata versus excess-of-loss contracts, treaty versus facultative and D&O separately from E&O. Additionally, homogeneous groupings of accountant, lawyer, and architect and engineer risks are reviewed separately. These classes are long tailed in nature, often characterized by very high attachment points.
- **Medical Malpractice:** Healthcare professional, which is the most significant component of TRH's medical malpractice line of business, is reviewed separately for treaty and facultative contracts. Pro rata contracts are reviewed separately from excess-of-loss contracts. There is significant volume in all categories. This class is also quite long tailed due to the excess-of-loss nature of most of the contracts.
- **Shorter-tailed lines:** These would include the property lines of business (such as fire and homeowners multiple peril), accident and health ("A&H") and certain marine and energy classes. These lines are written by several of TRH's worldwide offices and the reserves are reviewed separately for each operating branch. Where sufficiently credible experience exists, these lines are reviewed after segregating pro rata contracts from excess-of-loss contracts. For a reinsurer, these lines do not develop to ultimate loss as quickly as when written on a primary basis; however, they are significantly shorter tailed than the casualty classes discussed earlier.

Net loss reserves include amounts for risks relating to environmental impairment and asbestos-related illnesses. The majority of TRH's environmental and asbestos-related net loss reserves arose from contracts entered into after 1985 that were underwritten specifically as environmental or asbestos-related coverages rather than as standard general liability coverages, where the environmental or asbestos-related liabilities were neither clearly defined nor specifically excluded. The reserves carried for these claims, including loss and loss adjustment expenses incurred but not reported ("IBNR"), are based upon known facts and current law. However, significant uncertainty exists in determining the amount of ultimate liability for environmental impairment and asbestos-related losses, particularly for those occurring in 1985 and prior. This uncertainty is due to inconsistent court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other things.

See discussion of estimated net development on losses occurring in prior years under **Results of Operations** and further information about unpaid losses and loss adjustment expenses ("gross loss reserves") under **Financial Condition and Liquidity**.

(b) Fair Value Measurements of Certain Financial Assets

TRH measures at fair value on a recurring basis financial instruments included principally in its available for sale securities portfolios and certain short term investments and cash equivalents. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset being valued occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

TRH management is responsible for the determination of the value of the financial assets carried at fair value and the supporting methodologies and assumptions. With respect to securities, TRH employs independent third-party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When TRH's valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted internal valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates, and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

TRH employs specific control processes to determine the reasonableness of the fair values of TRH's financial assets. TRH's processes are designed to ensure that the values received or internally estimated are accurately recorded and that the data inputs and the valuation techniques utilized are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. TRH assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, TRH may validate the reasonableness of fair values by comparing information obtained from TRH's valuation service providers to other third party valuation sources for selected securities. TRH also validates prices for selected securities obtained from brokers through reviews by those who have relevant expertise and who are independent of those charged with executing investing transactions.

As of June 30, 2009, the fair value of substantially all of TRH's available for sale fixed maturity and equity securities (\$9.2 billion) is based on external sources. Of the fair values based on external sources, \$9.1 billion is based upon prices received from independent pricing services and \$0.1 billion, related to asset-backed fixed maturities, is based on non-binding broker quotes. Fair values from all external sources are reviewed and evaluated by management, but none were adjusted.

Through June 30, 2009, subsidiaries of AIG managed the investments and performed investment recordkeeping and the above valuation services for TRH. Effective July 1, 2009, TRH employs third parties not affiliated with AIG to provide these services.

(i) Fixed Maturity and Equity Securities Available for Sale

TRH maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Whenever available, TRH obtains quoted prices in active markets for identical assets at the balance sheet date to measure at fair value fixed maturity and marketable equity securities in its available for sale portfolios. Market price data generally are obtained from exchange or dealer markets.

TRH estimates the fair value of fixed maturity securities not traded in active markets by referring to traded securities with similar attributes, using dealer quotations and matrix pricing methodologies, discounted cash flow analyses or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, prepayment rates and other relevant factors. For fixed maturity securities that are not traded in active markets or that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Fair values for fixed maturity securities based on observable market prices for identical or similar instruments implicitly include counterparty credit risk. Fair values for fixed maturity securities based on internal models incorporate counterparty credit risk by using discount rates that take into consideration cash issuance spreads for similar instruments or other observable information.

(ii) Certain Short-Term Investments and Cash Equivalents

Short-term investments and cash equivalents are carried at cost or amortized cost, which approximates fair value, and principally include money market instruments and commercial paper. These instruments are typically not traded in active markets; however, their fair values are based on market observable inputs.

(iii) Fair Value Hierarchy and Level 3 Assets

Under Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), assets recorded at fair value in the consolidated balance sheet are classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the market place used to measure the fair value. (See Note 3 of Notes to Condensed Consolidated Financial Statements for additional information about fair value measurements.)

The valuation of Level 3 assets requires the greatest degree of judgment, as these measurements may be made under circumstances in which there is little, if any, market activity for the asset. At June 30, 2009, TRH classified \$163.0 million of assets measured at fair value on a recurring basis as Level 3. This represented 1.7% of total assets measured at fair value on a recurring basis. Level 3 fair value measurements are based on valuation techniques that use at least one significant input that is unobservable. TRH's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

In making the assessment, TRH considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

TRH values its assets classified as Level 3 using judgment and valuation models or other pricing techniques that require a variety of inputs including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs, some of which may be unobservable. The following paragraphs describe the methods TRH uses to measure on a recurring basis the fair value of the most significant types of assets classified as Level 3.

- Certain residential mortgage-backed securities (“RMBS”) and commercial mortgage-backed securities (“CMBS”): These assets initially are valued at the transaction price. Subsequently, they may be valued by comparison to transactions in instruments with similar collateral and risk profiles, remittances received and updated cumulative loss data on underlying obligations, discounted cash flow techniques and/or option adjusted spread analyses.
- Certain other asset-backed securities—non-mortgage: These assets initially are valued at the transaction price. Subsequently, they may be valued based on external price/spread data. When position-specific external price data are not observable, the valuation is based on prices of comparable securities.
- Other invested assets: Fair values for other invested assets, principally direct equity investments and hedge funds, are initially valued at the transaction price. Subsequently, fair value is based on the net asset value or financial statement information of the investee.

(c) Other-Than-Temporary Impairments of Investments

TRH evaluates its investments for other-than-temporary impairments in valuation. TRH evaluates its investments for other-than-temporary impairment such that a security is considered a candidate for other-than-temporary impairment if it meets any of the following criteria:

- Trading at a significant (25% or more) discount to par, amortized cost (if lower) or cost for an extended period of time (nine consecutive months or longer);
- The occurrence of a discrete credit event resulting in (1) the issuer defaulting on a material outstanding obligation; (2) the issuer seeking protection from creditors under the bankruptcy laws or any similar laws intended for court supervised reorganization of insolvent enterprises; or (3) the issuer proposing a voluntary reorganization pursuant to which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than the par value of their claims; or
- TRH may not realize a full recovery on its investment, regardless of the occurrence of one or more of the foregoing events.

The determination that a security has incurred an other-than-temporary impairment in value requires the judgment of management and consideration of the fundamental condition of the issuer, its near-term prospects and all the relevant facts and circumstances. The above criteria also consider circumstances of a rapid and severe market valuation decline, such as that experienced in current credit markets, in which TRH could not reasonably assert that the recovery period would be temporary (severity losses).

Other-than-temporary impairments for all investments other than fixed maturities are recognized through earnings as a realized capital loss. Following the adoption of Financial Accounting Standards Board (“FASB”) Staff Position (“FSP”) No. FAS 115-2 and 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP 115-2”), at each balance sheet date, TRH recognizes an other-than-temporary impairment on a fixed maturity in an unrealized loss position if (1) TRH intends to sell the security; (2) it is more likely than not TRH will be required to sell the security prior to an anticipated recovery in fair value, in order to meet a liquidity, regulatory or other business need; or (3) TRH determines it will not recover the entire amortized cost basis of the security.

If TRH intends to sell an impaired fixed maturity, or if it is more likely than not it will have to be sold, the total amount of the unrealized loss position is recognized in earnings as a realized capital loss. On a quarterly basis, TRH develops for fixed maturities, a best estimate of the present value of expected cash flows on a security by security basis. TRH recognizes an other-than-temporary impairment equal to the difference between the present value of expected cash flows and the amortized cost basis of the security, if the results of the cash flow analysis indicates TRH will not recover the full amount of its amortized cost basis in the investment. This amount is the credit component of the other-than-temporary impairment and is recorded in earnings as a realized capital loss. The difference between the total unrealized loss position on the security and the other-than-temporary impairment amount recognized in earnings is non-credit related and is recorded in other comprehensive income as “net unrealized holding losses of fixed maturities on which other-than-temporary impairments were taken”.

If a loss is recognized from a sale subsequent to a balance sheet date pursuant to changes in circumstances, the loss is recognized in the period in which the intent to hold the security to recovery no longer existed.

In periods subsequent to the recognition of an other-than-temporary impairment write-down of fixed maturity securities, which are not credit or foreign exchange related, TRH generally accretes into income the discount or amortizes the reduced premium resulting from the reduction in cost basis over the remaining life of the security.

(d) Premium Revenues

Management must make certain judgments in the determination of premiums written and earned by TRH. For pro rata treaty contracts, premiums written and earned are based on reports received from ceding companies. For excess-of-loss treaty contracts, premiums are generally recorded as written based on contract terms and are earned ratably over the terms of the related coverages provided. In recent years, treaty contracts have generated approximately 97% of TRH's premium revenues. Unearned premiums and prepaid reinsurance premiums represent the portion of gross premiums written and ceded premiums written, respectively, relating to the unexpired terms of such coverages. The relationship between net premiums written and net premiums earned will, therefore, vary depending generally on the volume and inception dates of the business assumed and ceded and the mix of such business between pro rata and excess-of-loss reinsurance.

Premiums written and earned, along with related costs, for which data has not been reported by the ceding companies, are estimated based on historical patterns and other relevant information. Such estimates of premiums earned are considered when establishing the reserve for loss and LAE IBNR. The differences between these estimates and the actual data subsequently reported, which may be material as a result of the diversity of cedants and reporting practices and the inherent difficulty in estimating premium inflows, among other factors, are recorded in the period when the actual data become available and may materially affect results of operations. In the Consolidated Statements of Operations, premiums written and earned and the change in unearned premiums are presented net of reinsurance ceded.

TRH has provided no allowance for bad debts relating to the premium estimates based on its historical experience, the general profile of its cedants and the ability TRH has in most cases to significantly offset these premium receivables with losses and LAE or other amounts payable to the same parties.

(e) Deferred Acquisition Costs

Acquisition costs, consisting primarily of net commissions incurred on business conducted through reinsurance contracts or certificates, are deferred and then amortized over the period in which the related premiums are earned, generally one year. The evaluation of recoverability of acquisition costs to be deferred considers the expected profitability of the underlying treaties and facultative certificates, which may vary materially from actual results. If the actual profitability varies from the expected profitability, the impact of such differences is recorded, as appropriate, when actual results become known and may have a material effect on results of operations.

Operational Review

Results of Operations

TRH derives its revenue from two principal sources: premiums from reinsurance assumed net of reinsurance ceded (*i.e.*, net premiums earned) and income from investments. The following table shows net premiums written, net premiums earned, net investment income, realized net capital losses, gain on early extinguishment of debt and total revenues of TRH for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	Change	2009	2008	Change
(dollars in millions)						
Net premiums written	\$ 1,006.3	\$ 988.5	1.8%	\$ 2,053.4	\$ 2,024.1	1.4%
Net premiums earned	1,028.3	1,022.7	0.5	2,004.8	2,039.9	(1.7)
Net investment income	111.2	120.5	(7.7)	221.0	237.7	(7.0)
Realized net capital losses	(25.5)	(59.9)	—	(86.1)	(74.9)	—
Gain on early extinguishment of debt	—	—	—	9.9	—	—
Total revenues	1,114.0	1,083.3	2.8	2,149.6	2,202.7	(2.4)

Net premiums written in the second quarter and first six months of 2009 increased compared to the same prior year periods as increases in Domestic operations were largely offset by decreases in international operations. The decrease in international net premiums written is due largely to changes in foreign currency exchange rates compared to the U.S. dollar, but also reflects TRH's nonrenewal of certain pro rata business that did not meet TRH's underwriting standards. In general, premium fluctuations reflect prevailing market conditions and strategic decisions by TRH's management in recent periods as discussed earlier in **MD&A**.

On a worldwide basis, casualty lines business represented 71.5% of net premiums written in the first six months of 2009 versus 70.2% in the same 2008 period. The balance represented property lines. Treaty business represented 96.9% of net premiums written in each of the first six months of 2009 and 2008. The balance represented facultative accounts.

The following table summarizes the net effect of changes in foreign currency exchange rates compared to the U.S. dollar on the percentage change in net premiums written in the second quarter and first six months of 2009 compared to the same 2008 period:

	Three Months Ended June 30,	Six Months Ended June 30,
Increase excluding foreign exchange	6.5%	7.6%
Foreign exchange effect	(4.7)	(6.2)
Increase as reported in U.S. dollars	1.8%	1.4%

Domestic net premiums written increased in the second quarter of 2009 by \$55.5 million, or 12.2%, from the second quarter of 2008 to \$510.7 million. Significant increases in Domestic net premiums written were recorded in the other liability (\$27.9 million, principally related to specialty casualty) and A&H (\$15.8 million) lines. Domestic net premiums written for the first six months of 2009 totaled \$1,095.1 million, an increase of \$91.8 million, or 9.1% from the first half of 2008. Significant increases in Domestic net premiums written were recorded in the A&H (\$39.2 million), property (\$30.5 million) and other liability (\$30.4 million, principally related to specialty casualty) lines.

International net premiums written decreased in the second quarter of 2009 by \$37.7 million, or 7.1%, from the second quarter of 2008 to \$495.6 million. Significant decreases in net premiums written occurred in the Paris (\$36.5 million) and London (\$20.5 million) branches. International net premiums written decreased significantly in the property (\$19.6 million), auto liability (\$13.9 million) and ocean marine and aviation (\$11.0 million) lines, partially offset by a significant increase in the other liability (\$11.6 million) line. International net premiums written decreased in the first six months of 2009 by \$62.4 million, or 6.1%, over the first six months of 2008 to \$958.4 million. The most significant decreases in net premiums written occurred in the Paris (\$65.8 million) and London (\$46.9 million) branches, partially offset by significant increases in TRZ (\$28.5 million) and the Miami branch (\$23.0 million). International net premiums written decreased significantly in the property (\$47.6 million), auto liability (\$24.2 million) and ocean marine and aviation (\$21.9 million) lines, partially offset by a significant increase in the A&H (\$25.1 million) line. The decrease in international net premiums written in the second quarter and first six months of 2009 was due largely to changes in foreign currency exchange rates between the U.S. dollar and the currencies in which TRH writes premiums. Changes in foreign currency exchange rates decreased 2009 international net premiums written by \$45.2 million and \$121.8 million in the second quarter and first six months, respectively, from the comparable prior year period. International net premiums written represented 46.7% of total net premiums written in the first six months of 2009 compared to 50.4% in the comparable 2008 period.

Generally, the reasons for changes in gross premiums written between periods are similar to those for net premiums written, except for changes in premiums assumed from a subsidiary of AIG that, by prearrangement, were ceded in an equal amount to other subsidiaries of AIG. As further discussed in Note 7 and Note 10, TRH transacts business assumed and ceded with subsidiaries of AIG and either accepts or rejects the proposed transactions with such companies based on its assessment of risk selection, pricing, terms and conditions, among other factors.

As premiums written are primarily earned ratably over the terms of the related coverage, the reasons for changes in net premiums earned are generally similar to the reasons for changes in net premiums written over time.

Net investment income in the second quarter and first six months of 2009 decreased compared to the same prior year period principally due to the impact of changes in foreign currency exchange rates compared to the U.S. dollar and a decrease in investment income from other invested assets. Changes in foreign currency exchange rates between the U.S. dollar and the currencies in which investments are denominated decreased net investment income in the second quarter and first six months of 2009 compared to the same 2008 period by \$4.3 million and \$11.0 million, respectively, principally related to fixed maturities. See Note 4(d) for the components of net investment income.

In 2008, TRH participated in a securities lending program (the "Securities Lending Program") managed by a subsidiary of AIG, whereby certain securities from its portfolio were loaned to third parties. Under such program, TRH loaned securities to counterparties and received collateral, generally cash, which was invested to earn a spread. In the fourth quarter of 2008, TRH terminated its participation in the Securities Lending Program. See TRH's Annual Report on Form 10-K for the year ended December 31, 2008 (the "2008 10-K") for further discussion of TRH's participation in the Securities Lending Program.

The financial impact on net investment income (*i.e.*, income earned on securities lending invested collateral, net of interest payable to the collateral provider) in the second quarter and first six months of 2008 of the Securities Lending Program was insignificant.

The pre-tax effective yield on investments for the second quarter and first six months of 2009 was 4.0% and 4.1%, respectively, and for each of the second quarter and first six months of 2008 was 3.8%. The pre-tax effective yield on investments represents annualized net investment income divided by the average balance sheet carrying value of investments and interest-bearing cash for such periods. The increase in the pre-tax effective yield on investments for the three and six month periods ended June 30, 2009 compared to the same 2008 periods is due largely to the discontinuation of the Securities Lending Program at the end of 2008, partially offset by a decrease in investment income from alternative investments. Investment returns from securities lending investing collateral served to negatively impact the yield in the second quarter and first six months of 2008 by 0.6% as the net return from the invested collateral is very small in relation to the balance sheet carrying amount because investment income earned from invested collateral is reduced by interest payable to the collateral provider.

Realized net capital (losses) gains generally result from 1) investment dispositions, which reflect TRH's investment and tax planning strategies to maximize after-tax income; 2) other-than-temporary impairment of investments; and 3) foreign currency transaction gains (losses). See Note 4 of Notes to Condensed Consolidated Financial Statements ("Note 4") for a breakdown of the components of realized net capital losses.

The other-than-temporary impairment write-downs recorded in the second quarter and first six months of 2009 resulted in large part from the continued depressed fair values of certain securities and issuer specific credit events. The other-than-temporary impairment write-downs recorded in the second quarter and first six months of 2008 were principally due to the severity of the decline in fair value and generally resulted from the downturn in the U.S. economy and disruption of the credit markets. Upon the ultimate disposition of securities for which write-downs have been recorded, a portion of the write-downs may be recoverable depending on market conditions at the time of disposition. (See **Critical Accounting Estimates** for the criteria used in the determination of such write-downs.)

Other-than-temporary impairment write-downs by balance sheet category at the time of impairment and type of impairment recorded for the periods indicated are presented in the table below:

	Severity and/or Duration	Lack of Intent to Hold to Recovery	Issuer- Specific Credit Events	Total
	(in millions)			
Three months ended June 30, 2009:				
Fixed maturities	\$ —	\$ —	\$ (8.0)	\$ (8.0)
Equities	(12.3)	—	—	(12.3)
	<u>(12.3)</u>	<u>—</u>	<u>(8.0)</u>	<u>(20.3)</u>
Total other-than-temporary impairments included in the Statement of Operations	(12.3)	—	(8.0)	(20.3)
Fixed maturities included in the Statement of Comprehensive Income (Loss)	—	—	(0.5)	(0.5)
	<u>—</u>	<u>—</u>	<u>(0.5)</u>	<u>(0.5)</u>
Total other-than-temporary impairments	\$ (12.3)	\$ —	\$ (8.5)	\$ (20.8)
	<u>(12.3)</u>	<u>—</u>	<u>(8.5)</u>	<u>(20.8)</u>
Three months ended June 30, 2008:				
Fixed maturities	\$ —	\$ —	\$ —	\$ —
Equities	(4.9)	—	(0.1)	(5.0)
Securities lending invested collateral	(63.8)	—	—	(63.8)
	<u>(68.7)</u>	<u>—</u>	<u>(0.1)</u>	<u>(68.8)</u>
Total other-than-temporary impairments included in the Statement of Operations	(68.7)	—	(0.1)	(68.8)
Fixed maturities included in the Statement of Comprehensive Income (Loss)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other-than-temporary impairments	\$ (68.7)	\$ —	\$ (0.1)	\$ (68.8)
	<u>(68.7)</u>	<u>—</u>	<u>(0.1)</u>	<u>(68.8)</u>
Six months ended June 30, 2009:				
Fixed maturities	\$ (14.7)	\$ (6.0)	\$ (8.0)	\$ (28.7)
Equities	(29.1)	(4.4)	(3.5)	(37.0)
	<u>(43.8)</u>	<u>(10.4)</u>	<u>(11.5)</u>	<u>(65.7)</u>
Total other-than-temporary impairments included in the Statement of Operations	(43.8)	(10.4)	(11.5)	(65.7)
Fixed maturities included in the Statement of Comprehensive Income (Loss)	—	—	(0.5)	(0.5)
	<u>—</u>	<u>—</u>	<u>(0.5)</u>	<u>(0.5)</u>
Total other-than-temporary impairments	\$ (43.8)	\$ (10.4)	\$ (12.0)	\$ (66.2)
	<u>(43.8)</u>	<u>(10.4)</u>	<u>(12.0)</u>	<u>(66.2)</u>
Six months ended June 30, 2008:				
Fixed maturities	\$ —	\$ —	\$ —	\$ —
Equities	(13.7)	(0.6)	(0.1)	(14.4)
Securities lending invested collateral	(63.8)	—	—	(63.8)
	<u>(77.5)</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>(78.2)</u>
Total other-than-temporary impairments included in the Statement of Operations	(77.5)	(0.6)	(0.1)	(78.2)
Fixed maturities included in the Statement of Comprehensive Income (Loss)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other-than-temporary impairments	\$ (77.5)	\$ (0.6)	\$ (0.1)	\$ (78.2)
	<u>(77.5)</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>(78.2)</u>

In the first quarter of 2009, TRH repurchased \$26 million principal amount of its 5.75% senior notes due in 2015 (the “Senior Notes”) from non-related parties for \$16 million. The first six months of 2009 reflects a gain of \$10 million from this early extinguishment of debt.

The property and casualty insurance and reinsurance industries use the combined ratio as a measure of underwriting profitability. The combined ratio reflects only underwriting results and does not include income from investments. Generally, a combined ratio under 100% indicates an underwriting profit and a combined ratio exceeding 100% indicates an underwriting loss. Underwriting profitability is subject to significant fluctuations due to competition, natural and man-made catastrophic events, economic and social conditions, foreign currency exchange rate fluctuations, interest rates and other factors. The loss ratio represents net losses and LAE incurred expressed as a percentage of net premiums earned. The underwriting expense ratio represents the sum of net commissions and other underwriting expenses expressed as a percentage of net premiums written. The combined ratio represents the sum of the loss ratio and the underwriting expense ratio.

The following table presents loss ratios, underwriting expense ratios and combined ratios for consolidated TRH, and separately for its domestic and international components, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Consolidated:				
Loss ratio	66.5%	66.5%	67.5%	66.5%
Underwriting expense ratio	27.1	27.8	26.8	27.7
Combined ratio	93.6	94.3	94.3	94.2
Domestic:				
Loss ratio	62.4%	73.2%	65.6%	73.2%
Underwriting expense ratio	27.2	26.5	27.0	26.8
Combined ratio	89.6	99.7	92.6	100.0
International - Europe:				
Loss ratio	78.9%	65.1%	75.9%	64.0%
Underwriting expense ratio	25.2	27.4	25.6	26.6
Combined ratio	104.1	92.5	101.5	90.6
International - Other:				
Loss ratio	48.9%	44.6%	50.7%	47.9%
Underwriting expense ratio	31.9	33.5	29.1	35.9
Combined ratio	80.8	78.1	79.8	83.8

The higher loss ratio for consolidated TRH in the first six months of 2009 compared to the same 2008 period reflects a higher loss ratio from International-Europe operations partially offset by lower loss ratios from the Domestic and International-Other operations.

Pre-tax net catastrophe costs were immaterial in the second quarter and first six months of 2009 and 2008. While TRH believes that it has taken appropriate steps to manage its exposure to possible future catastrophe losses, the occurrence of one or more natural or man-made catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses could have a material adverse effect on TRH's results of operations, liquidity or financial condition. Current techniques and models may not accurately predict the probability of catastrophic events in the future and the extent of the resulting losses. Moreover, one or more catastrophe losses could weaken TRH's retrocessionnaires and result in an inability of TRH to collect reinsurance recoverables.

Net losses and LAE incurred for the second quarter and first six months of 2009 include estimated net (favorable) development relating to losses occurring in all prior years which approximated (\$5) million and (\$7) million, respectively. The net favorable loss reserve development for the first six months of 2009 was comprised of approximately \$45 million of favorable development principally relating to losses occurring in 2008, offset by \$38 million of adverse development relating to losses occurring in 2002 and prior. Adverse loss reserve development in 2002 and prior generally related to the other liability line, which includes certain specialty casualty classes, such as D&O and E&O, and general casualty classes. Favorable loss reserve development in 2008 generally related to the shorter tailed classes.

Net losses and LAE incurred for the second quarter and first six months of 2008 includes estimated net (favorable) adverse development relating to losses occurring in all prior years which approximated (\$2) million and \$1 million, respectively. The net adverse loss reserve development for the first six months of 2008 was comprised of approximately \$98 million of adverse development relating to losses occurring in 2002 and prior, offset largely by favorable development of approximately \$97 million relating primarily to losses occurring in 2005 through 2007. Significant estimated adverse loss reserve development was related to the other liability line, which includes certain specialty casualty classes, such as D&O and E&O, and general casualty classes. Significant estimated favorable loss reserve development in 2005 through 2007 generally related to the shorter tailed classes. Refer to the MD&A in the 2008 10-K for information regarding full year 2008 net favorable loss reserve development and the components thereof.

TRH writes a significant amount of non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess liability business for such volatile classes as medical malpractice, D&O, E&O and general casualty. At the primary level, there are significant risk factors which contribute to the variability and unpredictability of the loss trend factor for this business such as jury awards, social inflation, medical inflation, tort reforms and court interpretations of coverage. In addition, as a reinsurer, TRH is also highly dependent upon the claims reserving and reporting practices of its cedants, which vary greatly by size, specialization and country of origin and whose practices are subject to change without notice.

Based on information presently available, TRH's current loss reserves represent management's best estimate of ultimate losses, but there can be no assurance that TRH's loss reserves will not develop adversely due to, for example, the inherent volatility in loss trend factors and variability of reporting practices for those classes, among other factors, and materially exceed the carried loss reserve as of June 30, 2009 and thus, have a material adverse effect on future net income, financial condition and cash flows.

The underwriting expense ratio for consolidated TRH decreased in the second quarter and first six months of 2009 compared to the second quarter and first six months of 2008, respectively, due to a decrease in the commission expense component, related to International-Europe and International-Other operations.

Deferred acquisition costs vary as the components of net unearned premiums change and the deferral rate changes. Acquisition costs, consisting primarily of commissions incurred, are charged to earnings over the period in which the related premiums are earned.

Interest expense incurred and interest paid in connection with the Senior Notes in the second quarter and first six months of 2009 and 2008 is shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Interest expense incurred	\$ 9,933	\$ 10,858	\$ 20,295	\$ 21,716
Interest paid	20,110	21,563	20,110	21,563

General corporate expenses, certain stock-based compensation costs and expenses relating to Professional Risk Management Services, Inc. (“PRMS”) are the primary components of “other, net” expenses on the Consolidated Statement of Operations. PRMS is an insurance program manager specializing in professional liability insurance services.

Income before income taxes totaled \$137.6 million and \$106.9 million for the second quarter of 2009 and 2008, respectively, and totaled \$227.9 million and \$252.1 million for the first six months of 2009 and 2008, respectively. The increase in income before income taxes for the second quarter of 2009 compared to the same 2008 period is principally due to a decrease in realized net capital losses. The decrease in income before income taxes in the first six months of 2009 compared to the same 2008 period is principally due to decreases in net investment income and underwriting profit. The decrease in underwriting profit is due to increased loss experience in the International-Europe segment, partially offset by improved loss experience in the Domestic segment.

Federal and foreign income tax expense of \$25.3 million and \$17.1 million were recorded in the second quarter of 2009 and 2008, respectively. Federal and foreign income tax expense of \$40.4 million and \$46.7 million were recorded in the first six months of 2009 and 2008, respectively. The Company and its domestic subsidiaries (which include foreign operations) file consolidated federal income tax returns. The tax burden among the companies is allocated in accordance with a tax sharing agreement. TRC also includes as part of its taxable income or loss those items of income of the non-U.S. subsidiary, TRZ, which are subject to U.S. income tax currently, pursuant to Subpart F income rules of the Internal Revenue Code, and included, as appropriate, in the consolidated federal income tax return.

The effective tax rates, which represent income tax expense divided by income before income taxes, were 18.4% and 16.0% in the second quarter of 2009 and 2008, respectively, and were 17.7% and 18.5% in the first six months of 2009 and 2008, respectively. The effective tax rate in the first six months of 2009 was lower than in the comparable 2008 period due to tax exempt income representing a larger percentage of pretax income in 2009 compared to 2008.

Net income for the second quarter of 2009 was \$112.3 million, or \$1.68 per common share (diluted), compared to net income of \$89.7 million, or \$1.34 per common share (diluted), in the 2008 second quarter. Net income for the first six months of 2009 was \$187.5 million, or \$2.81 per common share (diluted), compared to \$205.4 million, or \$3.08 per common share (diluted) in the comparable 2008 period. Reasons for the changes between periods are as discussed earlier.

Segment Results

(a) Domestic:

Revenues increased in the second quarter of 2009 compared to the same 2008 period due to an increase in net premiums written, net of the change in unearned premiums, and a decrease in realized net capital losses. Revenues increased in the first six months of 2009 compared to the comparable 2008 period due to an increase in net premiums written, net of the change in unearned premiums. As discussed earlier in **Results of Operations**, net premiums written increased in the second quarter and first six months of 2009 compared to the same respective prior year periods.

Income before income taxes increased in the second quarter of 2009 compared to the same 2008 period primarily due to an increase in underwriting profit and a decrease in realized net capital losses. Income before income taxes increased in the first six months of 2009 compared to the same prior year period primarily due to an increase in underwriting profit. The increase in underwriting profit in the 2009 periods reflect a lower loss ratio.

Net catastrophe costs in the second quarter and first six months of 2009 and 2008 were insignificant.

(b) International – Europe (London and Paris branches and TRZ):

Revenues decreased in the second quarter of 2009 compared with the same 2008 quarter due to decreases in net premiums written, net of the change in unearned premiums, and net investment income, partially offset by an increase in realized net capital gains (losses). The decrease in revenues and net premiums written emanated from the London and Paris branches. The decrease in net premiums written related largely to the property and auto liability lines, offset in part by a significant increase in the other liability line. The overall decrease in net premiums written in the second quarter of 2009 was largely due to a decrease of \$35.7 million resulting from changes in foreign currency exchange rates between the U.S. dollar and the currencies in which premiums were written in the 2009 period as compared to the same prior year period. In addition, the decrease in net premiums written also reflects TRH's nonrenewal of certain pro rata business that did not meet TRH's underwriting standards. The decrease in net investment income in the second quarter of 2009 is due in large part to changes in foreign currency exchange rates between the U.S. dollar and certain foreign currencies.

Revenues for the first six months of 2009 decreased compared to the same 2008 period due largely to decreases in net premiums written, net of the change in unearned premiums, and net investment income. The decrease in revenues and net premiums written emanated from the London and Paris branches. The decrease in net premiums written related largely to the property, auto liability and ocean marine and aviation lines, offset in part by significant increase in the A&H line. The overall decrease in net premiums written in the first six month of 2009 was largely due to a decrease of \$93.6 million resulting from changes in foreign currency exchange rates between the U.S. dollar and the currencies in which premiums were written in the 2009 period as compared to the same prior year period. In addition, the decrease in net premiums written also reflects TRH's nonrenewal of certain pro rata business that did not meet TRH's underwriting standards. The decrease in net investment income in the first six months of 2009 is due in large part to changes in foreign currency exchange rates between the U.S. dollar and certain foreign currencies.

Income before income taxes in the second quarter and first six months of 2009 decreased compared to the same 2008 periods due primarily to a decrease in underwriting profit and to a lesser extent a decrease in net investment income. The decrease in underwriting profit reflects a higher loss ratio in the 2009 periods.

Net catastrophe costs in the second quarter and first six months of 2009 and 2008 were insignificant.

(c) International – Other (Miami (serving Latin America and the Caribbean), Toronto, Hong Kong and Tokyo branches):

Revenues for the second quarter of 2009 increased compared to the second quarter of 2008 due largely to an increase in net premiums written, net of the change in unearned premiums. The increase in revenues was due to the Miami and Tokyo branches. The increase in net premiums written is due to relatively small increases spread across several lines. Revenues for the first six months of 2009 decreased compared to the same 2008 period due primarily to a decrease in net premiums earned. In addition, net premiums written in the first six months of 2009 increased over the first six months of 2008 due to relatively small increases spread across several lines, with the Miami branch accounting for most of the increase. Changes in foreign currency exchange rates between the U.S. dollar and the currencies in which premiums were written decreased net premiums written by \$9.6 million and \$28.2 million in the second quarter and first six months of 2009 compared to the same 2008 period.

Income before income taxes increased in the second quarter and first six months of 2009 compared to the same 2008 period primarily due to an increase in underwriting profit in the Tokyo and Hong Kong branches.

Net catastrophe costs in the second quarter and first six months of 2009 and 2008 were insignificant.

Financial Condition and Liquidity

As a holding company, the Company's assets consist primarily of the stock of its subsidiaries. The Company's liabilities consist primarily of the Senior Notes and related interest payable. The Company's future cash flows depend on the availability of dividends or other statutorily permissible payments from TRC and its wholly-owned operating subsidiaries, TRZ and Putnam. TRH considers TRC's ability to pay dividends to the Company to be adequate for the Company's liquidity needs through the end of 2009 and thereafter for a period the length of which is difficult to predict, but which TRH believes will be at least one year. In the second quarter of 2009 and 2008, the Company received cash dividends from TRC of \$35.0 million and \$30.0 million, respectively. For the first six months of 2009 and 2008, the Company received cash dividends from TRC of \$57.0 million and \$40.0 million. The Company uses cash primarily to pay interest to the holders of the Senior Notes, dividends to its common stockholders and, to a lesser extent, operating expenses. In the first six months of 2009, the Company used cash to repurchase a portion of the Senior Notes.

Sources of funds for the operating subsidiaries consisted primarily of premiums, reinsurance recoveries, investment income and proceeds from sales, redemptions and the maturing of investments. Funds are applied by the operating subsidiaries primarily to payments of claims, commissions, ceded reinsurance premiums, insurance operating expenses, income taxes, securities lending payables through the end of 2008 and the purchase of investments. Premiums are generally received substantially in advance of related claims payments. Cash and cash equivalents are maintained for the payment of claims and expenses as they become due. TRH does not anticipate any material capital expenditures in the foreseeable future.

While the expected payout pattern of liabilities is considered in the investment management process, it is not the only factor considered as TRH has historically funded its claims payments from current operating cash flows. As a result of such funding history, TRH has not historically maintained a credit facility. TRH's primary investment goal is to maximize after-tax income through a high quality diversified taxable fixed maturity and tax-exempt municipal fixed maturity portfolio, while maintaining an adequate level of liquidity. See discussion later in this section of the potential liquidity strain that could arise as a result of significant acceleration of paid losses beyond TRH's ability to fund such cash needs.

At June 30, 2009, total investments were \$10.96 billion compared to \$10.23 billion at December 31, 2008. The increase was caused in large part by a reduction of net unrealized depreciation of investments which increased investments by \$313.7 million (see discussion of the change in unrealized depreciation of investments, net of tax, below) and \$422.1 million of net purchases of investments, offset in part by \$65.8 million of other-than-temporary impairment write-downs recognized through income. In addition, the impact of foreign currency exchange rate changes between the U.S. dollar and certain currencies in which investments are denominated increased total investments by approximately \$120 million.

The following table summarizes the investments of TRH (on the basis of carrying value) as of June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
	Amount	Percent	Amount	Percent
(dollars in thousands)				
Fixed maturities:				
Held to maturity (at amortized cost):				
States, municipalities and political subdivisions	\$ 1,216,442	11.1%	\$ 1,218,603	11.9%
Available for sale (at fair value):				
Corporate	2,174,468	19.8	2,094,029	20.5
U.S. Government and government agencies	27,900	0.3	45,198	0.4
Foreign government	255,695	2.3	280,598	2.8
States, municipalities and political subdivisions	5,709,514	52.1	5,149,093	50.3
Asset-backed securities:				
RMBS	262,849	2.4	291,311	2.8
CMBS	123,390	1.1	115,505	1.1
Other asset-backed	104,717	1.0	37,337	0.4
Total available for sale	8,658,533	79.0	8,013,071	78.3
Total fixed maturities	9,874,975	90.1	9,231,674	90.2
Equities available for sale:				
Common stocks	450,993	4.1	425,645	4.2
Nonredeemable preferred stocks	47,574	0.4	98,230	0.9
Total equities	498,567	4.5	523,875	5.1
Other invested assets	259,696	2.4	243,795	2.4
Short-term investments	331,374	3.0	230,213	2.3
Total investments	\$ 10,964,612	100.0%	\$ 10,229,557	100.0%

TRH's fixed maturities classified as held to maturity and available for sale are predominantly investment grade, liquid securities, approximately 44.0% and 44.5% of which will mature in less than 10 years as of June 30, 2009 and December 31, 2008, respectively. The average duration of the fixed maturities portfolio was 6.0 years as of June 30, 2009 and December 31, 2008. Activity within the fixed maturities available for sale portfolio for the periods under discussion includes strategic portfolio realignments to maximize after-tax income. TRH adjusts its mix of taxable and tax-exempt investments, as appropriate, generally as a result of strategic investment and tax planning considerations. With respect to the fixed maturities which are classified as held to maturity and carried at amortized cost, TRH has the positive intent and ability to hold each of these securities to maturity.

The following table summarizes the ratings of fixed maturities held to maturity and available for sale:

	As of June 30, 2009 (1)					
	AAA	AA	A	BBB	Below BBB or Not Rated (2)	Total
	(dollars in millions)					
Held to maturity:						
States, municipalities and political subdivisions (3)	\$ 592	\$ 481	\$ 121	\$ 22	\$ —	\$ 1,216
Available for sale:						
Corporate	272	853	982	57	10	2,174
U.S. Government and government agencies	28	—	—	—	—	28
Foreign government	95	130	31	—	—	256
States, municipalities and political subdivisions (3)	2,470	2,714	512	—	14	5,710
Asset-backed securities:						
RMBS	225	9	—	—	29	263
CMBS	102	—	9	11	1	123
Other asset-backed	92	—	—	13	—	105
Total available for sale	3,284	3,706	1,534	81	54	8,659
Total fixed maturities	\$ 3,876	\$ 4,187	\$ 1,655	\$ 103	\$ 54	\$ 9,875
Percent of total fixed maturities	39.3%	42.4%	16.8%	1.0%	0.5%	100.0%

(1) Principally Standard & Poor's ratings.
(2) Consists of \$19 million of BB rated securities, \$15 million of B rated securities, \$7 million of CCC rated securities and \$13 million of not-rated securities.
(3) Includes insured municipal bonds with ratings as follows:

	AAA	AA	A	BBB	Below BBB or Not Rated	Total
Insured rating	\$ 1,206	\$ 1,357	\$ 475	\$ 32	\$ —	\$ 3,070
Underlying rating	284	2,003	722	43	18	3,070

At June 30, 2009, the amortized cost of CMBS, RMBS and other asset-backed securities included in fixed maturities available for sale by year of vintage and credit rating are as follows:

	Year of Vintage															
	2009	2008	2007	2006	2005	2004	Prior	Total								
	(in millions)															
RMBS:																
AAA	\$	—	\$	—	\$	132	\$	41	\$	27	\$	23	\$	2	\$	225
AA		—		—		5		3		1		—		—		9
Below BBB		—		—		14		8		7		—		—		29
CMBS:																
AAA		—		—		11		54		7		28		2		102
A		—		—		—		—		—		—		8		8
BBB		—		—		—		3		—		—		8		11
Below BBB		—		—		—		2		—		—		—		2
Other asset-backed:																
AAA		12		53		5		3		3		16		—		92
BBB		—		—		—		9		—		4		—		13
Total asset-backed	\$	12	\$	53	\$	167	\$	123	\$	45	\$	71	\$	20	\$	491

Gross unrealized gains and losses and net unrealized losses on all fixed maturities and equities at June 30, 2009 and December 31, 2008 were as follows:

	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Net Unrealized (Losses) Gains</u>
	(in millions)		
As of June 30, 2009:			
Fixed maturities (including held to maturity and carried at amortized cost) (1)	\$ 222.1	\$ (381.5)	\$ (159.4)
Equities available for sale	48.8	(27.8)	21.0
As of December 31, 2008:			
Fixed maturities (including held to maturity and carried at amortized cost) (1)	\$ 178.1	\$ (468.0)	\$ (289.9)
Equities available for sale	22.9	(81.5)	(58.6)

(1) At June 30, 2009, includes insignificant gross unrealized gains and gross unrealized losses of (\$38.4) million on fixed maturities rated below BBB and gross unrealized gains of \$0.4 million and no gross unrealized losses on fixed maturities which are not-rated. At December 31, 2008, includes gross unrealized gains of \$0.2 million and gross unrealized losses of (\$1.0) million on fixed maturities rated below BBB. The vast majority of the increase in gross unrealized losses on fixed maturities rated below BBB at June 30, 2009 compared to December 31, 2008 is related to the reclassification of other-than-temporary impairment losses pursuant to the adoption of FSP 115-2 on April 1, 2009.

In general, the decrease in net unrealized losses as of June 30, 2009 as compared to December 31, 2008 is largely due to net unrealized appreciation of state, municipality and political subdivision securities, partially offset by \$139.8 million related to the reclassification of other-than-temporary impairment losses, previously charged to earnings, to accumulated other comprehensive loss on April 1, 2009 due to the adoption of FSP 115-2. (See Note 4 for additional details about gross unrealized gains and losses on fixed maturities and equities.)

Generally, reserve changes result from the setting of reserves on current accident year business, the adjustment of prior accident year reserves based on new information (*i.e.*, reserve development), payments of losses and LAE for which reserves were previously established and the impact of changes in foreign currency exchange rates.

At June 30, 2009, gross loss reserves totaled \$8.42 billion, an increase of \$299.9 million, or 3.7%, over December 31, 2008. The increase in gross loss reserves includes the impact of changes in foreign currency exchange rates since the end of 2008 and gross loss reserve development.

Gross loss reserves as of June 30, 2009 consisted of \$3.76 billion of reported amounts (“case reserves”) and \$4.66 billion of IBNR amounts. Gross loss reserves represent the accumulation of estimates for losses occurring on or prior to the balance sheet date. Gross case reserves are principally based on reports and individual case estimates received from ceding companies. The IBNR portion of gross loss reserves is based on past experience and other factors. The methods used to determine such estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments are reflected in income currently.

At June 30, 2009, reinsurance recoverable on gross loss reserves totaled \$776.5 million (a component of reinsurance recoverable on paid and unpaid losses on the Consolidated Balance Sheet, which is net of an allowance for uncollectible reinsurance recoverable of approximately \$12 million), an increase of \$13.1 million, or 1.7%, from the prior year-end.

Net loss reserves totaled \$7.64 billion at June 30, 2009, an increase of \$286.8 million, or 3.9%, from the prior year-end. The overall increase in net loss reserves was due in part to the exchange rate impact of the changes in certain foreign currency exchange rates against the U.S. dollar in the first six months of 2009. The second quarter and first six months of 2009 include paid losses and LAE, net of reinsurance recovered, relating to net catastrophe losses of approximately \$34 million and \$62 million, respectively, relating to events occurring in 2008, 2007 and 2005. The second quarter and first six months of 2008 include paid losses and LAE, net of reinsurance recovered, relating to catastrophe losses of approximately \$14 million and \$40 million, respectively, relating to events occurring in 2007 and 2005.

An analysis of the change in net loss reserves for the first six months of 2009 and 2008 follows:

	Six Months Ended June 30,	
	2009	2008
	(in millions)	
At beginning of year:		
Gross loss reserves	\$ 8,124.5	\$ 7,926.3
Less reinsurance recoverable	(775.4)	(1,026.6)
Net loss reserves	7,349.1	6,899.7
Net losses and LAE incurred in respect of losses occurring in:		
Current year	1,360.6	1,355.0
Prior years	(7.0)	1.1
Total	1,353.6	1,356.1
Net losses and LAE paid	1,228.1	991.7
Foreign exchange effect	161.3	52.5
At end of period:		
Net loss reserves	7,635.9	7,316.6
Plus reinsurance recoverable	788.5	928.1
Gross loss reserves	\$ 8,424.4	\$ 8,244.7

Net loss reserves include amounts for risks relating to environmental impairment and asbestos-related illnesses. As TRC, the major operating subsidiary of the Company, commenced operations in 1978, the great majority of TRH's environmental and asbestos-related net loss reserves arose from contracts entered into after 1985 that were underwritten specifically as environmental or asbestos-related coverages rather than as standard general liability coverages, where the environmental or asbestos-related liabilities were neither clearly defined nor specifically excluded. The reserves carried for these claims, including IBNR reserves, are based upon known facts and current law. However, significant uncertainty exists in determining the amount of ultimate liability for environmental impairment and asbestos-related losses, particularly for those occurring in 1985 and prior. This uncertainty is due to inconsistent court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other things.

Because the reserving process is inherently difficult and subjective, actual losses may materially differ from reserves and related reinsurance recoverables reflected in TRH's consolidated financial statements, and, accordingly, may have a material effect on future results of operations, financial condition and cash flows. And while there is also the possibility of changes in statutes, laws, regulations and other factors that could have a material effect on these liabilities and, accordingly, the financial statement elements cited immediately above, TRH believes that its loss reserves carried at June 30, 2009 are adequate.

See **Critical Accounting Estimates** for a discussion of the significant assumptions and factors considered in the reserve setting process.

In the ordinary course of business, TRH is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine TRH's rights and obligations under reinsurance agreements and other more general contracts. In some disputes, TRH seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, TRH is resisting attempts by others to enforce alleged rights. Such disputes are resolved through formal and informal means, including litigation, arbitration and mediation.

In all such matters, TRH believes that its positions are legally and commercially reasonable. TRH also regularly evaluates those positions, and where appropriate, establishes or adjusts loss reserves to reflect its evaluation. TRH's aggregate loss reserves take into account the possibility that TRH may not ultimately prevail in each and every disputed matter. TRH takes into consideration changes in judicial interpretation of legal liability and policy coverages, changes in claims handling practices and inflation. TRH considers not only monetary increases in the cost of what it reinsures, but also changes in societal factors that influence jury verdicts and case law, TRH's approach to claim resolution, and, in turn, claim costs. TRH believes its aggregate loss reserves reduce the potential that an adverse resolution of one or more of these matters, at any point in time, would have a material impact on TRH's financial condition or results of operations. However, there can be no assurance that adverse resolutions of such matters in any one period or in the aggregate will not result in a material adverse effect on TRH's results of operations or financial condition.

For the first six months of 2009, TRH's net operating cash inflows were \$475.8 million, a decrease of \$17.6 million from the same 2008 period. The decrease results, in part, from a decrease in cash received from underwriting activities and a decrease in investment income received, partially offset by a decrease in income taxes paid.

As significant losses from catastrophes occurring in prior years remain unpaid, TRH expects that payments relating to these events will negatively impact operating cash flows in the remaining quarters of 2009 and possibly thereafter.

If paid losses accelerated significantly beyond TRH's ability to fund such paid losses from current operating cash flows, TRH would be compelled to liquidate a portion of its investment portfolio and/or arrange for financing. Such events that may cause such a liquidity strain could be the result of several catastrophic events occurring in a relatively short period of time. Additional strain on liquidity could occur if the investments sold to fund such cash needs were sold in a depressed marketplace and/or reinsurance recoverable on paid losses became uncollectible.

Of total consolidated net operating cash inflows, \$149.3 million and \$181.2 million were derived from international operations in the first six months of 2009 and 2008, respectively. In each of these periods, the London branch was the most significant source of international net operating cash inflows.

Based on its history of consistently strong operating cash flows, the present composition of its investment portfolio (including present levels of cash, cash equivalents and liquid investment classes) and consideration of its cash needs, TRH considers its liquidity to be adequate through the end of 2009 and thereafter for a period the length of which is difficult to predict, but which TRH believes will be at least one year.

TRH's operations are exposed to market risk. Market risk is the risk of loss of fair value resulting from adverse fluctuations in interest rates, equity prices and foreign currency exchange rates. (See Part I – Item 3 for further discussion.)

TRH's stockholders' equity totaled \$3.55 billion at June 30, 2009, an increase of \$351.1 million from year-end 2008. The net increase consisted primarily of net income of \$187.5 million and other comprehensive income of \$190.7 million, partially offset by cash dividends declared of \$26.2 million.

The abovementioned other comprehensive income consisted of net unrealized appreciation of investments, net of income taxes, of \$203.9 million partially offset by net unrealized foreign currency translation loss from functional currencies, net of income taxes, of \$13.2 million. The net unrealized appreciation of investments, net of income taxes, is composed principally of a decrease of \$155.0 million in net unrealized depreciation of fixed maturities available for sale, principally from state, municipality and political subdivision fixed maturities, and an increase of \$51.7 million in net unrealized appreciation of equities available for sale. (See Note 4 for details of gross unrealized gains and losses by security type.)

Net unrealized appreciation (depreciation) of investments, net of income taxes, is subject to significant volatility resulting from changes in the fair value of fixed maturities available for sale, equities available for sale and other invested assets. Fair values may fluctuate due to changes in general economic and political conditions, market interest rates, prospects of investee companies and other factors.

The Company did not repurchase shares of its common stock in the first six months of 2009 and 2008.

Disruption in Global Credit and Financial Markets

In mid-2007, the U.S. residential mortgage market began to experience serious disruption due to credit quality deterioration in a significant portion of loans originated, particularly to non-prime and sub-prime borrowers; evolving changes in the regulatory environment; a residential housing market characterized by a slowing pace of transactions and declining prices; increased cost of borrowings for mortgage participants; a rising unemployment rate; increased delinquencies in non-mortgage consumer credit; and illiquid credit markets. In addition, the financial strength of certain bond insurers has been compromised to varying degrees by losses these entities experienced due in part to the coverage they provide for domestic RMBS. These conditions continued into 2009, expanding into the broader global credit markets and resulting in greater volatility, a steep decline in equity markets, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses in certain markets and the collapse of several prominent financial institutions.

These issues carry risk relating to certain lines of business TRH underwrites because disruption in the credit and financial markets may increase claim activity in lines such as D&O, E&O, credit, and to a limited extent mortgage guaranty business, among others. TRH also participates in the mortgage market through investments in mortgage-backed securities.

The operating results and financial condition of TRH have been and may continue to be adversely affected by factors related to the market disruptions referred to above, among others. The duration and severity of the downward cycle could extend further as a result of the severity of the economic difficulties being experienced around the world, including the U.S. TRH expects that this downward cycle may continue to have an adverse effect on TRH's operating results in the future. TRH also incurred realized and unrealized market valuation losses in the first six months of 2009 and 2008 on its available for sale securities, including asset-backed fixed maturities. The impact on TRH's operations with exposure to the residential mortgage market will be somewhat dependent on future market conditions.

The ongoing effect of the decline in global economic conditions on TRH's operating results, investment portfolio and overall consolidated financial condition could be adversely affected if the global economic conditions deteriorate further, although TRH attempts to mitigate these, as well as other financial and operational risks, by disciplined underwriting of a diversified book of business, generally conservative investment strategies and risk management. While TRH cannot predict with any certainty the ultimate impact the recent economic deterioration will have on TRH, these events may have a material adverse effect on TRH's results of operations, financial condition and cash flows and the Company's stock price.

Other Matters

Pursuant to agreements with AIG related to TRH's separation from the AIG Group as discussed in **Secondary Public Offering of the Company's Common Stock by American International Group, Inc.**, the AIG Group, immediately prior to the closing of the offering and in its capacity at that time as the holder of a majority of the outstanding shares of the Company, executed a consent to amend and restate the Company's certificate of incorporation to increase the number of authorized shares of common stock and preferred stock to 200,000,000 and 10,000,000, respectively, among other changes. In accordance with the rules of the SEC, such restatement, and thus the increase of authorized shares, will occur on or about August 30, 2009, approximately twenty calendar days after the expected mailing of the required information statement to shareholders.

Recent Accounting Standards

For further discussion of the following recent accounting standards and their application to TRH see Note 2 of Notes to Condensed Consolidated Financial Statements.

- (a) Adoption of FSP No. FAS 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments".

In April 2009, the FASB issued FSP 115-2. FSP 115-2 was effective for TRH on April 1, 2009.

(b) Adoption of SFAS No. 157, "Fair Value Measurements".

In September 2006, the FASB issued SFAS 157. TRH adopted SFAS 157 on January 1, 2008.

In October 2008 the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). TRH adopted FSP 157-3 in the third quarter of 2008.

In April 2009, the FASB issued FSP No. 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" ("FSP 157-4"). FSP 157-4 was effective for TRH on April 1, 2009.

(c) FASB Emerging Issues Task Force Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6").

In November 2008, the FASB ratified EITF 08-6. EITF 08-6 was effective for TRH on January 1, 2009.

(d) SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60" ("SFAS 163").

In May 2008, the FASB issued SFAS 163. SFAS 163 was effective for TRH on January 1, 2009.

(e) SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R").

In December 2007, the FASB issued SFAS 141R. SFAS 141R was effective for TRH on January 1, 2009.

(f) FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1").

In April 2009, the FASB issued FSP 107-1. FSP 107-1 was effective for TRH on April 1, 2009.

(g) SFAS No. 165, "Subsequent Events" ("SFAS 165").

In May 2009, the FASB issued SFAS 165. SFAS 165 was effective for TRH in the second quarter of 2009.

(h) Future Application of Accounting Standards

I. In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140" ("SFAS 166").

II. In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167").

III. In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168").

Transatlantic Holdings, Inc. and Subsidiaries
Quantitative and Qualitative Disclosures About Market Risk

Transatlantic Holdings, Inc. and its subsidiaries (collectively, “TRH”) operations are exposed to market risk. Market risk is the risk of loss of fair value resulting from adverse fluctuations in interest rates, equity prices and foreign currency exchange rates. TRH's market risk exposures arise from the following:

- TRH is a globally diversified enterprise with capital employed in a variety of currencies.
- Much of TRH's capital is invested in fixed income or equity securities.

TRH analyzes market risk using Value at Risk (“VaR”). VaR is a summary statistical measure that applies the estimated volatility and correlation of market factors of TRH's market position. The output from the VaR calculation is the maximum loss that could occur over a defined period of time given a certain probability. VaR measures not only the size of the individual exposures but also the interaction between different market exposures, thereby providing a portfolio approach to measuring market risk.

While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established in creating the related models. TRH believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and do not substitute for the experience or judgment of senior management.

TRH has performed VaR analyses to estimate the maximum potential loss of fair value for financial instruments for each type of market risk. In this analysis, financial instrument assets include all investments and cash and accrued investment income. Financial instrument liabilities include unpaid losses and loss adjustment expenses and unearned premiums, each net of reinsurance, and the Senior Notes.

TRH calculated the VaR with respect to net fair values at each quarter end. The VaR number represents the maximum potential loss as of those dates that could be incurred with a 95% confidence (i.e., only 5% of historical scenarios show losses greater than the VaR figures) within a one-month holding period. The calculations reflected in the table below for the period labeled “as of June 30, 2009” only have been refined compared to prior periods presented and employ a variance-covariance methodology that entails modeling the linear sensitivities of all the assets and liabilities to a broad set of systematic market risk factors and idiosyncratic risk factors. Risk factor returns are assumed to be joint-normally distributed. The most recent two years of historical changes in these risk factors are utilized. Information included in the table below for all earlier periods presented herein have been calculated using historical simulation methodology. TRH does not believe that the differences between methods materially affects an evaluation of the potential impact that market risk may have on TRH. TRH expects to use the variance-covariance methodology for future period data.

TRH's market risk analyses do not provide weight to risks relating to market issues such as liquidity and the credit-worthiness of investments.

The following table presents the period-end, average, high and low VaRs on a diversified basis and of each component of market risk for the six months ended June 30, 2009 and for the year ended December 31, 2008. The diversified VaR is usually smaller than the sum of its components due to correlation effects.

	2009				2008			
	Six Months Ended				Year Ended,			
	June 30,				December 31,			
	As of June 30,	Average	High	Low	As of December 31,	Average	High	Low
(in millions)								
Diversified	\$ 276	\$ 179	\$ 276	\$ 91	\$ 91	\$ 168	\$ 200	\$ 91
Interest rate	216	148	216	84	84	160	194	84
Equity	85	102	138	83	83	70	83	58
Currency	79	61	79	47	57	37	57	28

Transatlantic Holdings, Inc. and Subsidiaries
Controls and Procedures

Transatlantic Holdings, Inc. and its subsidiaries (collectively, “TRH”) disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that TRH files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”). Disclosure controls and procedures include controls and procedures reasonably designed to ensure that information required to be disclosed by TRH in the reports that it files or submits under the Exchange Act is accumulated and communicated to TRH's management, including TRH's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. TRH's management, with the participation of TRH's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of TRH's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, TRH's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, there has been no change in TRH's internal control over financial reporting that occurred during the second fiscal quarter of 2009 that has materially affected, or is reasonably likely to materially affect, TRH's internal control over financial reporting.

The risks described below could materially affect Transatlantic Holdings, Inc. (the “Company”, and collectively with its subsidiaries “TRH”) business, results of operations, cash flows or financial condition.

The occurrence of severe catastrophic events could have a material adverse effect on TRH’s financial condition, results of operations and operating cash flows.

Because TRH underwrites property and casualty reinsurance and has large aggregate exposures to natural and man-made disasters, TRH expects that its loss experience will from time to time include events of great severity. The frequency and severity of catastrophe losses are inherently unpredictable, particularly in light of the acceleration of climate change. Consequently, the occurrence of losses from a severe catastrophe or series of catastrophes could have a material adverse effect on TRH’s financial condition, results of operations and cash flows. Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses in recent years, and TRH expects that those factors will increase the severity of catastrophe losses in the future.

If TRH is required to increase its liabilities for loss reserves, TRH’s financial condition and results of operations may be materially adversely affected.

Significant periods of time may elapse between the occurrence of an insured loss, the reporting of the loss to the ceding company and the reinsurer, and the ceding company’s payment of that loss and subsequent payments to the ceding company by the reinsurer. TRH is required by applicable insurance laws and regulations and generally accepted accounting principles in the United States (“GAAP”) to establish liabilities on its consolidated balance sheet for payment of losses and loss adjustment expenses (“LAE”) that will arise in the future from its reinsurance products for losses that have occurred as of the balance sheet date. Under GAAP, TRH is not permitted to establish liabilities until an event occurs that may give rise to a loss. Once such an event occurs, liabilities are established in TRH’s financial statements for its losses, based upon estimates of losses incurred by the ceding companies. As a result, only liabilities applicable to losses incurred up to the reporting date may be established, with no allowance for the provision of a contingency reserve to account for expected or unexpected future losses. Losses arising from future events will be estimated and recognized at the time the losses occur. Although TRH annually reviews the adequacy of its established reserves for losses and LAE, there can be no assurance that TRH’s loss reserves will not develop adversely and have a material effect on TRH’s results of operations. To the extent these liabilities may be insufficient to cover actual losses or LAE, TRH will have to add to these liabilities and incur a charge to its earnings, which could have a material adverse effect on TRH’s financial condition and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q for a further discussion of the risks and uncertainties relating to loss reserves.

A downgrade in the ratings assigned to TRH's operating subsidiaries could adversely affect TRH's ability to write new business and may adversely impact TRH's existing agreements.

Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's"), and A.M. Best Company ("Best") are generally considered to be significant rating agencies with respect to the evaluation of insurance and reinsurance companies. Financial strength and credit ratings by these rating agencies are important factors in establishing a competitive position for insurance and reinsurance companies. Financial strength ratings measure a company's ability to meet its insurance and reinsurance obligations to contract holders. Credit ratings measure a company's ability to repay its debt obligations and directly affect the cost and availability of unsecured financing. Ratings are subject to periodic review at the discretion of each respective rating agency and may be revised downward or revoked at their sole discretion. Rating agencies also may increase their scrutiny of rated companies, revise their rating standards or take other action. In addition, a ceding company's own rating may be adversely affected by a downgrade in the rating of its reinsurer or an affiliated company. Therefore, a downgrade of a rating of the Company or its operating subsidiaries may dissuade a ceding company from reinsuring with TRH in the future and may influence a ceding company to reinsure with one of TRH's competitors that has a higher financial strength rating. In general, if the insurer financial strength ratings and/or financial strength ratings of Transatlantic Reinsurance Company ("TRC"), Putnam Reinsurance Company ("Putnam") or Trans Re Zurich ("TRZ") from these rating agencies fall below "A-," certain rating agency triggers in TRH's contracts would allow customers to elect to take a number of actions such as 1) terminating the contracts on a run-off or cut-off basis; 2) requiring TRH to post collateral for all or a portion of the obligations; or 3) require commutation under the contract as described below. A downgrade of TRH's debt ratings may also increase future borrowing costs.

S&P maintains a counterparty credit rating and insurer financial strength rating of "A+" (Strong) on each of TRC, Putnam, and TRZ. The Company's counterparty credit rating is "BBB+". The outlooks for these ratings are stable. The Company's senior unsecured debt rating is "BBB+". On May 29, 2009, S&P affirmed all of these ratings. The counterparty credit rating and insurer financial strength rating "A+" represents the fifth highest level. The counterparty credit rating "BBB+" represents the eighth highest level.

Moody's maintains an insurance financial strength rating of "Aa3" (Excellent) on TRC and a senior unsecured debt rating of "A3" on the Company. On June 4, 2009, Moody's announced that it had placed the "Aa3" insurance financial strength rating of TRC, as well as the "A3" rating on senior unsecured debt of the Company on review for possible downgrade. Moody's stated that "its ratings review will focus on Transatlantic's catastrophe risk exposure and tolerance relative to its capitalization and prospective financial metrics relative to Moody's benchmarks, as well as its balance of business across geographies and products." Moody's also stated that "if Transatlantic were to be downgraded at the conclusion of the ratings review, the company's ratings would most likely be lowered by one notch" and that it "expects to complete its review of Transatlantic within 90 days." The insurance financial strength rating "Aa3" is the fourth highest rating level and the senior unsecured debt rating "A3" is the seventh highest level.

Best maintains financial strength ratings on TRC, Putnam and TRZ of "A (Excellent)" and issuer credit ratings of "a". Best maintains an issuer credit rating of "bbb" on the Company. On May 11, 2009, Best affirmed all of these ratings. All of these ratings have negative outlooks. The financial strength rating "A (Excellent)" represents the third highest rating level. The issuer credit rating "a" represents the sixth highest rating level and the issuer credit rating "bbb" represents the ninth highest rating level.

All of these ratings are current opinions of S&P, Moody's and Best, respectively. As such, they may be changed, suspended or withdrawn at any time by the respective rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at the request of TRH's management. Ratings are not a recommendation to buy, sell or hold securities or TRH's reinsurance products and each rating should be evaluated independently of any other rating.

A significant portion of TRH's in-force treaty contracts as of June 30, 2009 permit the ceding company to cancel the contract on a cut-off or run-off basis if TRH's operating subsidiaries' financial strength rating is downgraded below a certain rating level, generally "A-". TRC's and TRZ's financial strength ratings are at least two levels above the most common trigger point. In addition, contracts may also permit the ceding company to cancel the contract if there is a significant decline in the statutory surplus of TRC, generally of at least 20%.

Contracts may contain one or both of the aforementioned contractual provisions, certain other cancellation triggers or other stipulations, such as a requirement to post collateral for all or a portion of TRH's obligations or require commutation under the contract if a triggering event occurs. Whether a ceding company would exercise any of these cancellation rights would depend on, among other factors, the reason and extent of such downgrade or surplus reduction, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage.

When a contract is cancelled on a "cut-off" basis, as opposed to a "run-off" basis, the liability of the reinsurer under policies which became effective under the treaty prior to the cancellation date of such treaty ceases with respect to losses resulting from events taking place on and after said cancellation date. Accordingly, unearned premiums on that business as of the cut-off date are returned to the ceding company, net of a proportionate share of the original ceding commission. In the accounting period of the cancellation effective date, the amount of unearned premiums returned would be recorded as a reduction of gross premiums written with a like reduction in gross unearned premiums with no effect on gross premiums earned. Thus, the canceling of a contract generally has liquidity and future implications to TRH's business but rarely affects premiums already earned.

TRH cannot predict in advance the extent to which these cancellation rights would be exercised, if at all, or what effect such cancellations would have on TRH's financial condition or future operations, but such effect potentially could be material.

TRH may secure its obligations under its various reinsurance contracts using trusts and letters of credit. TRH may enter into agreements with ceding companies that require TRH to provide collateral for its obligations under certain reinsurance contracts with these ceding companies under various circumstances, including where TRH's obligations to these ceding companies exceed negotiated thresholds. These thresholds may vary depending on TRH's ratings, and a downgrade of TRH's ratings or a failure to achieve a certain rating may increase the amount of collateral TRH is required to provide. TRH may provide the collateral by delivering letters of credit to the ceding company, depositing assets into a trust for the benefit of the ceding company or permitting the ceding company to withhold funds that would otherwise be delivered to us under the reinsurance contract. The amount of collateral TRH is required to provide typically represents all or a portion of the obligations TRH may owe the ceding company, often including estimates made by the ceding company of incurred but not reported claims. Since TRH may be required to provide collateral based on the ceding company's estimate, TRH may be obligated to provide collateral that exceeds TRH's estimates of the ultimate liability to the ceding company. An increase in the amount of collateral TRH is obligated to provide to secure its obligations may have an adverse impact on TRH's ability to write additional reinsurance.

If TRH's risk management methods and pricing models are not effective, TRH's financial condition, results of operations and cash flows could be materially adversely affected.

TRH's property and casualty reinsurance contracts cover unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other natural or man-made disasters, including those that may result from terrorist activity. TRH is also exposed to multiple insured losses arising out of a single occurrence that have the potential to accumulate to material amounts and affect multiple risks/programs and classes of business. TRH uses modeling techniques to manage certain of such risks to acceptable limits, although current techniques used to estimate the exposure may not accurately predict the probability of such an event or the extent of resulting losses. In addition, TRH may purchase retrocession protection designed to limit the amount of losses that it may incur. Retrocession arrangements do not relieve TRH from its obligations to the insurers and reinsurers from whom TRH assumes business. The failure of retrocessionnaires to honor their obligations could result in losses to TRH. Moreover, from time to time, market conditions may limit and in some cases prevent reinsurers from obtaining the types and amounts of reinsurance that they consider adequate for their risk management. It is likely that TRH will face more difficulty obtaining certain retrocession protection in the future given current market conditions, and will also be required to pay higher prices for such protections than in the recent past. If TRH is unable to obtain retrocessional coverage in the amounts it desires or on acceptable terms, TRH's capacity and appetite for risk could change, and TRH's financial condition, results of operations and cash flows may be materially adversely affected.

Various provisions of TRH's contracts, such as limitations to or exclusions from coverage or choice of legal forum, may not be enforceable in the manner TRH intends, due to, among other things, disputes relating to coverage and choice of legal forum. Underwriting is a matter of judgment, involving important assumptions about matters that are inherently difficult to predict and are beyond TRH's control, and for which historical experience and probability analysis may not provide sufficient guidance. One or more catastrophic or other events could result in claims that substantially exceed TRH's expectations, which could have a material adverse effect on TRH's financial condition, results of operations and cash flows.

The property and casualty reinsurance business is historically cyclical, and TRH expects to experience periods with excess underwriting capacity and unfavorable pricing.

Historically, property and casualty reinsurers have experienced significant fluctuations in operating results. Demand for reinsurance is influenced significantly by underwriting and investment results of primary insurers and prevailing general economic and market conditions, all of which affect ceding companies' decisions as to the amount or portion of risk that they retain for their own accounts and consequently how much they decide to cede to reinsurance companies. The supply of reinsurance is related to prevailing prices, the levels of insured losses, and levels of industry surplus, among other factors, that, in turn, may fluctuate in response to changes in rates of return on investments being earned in the reinsurance industry. In addition, the supply of reinsurance is affected by a reinsurer's confidence in its ability to accurately assess the probability of expected underwriting outcomes, particularly with respect to catastrophe losses. As a result, the property and casualty reinsurance business historically has been a cyclical industry, characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity permitted favorable pricing.

The cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, including what TRH believes to be a trend of courts to grant increasingly larger awards for certain damages, changes in the political, social or economic environment, natural disasters (such as catastrophic hurricanes, windstorms, tornadoes, earthquakes and floods), man-made disasters (such as those arising from terrorist activities), fluctuations in interest rates, changes in the investment environment that affect market prices of and returns on investments and inflationary pressures that may affect the size of losses experienced by primary insurers. TRH cannot predict whether market conditions will improve, remain constant or deteriorate. Unfavorable market conditions may affect TRH's ability to write reinsurance at rates that TRH considers appropriate relative to the risk assumed. If TRH cannot write property and casualty reinsurance at appropriate rates, TRH's ability to transact reinsurance business would be significantly and adversely affected.

Increased competition could adversely affect TRH's profitability.

The property and casualty reinsurance industry is highly competitive in virtually all lines. TRH could face increased competition from new market entrants, existing market participants devoting additional capital to the types of business written by TRH, alternatives to reinsurance available to cedants, such as capital market alternatives, and government sponsored reinsurance entities.

Competition in the types of reinsurance in which TRH is engaged is based on many factors, including the perceived overall financial strength of the reinsurer, the ratings of S&P, Moody's and Best, the states or other jurisdictions where the reinsurer is licensed, accredited, authorized or can serve as a reinsurer, capacity and coverages offered, premiums charged, specific terms and conditions of the reinsurance offered, services offered, speed of claims payment and reputation and experience in the lines of business underwritten.

TRH competes in the U.S. and international reinsurance markets with numerous major international reinsurance companies and numerous domestic reinsurance companies, some of which have greater resources than TRH or operate in different regulatory jurisdictions and tax environments. TRH's competitors include independent reinsurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain primary insurance companies, domestic and European underwriting syndicates and in some instances government-owned or subsidized facilities. Certain of these competitors have been operating substantially longer than TRH has and have established long-term and continuing business relationships throughout the industry, which can be a significant competitive advantage.

Traditional reinsurers as well as capital market participants from time to time produce alternative products or reinsurance vehicles (such as reinsurance securitizations, catastrophe bonds and various derivatives such as swaps and sidecars) that may compete with certain types of reinsurance, such as property catastrophe. Hedge funds may provide reinsurance and retrocessional protections through captive companies or other alternative transactions on a fully collateralized basis for property and energy catastrophe business. Over time, these numerous initiatives could significantly affect supply, pricing and competition in the reinsurance industry.

In January 2007, Florida enacted legislation that doubled the aggregate reinsurance capacity of the Florida Hurricane Catastrophe Fund ("FHCF"), the reinsurance facility established by the state, from \$16 billion to approximately \$32 billion. In addition, the legislation reduced the industry loss retention level from \$6 billion to \$5 billion, \$4 billion or \$3 billion, as determined by participants. During the 2008 to 2009 hurricane seasons, the legislation also adds coverage above and below the existing FHCF program. Under the Florida legislation, the state-run insurer of last resort, Citizens Property Insurance Corporation, was authorized to increase its underwriting capacity and charge lower rates. In addition, Citizens Property Insurance Corporation has recently obtained approval to write commercial property insurance business. The increase in capacity, lower retention levels and authorization to write commercial property insurance may lead to an increase in government-sponsored entities' share of Florida's property catastrophe reinsurance market. Other U.S. states are considering similar legislation. This measure and similar measures may reduce the demand for catastrophe reinsurance within the Florida market and other markets in which similar legislation is passed, which may compel current market participants to seek greater participation in other regions and thus increase competition in other regions such as Latin America, the Caribbean, and the coastal Mid-Atlantic and New England states.

A limited number of brokers account for a large portion of TRH’s revenues; the loss of all or a substantial portion of the business provided by them may have an adverse effect on TRH.

The great majority of TRH’s business from non-related parties is written through brokers. In 2008, companies controlled by Aon Corporation and Marsh & McLennan Companies, Inc. accounted for 27% and 15% of TRH’s consolidated revenues, respectively, and, accounted for 25% and 14%, respectively, of total gross premiums written. In addition, TRH’s largest 10 brokers accounted for 58% of total gross premiums written in 2008. These brokers also have, or may in the future acquire, ownership interests in insurance and reinsurance companies that may compete with TRH. The loss of all or a substantial portion of the business provided by its brokers could have a material adverse effect on TRH.

Liquidity risk represents TRH’s potential inability to meet all payment obligations when they become due.

TRH’s liquidity could be impaired by unforeseen significant outflows of cash. This situation may arise due to circumstances specific to TRH or that TRH may be unable to control, such as a general market disruption or an operational problem that affects third parties or TRH. The Company depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund payments on its obligations, including debt obligations. Regulatory and other legal restrictions may limit TRH’s ability to transfer funds freely, either to or from its subsidiaries. In particular, certain of TRH’s branches or subsidiaries are subject to laws and regulations, including those in foreign jurisdictions, that authorize regulatory bodies to block or reduce transfers of funds to the home office in the U.S. or TRH’s affiliates. These laws and regulations may hinder TRH’s ability to access funds that it may need to make payments on its obligations.

Certain of TRH’s investments may become illiquid. TRH’s investments include fixed maturities (including asset-backed securities), equity investments and limited partnerships (including alternative investments and private equities). The current disruption in the credit and financial markets may materially affect the liquidity of TRH’s investments, including residential mortgage-backed securities (“RMBS”) which represent 2.4% of total investments as of June 30, 2009. If TRH requires significant amounts of cash on short notice in excess of normal cash requirements in a period of market illiquidity, then TRH may have difficulty selling investments in a timely manner or may be forced to dispose of them for less than what TRH might otherwise have been able to under other conditions.

Furthermore, TRH does not currently have a credit facility to help it respond to any liquidity problems it may encounter, and TRH expects that it will be difficult to obtain a credit facility in the short term. In addition, the current disruptions in the credit and financial markets, combined with the recent decline in the Company’s stock price, will make it more difficult for TRH to raise cash in the capital markets.

Concentration of TRH’s investment portfolios in any particular segment of the economy may have adverse effects.

Concentration of TRH’s investment portfolios in any particular industry, group of related industries, asset classes, such as RMBS, or geographic sector could have an adverse effect on TRH’s investment portfolios and consequently on TRH’s consolidated results of operations or financial condition. While TRH seeks to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular industry, asset class, group of related industries or geographic region may have a greater adverse effect on investment portfolios to the extent that the portfolios are concentrated rather than diversified. Further, TRH’s ability to sell assets relating to such particular groups of related assets may be limited if other market participants are seeking to sell at the same time.

The valuation of TRH's investments includes methodologies, estimations and assumptions which are subject to differing interpretations; these differing interpretations could result in changes to investment valuations that may adversely affect TRH's results of operations or financial condition.

The vast majority of TRH's investments are fixed maturity investments, which are subject to the classification provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 requires assets recorded at fair value in the consolidated balance sheet to be measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values.

- Level 1 assets use fair value measurements that are quoted prices (unadjusted) in active markets that TRH has the ability to access for identical assets.
- Level 2 assets use fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 assets use fair value measurements based on valuation techniques that use at least one significant input that is unobservable. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. At June 30, 2009, TRH classified \$163.0 million of assets measured at fair value on a recurring basis as Level 3. This represented 1.7% of total assets measured at fair value on a recurring basis.

Securities that are less liquid are more difficult to value and trade. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of the securities in TRH's investment portfolio, if trading becomes less frequent or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and judgment of TRH's management. In addition, prices provided by independent pricing services and independent broker quotes can vary widely even for the same security.

As such, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods which are more sophisticated, thereby resulting in values which may be greater or less than the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within TRH's consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on TRH's results of operations or financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" included in this Quarterly Report on Form 10-Q for a further discussion of the risks and uncertainties relating to critical accounting estimates.

The determination of the amount of impairments taken on TRH's investments is subjective and could materially impact TRH's results of operations or financial position.

The determination that a security has incurred an other-than-temporary decline in value requires the judgment of TRH's management and consideration of the fundamental condition of the issuer, its near-term prospects and all relevant facts and circumstances.

Other-than-temporary impairments for all investments other than fixed maturities are recognized through earnings as a realized capital loss. Following the adoption of Financial Accounting Standards Board Staff Position No. FAS 115-2 and 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP 115-2”), at each balance sheet date, TRH recognizes an other-than-temporary impairment on a fixed maturity in an unrealized loss position if (1) TRH intends to sell the security; (2) it is more likely than not TRH will be required to sell the security prior to an anticipated recovery in fair value, in order to meet a liquidity, regulatory or other business need; or (3) TRH determines it will not recover the entire amortized cost basis of the security.

If TRH intends to sell an impaired fixed maturity, or if it is more likely than not it will have to be sold, the total amount of the unrealized loss position is recognized in earnings as a realized capital loss. On a quarterly basis, TRH develops for fixed maturities, a best estimate of the present value of expected cash flows on a security by security basis. TRH recognizes an other-than-temporary impairment equal to the difference between the present value of expected cash flows and the amortized cost basis of the security, if the results of the cash flow analysis indicates TRH will not recover the full amount of its amortized cost basis in the investment. This amount is the credit component of the other-than-temporary impairment and is recorded in earnings as a realized capital loss. The difference between the total unrealized loss position on the security and the other-than-temporary impairment amount recognized in earnings is non-credit related and is recorded in other comprehensive income as “net unrealized holding losses of fixed maturities on which other-than-temporary impairments were taken”.

If a loss is recognized from a sale subsequent to a balance sheet date pursuant to changes in circumstances, the loss is recognized in the period in which the intent to hold the security to recovery no longer existed.

In periods subsequent to the recognition of an other-than-temporary impairment write-down of fixed maturity securities, which are not credit or foreign exchange related, TRH generally accretes into income the discount or amortizes the reduced premium resulting from the reduction in cost basis over the remaining life of the security.

There can, however, be no assurance that TRH has accurately assessed the level of impairments reflected in its financial statements. Furthermore, additional impairments may need to be taken in the future. Historical trends may not be indicative of future impairments.

An investment is impaired if its fair value falls below its cost or amortized cost. The determination of whether an impairment is other-than-temporary is subjective and involves considerable judgment and the consideration of various factors and circumstances. The significant factors include:

- the severity of the decline in fair value
- the length of time the fair value is below cost
- issuer financial condition, including profitability and cash flows
- credit status of the issuer
- the issuer’s specific and general competitive environment
- published reports
- general economic environment
- regulatory and legislative environment
- other factors as may become available from time to time

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity” included in this Quarterly Report on Form 10-Q for a further discussion of the risks and uncertainties relating to critical accounting estimates and TRH’s investment portfolio.

The impact of governmental actions made in response to the economic crisis on TRH is difficult to determine at this time.

In response to the financial crises affecting the credit and financial markets and concern about certain financial institutions’ ongoing viability, numerous regulatory and governmental actions have been taken or proposed. Within the U.S., the Federal Reserve has taken action through reduced federal funds rates and the expansion of acceptable collateral for its loans to provide additional liquidity. Numerous financial institutions have received and may continue to receive capital both in the form of emergency loans and direct U.S. Government equity investments. In addition, in February 2009, the U.S. Congress passed a \$787 billion “economic stimulus” plan. Within the United Kingdom and Europe, similar actions, including interest rate cuts and capital injections into financial institutions, have been undertaken. It is possible that some of TRH’s competitors may participate in some of these programs.

An additional regulatory concern involving RMBS is “cram-down legislation” which had been under consideration in the U.S. Congress and may again resurface in the future. If enacted, such legislation would reallocate losses from defaults on the underlying residential mortgages across all tranches of the security, effectively negating the contractual terms of the security. TRH has investments in RMBS. Should this legislation become law, certain securities held by TRH could be put at greater risk for loss and could be downgraded to below investment grade by one or more rating agencies.

There can be no assurance as to the effect that any such governmental actions will have on the financial markets generally or on TRH’s financial condition, results of operations and cash flows in particular.

Difficult and volatile conditions in the global capital and credit markets and in the overall economy could materially and adversely affect TRH’s operating results, investment portfolio and financial condition.

Ongoing disruption and volatility in the global capital and credit markets and in the overall economy affects TRH’s business in a number of ways, including the following:

- disruption in the capital and credit markets may increase claims activity in TRH’s reinsurance lines, such as D&O, E&O, credit and, to a limited extent, mortgage guaranty business
- significant fluctuations in the fixed maturities, asset-backed securities and equities markets could reduce TRH’s investment returns and the value of its investment portfolio
- volatility in the capital and credit markets makes it more difficult to access those markets, if necessary, to maintain or improve TRH’s financial strength and credit ratings or to generate liquidity

It is difficult to predict how long these conditions will exist and how TRH’s markets, business and investments will continue to be adversely affected. Accordingly, these conditions could have a material adverse effect on TRH’s consolidated financial condition or results of operations in future periods.

TRH may be adversely affected by the impact of market volatility and interest rate and foreign currency exchange rate fluctuations.

TRH’s principal invested assets are fixed maturity investments and other interest rate sensitive securities, which are subject to the market risk of potential losses from adverse changes in interest rates, credit spreads or trading liquidity and may also be adversely affected by foreign currency exchange rate fluctuations. Depending on TRH’s classification of investments as available for sale or other, changes in the fair value of TRH’s securities are reflected in its consolidated balance sheet and/or statement of operations. TRH’s investment portfolio is also subject to credit risk resulting from adverse changes in the issuers’ ability to repay the debt or the ability of bond insurers to meet their obligations to provide insurance if an issuer is unable to repay its debt. Moreover, many issuers are facing liquidity pressures as a result of the current economic downturn and, in turn, may be subject to downgrades by the credit rating agencies in the future. These risks could materially adversely affect TRH’s results of operations and financial condition.

A principal exposure to foreign currency risk is TRH's obligation to settle claims in foreign currencies. The possibility exists that TRH may incur foreign currency exchange gains or losses as TRH ultimately settles claims required to be paid in foreign currencies. To mitigate this risk, TRH also maintains investments denominated in certain foreign currencies in which the claims payments will be made. To the extent TRH does not seek to hedge its foreign currency risk or hedges prove ineffective, the resulting impact of a movement in foreign currency exchange rates could materially adversely affect TRH's results of operations or financial condition.

TRH's businesses are heavily regulated, and changes in regulation may reduce TRH's profitability and limit its growth.

TRH's reinsurance subsidiaries are subject to extensive regulation and supervision in the jurisdictions in which they conduct business. This regulation is generally designed to protect the interests of policyholders, as opposed to reinsurers and their stockholders and other investors, and relates to authorization to transact certain lines of business, capital and surplus requirements, investment limitations, underwriting limitations, transactions with affiliates, dividend limitations, changes in control and a variety of other financial and non-financial components of an insurance company's business.

In recent years, the state insurance regulatory framework in the U.S. has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance and reinsurance companies and insurance holding companies. Further, the National Association of Insurance Commissioners (the "NAIC") and state insurance regulators are re-examining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws. Any proposed or future legislation or NAIC initiatives may be more restrictive than current regulatory requirements or may result in higher costs.

Within the European Union (the "EU"), the EU Reinsurance Directive of November 2005 (the "Directive") was to be phased in commencing October 2007 and fully implemented no later than October, 2008. As of June 30, 2009, all EU members have officially adopted the Directive. The Directive requires member countries to lift barriers to trade within the EU for companies that are domiciled in an EU country. TRH operates within the EU through a series of foreign branches and continues to evaluate the potential impact of the implementation of the Directive which could vary from country to country. TRH has contacted insurance regulators throughout the EU to ascertain their regulatory intent and to discuss each country's rule applicable to TRH. Currently, TRH continues to conduct business within the EU through its foreign branches with no significant impact on its operations. As each country within the EU adopts rules implementing the Directive, TRH could be materially adversely affected by the adopted rules. TRH may be required to post additional collateral in EU countries or may need to consider restructuring its business in order to comply with the rules adopted in EU countries implementing the Directive.

In addition to the Directive, the EU is phasing in a new regulatory regime for regulation of financial services known as "Solvency II." Solvency II is a principles-based regulatory regime that seeks to enhance transparency, promote uniformity, and encourage a proactive approach to company solvency. It is built on a risk-based approach to setting capital requirements of insurers and reinsurers. Solvency II is scheduled to be introduced for insurers and reinsurers in 2010 and implemented by 2012. TRH could be materially impacted by the implementation of Solvency II depending on the costs associated with implementation by each EU country, any increased capitalization requirements and any costs associated with adjustment to TRH's corporate operating structure.

Traditionally, regulatory and legislative changes affecting the insurance and reinsurance industries, as well as the financial services industry as a whole, are conducted in an organized and structured manner encompassing the issuance of draft legislation or regulations and a significant period for review, evaluation and comment by the industry and markets. As a result of the displacement in the financial markets and its impact on the insurance and reinsurance industry, legislators and/or regulators may feel compelled to pass new rules in an expedited manner without the normal review periods. The passage of new regulatory rules on an expedited basis may have a materially adverse impact on TRH if those rules increase the cost of doing business or restrict TRH's ability to underwrite certain lines of business and/or make certain investments without providing TRH with the normal amount of time to review the new rules, assess their impact on TRH and allow TRH to alter its business strategies or restructure in the most efficient manner.

TRH's offices that operate in jurisdictions outside the U.S. are subject to certain limitations and risks that are unique to foreign operations.

TRH's international operations are also regulated in various jurisdictions with respect to licensing requirements, currency, amount and type of security deposits, amount and type of reserves, amount and type of local investments and other matters. International operations and assets held abroad may be adversely affected by political and other developments in foreign countries, including possibilities of tax changes, nationalization and changes in regulatory policy, as well as by consequences of hostilities and unrest. The risks of such occurrences and their overall effect upon TRH vary from country to country and cannot easily be predicted. In addition, TRH's results of operations and net unrealized currency translation gain or loss (a component of accumulated other comprehensive income) are subject to volatility as the value of the foreign currencies fluctuate relative to the U.S. dollar. Regulations governing constitution of technical reserves and remittance balances in some countries may hinder remittance of profits and repatriation of assets.

The loss of key personnel could adversely affect TRH's results of operations, financial condition and cash flows.

TRH relies upon the knowledge and talent of its employees to successfully conduct business. The decline in the Company's common stock price, particularly since mid-September of 2008, has reduced the value of equity awards previously made to key employees. TRH has implemented a retention program to seek to keep certain of its key employees, but there can be no assurance that the program is sufficient or will be effective. A loss of key personnel could have a material effect on TRH's results of operations, financial condition and cash flows in future periods.

Recent transactions by American International Group, Inc. ("AIG", and collectively with its subsidiaries, the "AIG Group") may be deemed a change in control of TRH, in which case certain of TRH's counterparties may acquire certain rights, which could negatively affect TRH.

In the second half of 2008, the AIG Group, which then owned approximately 59% of the Company's common stock, experienced an unprecedented strain on its liquidity. This strain led to a series of transactions between AIG and the Federal Reserve Bank of New York (the "NY Fed") and the U.S. Department of the Treasury. On September 22, 2008, AIG entered into an \$85 billion credit agreement (subsequently reduced to \$60 billion) with the NY Fed. Subsequently, AIG announced its intention to dispose of its interest in TRH. On June 10, 2009, the AIG Group sold 29.9 million shares of the Company's common stock in a secondary offering (the "Offering"), which reduced AIG's beneficial ownership of the Company from approximately 59% to approximately 13.9%.

TRH is a party to numerous contracts, agreements, licenses, permits, authorizations and other arrangements (the "Applicable Arrangements and Authorizations") that contain provisions giving counterparties certain rights (including, in some cases, termination rights) in the event of a change in control of the Company or its subsidiaries.

The transactions that the AIG Group has entered into with the NY Fed and/or the Offering may be deemed to have constituted a change in control of TRH under a significant portion of TRH's reinsurance agreements.

If a change in control occurs, cedants may be permitted to cancel contracts on a cut-off or run-off basis, and TRH may be required to provide collateral to secure premium and reserve balances or be required to cancel and commute the contract, subject to an agreement between the parties that may be settled in arbitration. If the contract is cancelled on a cut-off basis, TRH may be required to return unearned premiums, net of commissions.

Whether a ceding company would have cancellation rights in connection with the Offering depends upon the language of its agreement with TRH. Whether a ceding company exercises any cancellation rights it has would depend on, among other factors, such ceding company's views with respect to the prevailing market conditions, the pricing and availability of replacement reinsurance coverage and TRH's ratings.

In certain instances, contracts contain dual triggers, such as a change in control and a ratings downgrade, both of which must be satisfied for the contractual right to be exercisable. For purposes of discussing the impact on TRH, where a change in control option appears in a contract, the amounts below assume that the ratings downgrade stipulation has been met, thereby providing the exposure under the change in control clause.

In addition, contracts may provide a ceding company with multiple options, such as collateralization or commutation, that would be triggered by a change in control. Collateral requirements may take the form of trust agreements, funded by securities held, or letters of credit. Upon commutation, the amount to be paid to settle the liability for gross loss reserves would typically consider a discount to the financial statement loss reserve value, reflecting the time value of money resident in the ultimate settlement of such loss reserves.

With respect to reinsurance agreements between TRH and the AIG Group, the AIG Group agreed, in connection with the Offering, to waive its rights to collateralization and commutation in connection with a change in control of TRH related to the Offering.

As of June 30, 2009, TRH estimates that with respect to a change in control of TRH, approximately \$580 million of unearned premiums, which is net of estimated commissions, could be subject either to return to the ceding company should every cedant exercise its contractual termination right, including the right of commutation, or collateralization in the event of a change in control. Of such amount, \$100 million relates to unearned premiums net of estimated commissions from treaties with AIG subsidiaries.

With respect to unpaid losses and LAE (“gross loss reserves”) as of June 30, 2009, approximately \$1.21 billion of gross loss reserves are subject to commutation or collateralization in the event of a change in control. Of such amounts, \$650 million relates to gross loss reserves from treaties assumed from AIG subsidiaries. Should cedants invoke the right to commute, an amount would be payable by TRH to the respective ceding companies representing both a return of unearned premiums and a settlement of loss reserves.

TRH may engage in discussions and activities with counterparties to take necessary actions to remedy, amend or comply with the provisions of the Applicable Arrangements and Authorizations. However, TRH cannot presently predict the effects, if any, a change in control will have on the Applicable Arrangements and Authorizations, including the extent to which cancellation rights would be exercised, if at all, or on TRH’s financial condition, results of operations, or cash flows, but such effect could be material. As of June 30, 2009, no cedants have notified TRH of their intention to exercise any cancellation rights they may have as a result of the Offering.

Based upon the facts and circumstances known to TRH as of the date of this Quarterly Report on Form 10-Q, TRH does not believe that the exercise of rights, if any, accruing to counterparties as a result of the transactions that the AIG Group has entered into with the NY Fed, will have a material impact on TRH. If, however, these actions, individually or collectively, or the Offering are deemed a change in control under the Applicable Arrangements and Authorizations, TRH’s business may be materially adversely affected.

Future sales of the Company’s common stock, or the perception in the public markets that these sales may occur, could depress the price of the Company’s common stock.

Sales of substantial amounts of the Company’s common stock in the public market, or the perception that these sales could occur, could adversely affect the price of the Company’s common stock and could impair TRH’s ability to raise capital through the sale of additional shares. In connection with the Offering, TRH entered into a registration rights agreement with the AIG Group. The registration rights agreement provides the AIG Group with registration rights relating to the remaining shares of the Company’s common stock held by the AIG Group. The AIG Group may require TRH to register under the federal securities law all or a portion of these shares. The registration rights are subject to certain limitations, including TRH’s right to temporarily suspend the registration of the shares. If the AIG Group exercises its registration rights and sells a large number of shares of the Company’s common stock, the AIG Group could cause the price of the Company’s common stock to decline.

Provisions in the Company’s certificate of incorporation and by-laws and the insurance laws of the jurisdictions in which TRH operates could discourage another company from acquiring TRH and may prevent attempts by the Company’s stockholders to replace or remove TRH’s current management.

Some provisions of the Company’s certificate of incorporation and by-laws may have the effect of delaying, discouraging or preventing a merger, acquisition or other change in control that the Company’s stockholders may consider favorable, including transactions in which stockholders may receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by the Company’s stockholders to replace or remove TRH’s current management by making it more difficult for stockholders to replace or remove the Company’s board of directors. These provisions include:

- the Company’s board of directors’ ability to issue preferred stock and determine the rights and designations of the preferred stock at any time without stockholder approval
- limitations on the ability of stockholders to call special meetings

In addition, at any time and without stockholder approval, the Company’s board of directors may amend the Company’s by-laws in a manner that has the effect of delaying, discouraging or preventing a merger, acquisition or other change in control that the Company’s stockholders may consider favorable, including transactions in which stockholders may receive a premium for their shares.

TRH is also subject to the laws governing insurance holding companies of various states and countries where TRH’s reinsurance subsidiaries are domiciled. Under these laws, a person generally must obtain the applicable insurance regulator’s approval to acquire, directly or indirectly, ten percent (or sometimes five percent) or more of the outstanding voting securities of TRH’s reinsurance subsidiaries. These laws may prevent, delay or defer a change in control of the Company or TRH’s reinsurance company subsidiaries.

The market price of the Company’s common stock has been volatile and may continue to be volatile, which may make it difficult or impossible for stockholders to obtain a favorable selling price for their shares.

The Company’s common stock price has been volatile. Volatility in the market price of the Company’s common stock may prevent stockholders from being able to sell their shares at or above the price they paid for their shares. TRH currently expects that the Company’s common stock price may continue to be volatile due to factors such as:

- general market and economic conditions
- actual or anticipated variations in operating results
- investor perceptions of TRH and the reinsurance industry
- natural or manmade catastrophes
- war, terrorist acts and epidemic disease
- changes in financial estimates or recommendations by stock market analysts regarding TRH or its competitors
- possible losses of large customers
- future sales of the Company’s common stock

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like TRH. These broad market and industry factors may materially reduce the market price of the Company’s common stock, regardless of TRH’s operating performance.

The Company is a holding company and depends on the ability of its subsidiaries to distribute funds to it in order to meet its financial and other obligations.

The payment of dividends by the Company is dependent on the ability of its subsidiaries to pay dividends. The payment of dividends by TRC and its wholly owned subsidiaries, TRZ and Putnam, is restricted by insurance regulations. Under New York insurance law, TRC and Putnam may pay dividends only out of their statutory earned surplus. Such dividends are limited by statutory formula unless otherwise approved by the New York State Insurance Department. The statutory surplus of TRC includes the statutory surplus of Putnam since all the capital stock of Putnam is owned by TRC. While the June 30, 2009 statutory statements will be filed with regulators on or before August 15, 2009, in accordance with the statutory formula based on estimated June 30, 2009 amounts, TRC could pay dividends of approximately \$365 million without regulatory approval.

Part II – Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In November 2000, the Board of Directors authorized the purchase of up to 200,000 shares (375,000 shares after adjustment for subsequent stock splits) of Transatlantic Holdings, Inc.’s common stock in the open market or through negotiated transactions. The purchase program has no set expiration or termination date. As of June 30, 2009, 170,050 shares may still be purchased pursuant to this authorization. No shares were purchased in the second quarter of 2009. The preceding does not include 884 shares relating to restricted stock units (“RSU”) in each of the three and six months ended June 30, 2009 that were attested to in satisfaction of withholding taxes relating to the issuance of the Company’s shares for vested RSUs by holders of Transatlantic Holdings, Inc.’s employee RSU’s.

Part II – Item 4. Submissions of Matters to a Vote of Security Holders

At the Company’s Annual Meeting of Stockholders held on May 21, 2009, the stockholders:

(a) elected seven directors for a one year term, as follows:

NOMINEE	SHARES FOR	SHARES WITHHELD
Ian H. Chippendale	65,234,930	346,064
John G. Foos	65,256,690	324,304
John L. McCarthy	65,236,152	344,842
Robert F. Orlich	65,163,873	417,121
William J. Poutsiaka	65,262,200	318,794
Richard S. Press	65,234,878	346,116
Thomas R. Tizzio	58,174,456	7,406,538

(b) approved, by a vote of 63,197,678 shares in favor to 1,390,433 shares opposed, with 299,861 abstentions, 693,022 broker non-votes and 783,364 shares not voting, a proposal to adopt the 2009 Long Term Equity Incentive Plan.

(c) approved, by a vote of 65,472,077 shares in favor to 104,812 shares opposed, with 4,105 abstentions and 783,364 shares not voting, a proposal to ratify the selection of PricewaterhouseCoopers LLP as Transatlantic Holdings, Inc.’s independent registered public accounting firm for 2009.

Part II – Item 6. Exhibits

See accompanying Exhibit Index.

Omitted from this Part II are items which are inapplicable or to which the answer is negative for the period covered.

Signatures

Pursuant to the requirements 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.

TRANSATLANTIC HOLDINGS, INC.

(Registrant)

/s/ STEVEN S. SKALICKY

Steven S. Skalicky
On behalf of the registrant and in his capacity as
Executive Vice President and Chief Financial
Officer (Principal Financial and Accounting
Officer)

Dated: August 7, 2009

Exhibit Index

Exhibit Number	Description	Location
3.1	Certificate of Incorporation, as amended through April 19, 1990.	Filed as an exhibit to the Company's Registration Statement (File No. 33-34433) and incorporated herein by reference.
3.1.1	Certificate of Amendment of the Certificate of Incorporation, dated May 25, 1999.	Filed as an exhibit to the Company's 1999 Annual Report on Form 10-K (File No. 1-10545) and incorporated herein by reference.
3.2	Amended and Restated By-Laws, as of September 27, 2007.	Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-10545) dated October 3, 2007 and incorporated herein by reference.
10.1	Transatlantic Holdings, Inc. 2009 Long Term Equity Incentive Plan, dated May 21, 2009.	Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 1-10545) dated May 21, 2009 and incorporated by herein by reference.
10.2	Master Separation Agreement by and among American International Group, Inc., American Home Assurance Company and Transatlantic Holdings, Inc., dated May 28, 2009.	Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-10545) dated May 28, 2009 and incorporated by reference.
10.3	Transition Services Agreement by and among American International Group, Inc., and Transatlantic Holdings, Inc., dated June 4, 2009.	Filed herewith.
10.4	Stockholders Agreement by and among American International Group, Inc., American Home Assurance Company and Transatlantic Holdings, Inc., dated June 4, 2009.	Filed herewith.

Exhibit Number	Description	Location
10.5	Registration Rights Agreement by and among American International Group, Inc., American Home Assurance Company and Transatlantic Holdings, Inc., dated June 4, 2009.	Filed herewith.
10.6	Voting Agreement by and between Transatlantic Holdings, Inc. and Davis Selected Advisors L.P., dated June 8, 2009.	Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-10545) dated June 10, 2009 and incorporated herein by reference.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Robert F. Orlich, President and Chief Executive Officer.	Filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Steven S. Skalicky, Executive Vice President and Chief Financial Officer.	Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Robert F. Orlich, President and Chief Executive Officer.	Provided herewith.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Steven S. Skalicky, Executive Vice President and Chief Financial Officer.	Provided herewith.

TRANSITION SERVICES AGREEMENT

dated as of June 4, 2009

between

AMERICAN INTERNATIONAL GROUP, INC.

and

TRANSATLANTIC HOLDINGS, INC.

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TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT, dated as of June 4, 2009 (this “Agreement”), is entered into by and between American International Group, Inc., a Delaware corporation (“AIG”), and Transatlantic Holdings, Inc., a Delaware corporation (the “Company”).

RECITALS

WHEREAS, AIG, American Home Assurance Company, a New York domiciled insurance company and the Company have entered into that certain Master Separation Agreement, dated as of May 28, 2009 (as amended, modified or supplemented from time to time in accordance with its terms, the “Separation Agreement”), relating to the separation of the Company from AIG; and

WHEREAS, in connection with the Separation Agreement, AIG shall provide or cause to be provided to the Company Entities certain services, access to facilities, equipment, software and other assistance on a transitional basis commencing immediately following the First Time of Delivery and in accordance with the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms.

(a) Unless otherwise defined herein, all capitalized terms used herein shall have the same meanings as set forth in the Separation Agreement.

(b) The following capitalized terms used in this Agreement shall have the meanings set forth below:

“AAA” shall have the meaning set forth in Section 8.08(b).

“Additional Facilities” shall have the meaning set forth in Section 2.03.

“Additional Services” shall have the meaning set forth in Section 2.03.

“Agreement” shall have the meaning set forth in the Preamble.

“AIG” shall have the meaning set forth in the Preamble.

“AIG Contract Manager” shall have the meaning set forth in Section 2.15(a)(ii).

“AIG Entities” means AIG and its Affiliates, excluding the Company Entities.

“AIG Indemnified Person” means each AIG Entity and its Representatives.

“AIG Provider” means AIG or a Provider that is an Affiliate of AIG after the First Time of Delivery.

“Archived Files” shall have the meaning set forth in Section 2.10(a).

“Company” shall have the meaning set forth in the Preamble.

“Company Contract Manager” shall have the meaning set forth in Section 2.15(a)(i).

“Company Entities” means the Company and the Company Subsidiaries.

“Company Indemnified Person” means the Company and each Company Subsidiary, their respective Affiliates and their respective Representatives.

“Confidential Information” shall have the meaning set forth in Section 8.01(a).

“Dispute” shall have the meaning set forth in Section 8.08.

“Facilities” shall have the meaning set forth in Section 2.02.

“Force Majeure” means, with respect to a Party, an event beyond the control of such Party or any Person acting on its behalf, including acts of God, storms, floods, riots, fires, earthquakes, sabotage, civil commotion or civil unrest, strikes, lockouts or other labor difficulties, interference by civil or military authorities, riots, insurrections or other hostilities, embargo, fuel or energy shortage, acts of Governmental Authorities (including bank closings and seizures and other Governmental Orders), acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism or failure or interruption of networks or energy sources.

“Indemnified Person” means an AIG Indemnified Person or a Company Indemnified Person.

“IRS” means the US Internal Revenue Service.

“Knowledge” of a Person means in the case of the Company, the actual knowledge of any Person listed on Annex I, subject to the subject matter limitations set forth on such schedule.

“Licensee” shall have the meaning set forth in Section 2.12(a).

“Licensor” shall have the meaning set forth in Section 2.12(a).

“Migration Services” shall have the meaning set forth in Section 2.14(a).

“Migration Services Charges” shall have the meaning set forth in Section 2.14(a).

“Migration Services Provider” shall have the meaning set forth in Section 2.14(a).

“Migration Services Recipient” shall have the meaning set forth in Section 2.14(a).

“Notice of Dispute” shall have the meaning set forth in Section 8.08(a).

“Party” means AIG and the Company individually, and, in each case, their respective successors and permitted assigns. “Parties” means AIG and the Company collectively, and, in each case, their respective successors and permitted assigns.

“Pass-Through Charges” shall have the meaning set forth in Section 3.01(b).

“Provider” means AIG and any Person that AIG causes to provide to any Recipient a Service or access to a Facility under this Agreement, in its capacity as the provider of such Service or access to such Facility, other than any Person who provides any Company Entity any Service or access to any Facility under a separate transition services agreement or similar Contract.

“Recipients” means the Company Entities, in their capacity as the recipients of the Services and access to the Facilities under this Agreement.

“Required Technology” shall have the meaning set forth in Section 2.10(b).

“Separation Agreement” shall have the meaning set forth in the Recitals.

“Service Charge” shall have the meaning set forth in Section 3.01(a).

“Services” shall have the meaning set forth in Section 2.01.

“VAT” means the tax imposed in accordance with Directive 2006/112/EC and any permitted derogations therefrom, as well as any equivalent or similar tax imposed under the laws of any jurisdiction that is not a Member State of the European Union. For the avoidance of doubt, the term “VAT” shall not include any sales or use tax imposed by any state or political subdivision of the United States.

“Virus(es)” means any malicious computer code or instructions that have a material adverse effect on the operation, security or integrity of (a) a computing, telecommunications or other electronic operating or processing system or environment, (b) software programs, data, databases or other computer files or libraries or (c) computer hardware, networking devices or telecommunications equipment, including (i) viruses, Trojan horses, time bombs, back door devices, worms or any other software routine or hardware component designed to permit unauthorized access, disable, erase or otherwise harm software, hardware or data or perform any other such harmful or unauthorized actions and (ii) similar malicious code or data.

ARTICLE II

SERVICES AND ACCESS TO FACILITIES

Section 2.01. Services. On the terms and subject to the conditions set forth in this Agreement, from and after the First Time of Delivery and for the periods set forth in Schedule 2.01, AIG shall provide or cause to be provided to the Company Entities the services set forth in Schedule 2.01 (collectively with any Additional Services, the “Services”).

Section 2.02. Access to Facilities. On the terms and subject to the conditions set forth in this Agreement, from and after the First Time of Delivery and for the periods set forth in Schedule 2.02, AIG shall provide or cause to be provided to the Company Entities access to the facilities, equipment and software set forth in Schedule 2.02 (collectively with any Additional Facilities, the “Facilities”).

Section 2.03. Additional Services and Access to Additional Facilities. Services or access to facilities, equipment or software not agreed upon in a Schedule attached hereto but provided prior to the First Time of Delivery by an AIG Entity to a Company Entity can be requested in writing within ninety (90) calendar days of the First Time of Delivery by the Company upon reasonable notice to AIG. Upon the mutual agreement of the Parties as to (a) the provision of any such Additional Services or access to any such Additional Facilities and (b) the terms and conditions thereof (including the appropriate Service Charges related thereto), AIG shall provide or cause to be provided to the Company Entities (i) such additional services (the “Additional Services”) and (ii) access to such additional facilities, equipment and software (the “Additional Facilities”).

Section 2.04. Exception to Obligation to Provide Services or Access to Facilities. Notwithstanding anything to the contrary contained herein, including Section 2.01 and Section 2.02, AIG shall not be obligated to (and shall not be obligated to cause any Provider to) provide (a) any Services or (b) access to any Facilities, if the provision of such Services or access to such Facilities would (i) violate any Law or any agreement or license to which the AIG Entities or the Company Entities are subject,

including any Master Lease (as such term is defined in the Separation Agreement) or (ii) result in the disclosure of information subject to any applicable privileges (including the attorney-client or similar privilege); provided, however, that AIG and the Company shall use commercially reasonable efforts to obtain or cause to be obtained such agreements, waivers and licenses necessary to provide such Services or access to such Facilities and if AIG and the Company are unable to obtain such agreements, waivers and licenses, AIG and the Company shall use reasonable efforts to agree to the modification of the terms of the Services or access to any Facilities so that the provision of the Services or the access to Facilities by AIG would not result in the circumstances described in clauses (i) and (ii) above; and provided, further, that neither AIG nor the Company (nor any of their respective Affiliates) shall be required to pay any fees or make other payments or incur any obligations (unless the Recipient agrees to pay AIG or its Affiliates for such fees or make such other payments or incur such obligations) to obtain any such agreements, waivers or licenses.

Section 2.05. Standard of the Provision of Services or Access to Facilities. AIG shall provide or cause to be provided the Services and access to the Facilities at all times in a manner and at a level that is substantially consistent with similar services and access to facilities, equipment and software provided by AIG to the Recipient during the one year period immediately prior to the First Time of Delivery. The Company agrees that all of the Services and access to all of the Facilities shall be for the sole use and benefit of the Company Entities and not any other Affiliates of the Company and solely for the purpose of conducting the business of the Company Entities in a manner substantially consistent with the manner in which it was conducted immediately prior to the First Time of Delivery. No Provider shall have any obligation to purchase, lease or license or renew a lease or license applicable to any facility, equipment or software or to pay any costs related to (a) the transfer or conversion of a Recipient's data to any alternative provider of any Services or (b) the Recipient's access to any Facilities.

Section 2.06. Change in Services or Access to Facilities. A Provider may, from time to time, reasonably supplement, modify, substitute or otherwise alter the Services and access to the Facilities; provided, however, that such supplement, modification, substitution or alteration shall (a) result in the quality of the Services or access to Facilities being substantially consistent with or greater than the Services or access to Facilities provided prior thereto and (b) subject to Section 6.01(d)(iv), not increase the cost of using such Services or accessing such Facilities.

Section 2.07. Services and Access to Facilities Provided by Other Persons. AIG may cause any Person, including any Affiliate of AIG, to provide any Services or access to any Facilities or any portion thereof; provided, however, that such Person shall be subject to service standards and confidentiality provisions at least equivalent to those set forth herein and that AIG shall remain primarily responsible for the performance by such Person of all of its obligations hereunder with respect to the Services or access to the Facilities provided by such Person so that such performance is in accordance with the terms and conditions hereof.

Section 2.08. Personnel.

(a) AIG shall, and shall cause the Provider of any Service or access to any Facility to, make available to the Recipient of such Service or access to such Facility such personnel as may be necessary to provide such Service or access to such Facility; provided, however, that the Provider shall have the right, in its reasonable discretion, to (i) designate which personnel it will assign to perform such Service or provide access to such Facility and (ii) remove and replace such personnel at any time. Subject to Section 2.05, nothing in this Agreement shall obligate a Provider (or AIG to cause any Provider) to hire any additional employees or provide any incentives to employees in addition to those in effect immediately prior to the First Time of Delivery or to retain the employment of any particular employee or retain the services of any particular consultant, contractor or agent.

(b) The Provider of any Service or access to any Facility shall be solely responsible for all salary, employment and other benefits of and liabilities relating to the personnel of such Provider assigned to perform such Service or provide access to such Facility. In performing their respective duties hereunder, all such personnel of a Provider shall be under the direction, control and supervision of such

Provider, and, subject to Section 2.05, such Provider shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such personnel.

Section 2.09. Cooperation. Each Recipient and its Affiliates shall use its reasonable best efforts to (a) cooperate with the applicable Provider and its Affiliates with respect to the provision of any Service and access to any Facility and (b) enable the applicable Provider and its Affiliates to provide the Services and access to the Facilities in accordance with this Agreement. No Recipient or its Affiliates shall take any action that would materially interfere with or materially increase the cost of a Provider's providing any of the Services or access to any of the Facilities.

Section 2.10. Electronic and Other Access.

(a) As of the First Time of Delivery, except as otherwise expressly provided in this Agreement or any other Transaction Agreement, (i) the Company Entities shall cease to use and shall have no further access to, and AIG shall have no obligation to otherwise provide or make available, any business or other services, including any AIG Entity's intranet and other owned, licensed, leased or used computer software, networks, hardware or technology of an AIG Entity, provided or made available to the Company Entities by any AIG Entity prior to the First Time of Delivery, and (ii) the Company Entities shall have no access to, and the AIG Entities shall have no obligation to otherwise provide, any AIG Entity's computer-based resources (including third-Person services, e-mail and access to its computer networks, databases and equipment), whether or not such resources require a password or are available on a secured access basis or on a non-secured access basis. Notwithstanding anything to the contrary contained in this Agreement or any other Transaction Agreement, to the extent that AIG or any Affiliate of AIG has retained hard copies of files and electronic files, tapes, software, electronic data, hardware, storage devices or other electronic information that are not used in the operation of the business of the Company Entities or required by the Company Entities for regulatory purposes ("Archived Files") pursuant to a Litigation Hold or otherwise, the Company acknowledges and agrees that the Archived Files are solely the property of AIG. AIG agrees that it will retain the Archived Files that relate to the Company Entities for no less than three (3) months after the First Time of Delivery after which AIG may recycle or discard such Archived Files.

(b) To the extent that the performance or receipt of Services or access to Facilities hereunder requires a Company Entity to have access to any AIG Entity's intranet or other computer software, networks, hardware, technology or computer-based resources (including third-Person services, e-mail and access to computer networks, database and equipment) owned, licensed, leased or used by any AIG Entity and any AIG Entity's computer based resources (including third-Person services, e-mail and access to its computer networks, databases and equipment), whether or not such resources require a password or are available on a secured access basis or on a non-secured access basis ("Required Technology"), AIG shall provide or cause to be provided limited access to such Required Technology, subject to the security, use, Virus protection, disaster recovery, confidentiality and other policies, procedures and limitations of the AIG Entities, consistent with past practice, as they may be amended from time to time in a manner that does not unreasonably interfere with any Company Entity's receipt of Services or access to Facilities hereunder. The Company shall, and shall cause each Recipient and all of their personnel having access to the Required Technology to, (a) comply with all the AIG Entities' security guidelines and procedures (including physical security, network access, internet security, confidentiality and personal data security guidelines and procedures), consistent with past practice, as they may be amended from time to time in a manner that does not unreasonably interfere with any Company Entity's receipt of Services or access to Facilities hereunder, and (b) use commercially reasonable Virus protection, disaster recovery and other policies, procedures and limitations of the AIG Entities that are applicable to the provision of any Service or access to any Facility, consistent with past practice, as they may be amended from time to time in a manner that does not unreasonably interfere with any Company Entity's receipt of Services or access to Facilities hereunder.

(c) While Services are being provided hereunder, each Party shall take commercially reasonable measures to ensure that, in connection with the provision of any Services or access to any

Facilities, no Virus or similar items are coded or introduced into either its own (including its Affiliates) or the other Party's (including its Affiliates) computer networks or databases. If, in connection with the provision of any Services or access to any Facilities, a Virus is found to have been introduced into such computer networks or databases, each Party shall use commercially reasonable efforts to cooperate and to diligently work together with the other Party to eliminate the effects of such Virus. The Parties shall, and shall cause their respective Providers and Recipients to, exercise commercially reasonable care to prevent unauthorized Persons from accessing the Services, or the computer and technology systems or networks of any of the Providers.

Section 2.11. No Agency. Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any Party acting as an agent of another unaffiliated Party in the conduct of such other Party's business. A Provider of any Service or access to any Facility hereunder shall act as an independent contractor and not as the agent of any Recipient or its Affiliates in performing such Service or providing access to such Facility. Nothing contained in this Agreement shall be deemed or construed to create a partnership or joint venture, to create the relationships of employee/employer or principal/agent or otherwise create any other association of any kind, each Party being individually responsible only for its obligations set forth in this Agreement.

Section 2.12. Ownership of Intellectual Property.

(a) Except as otherwise expressly provided in this Agreement or in any other Transaction Agreement, each of AIG and the Company and their respective Affiliates shall retain all right, title and interest in and to their respective Intellectual Property and any and all improvements, modifications and derivative works thereof. Solely to the extent required for the provision or receipt of the Services or access to the Facilities in accordance with this Agreement, each of AIG and the Company, for itself and on behalf of their respective Affiliates, hereby grants to the other (and their respective Affiliates) a non-exclusive, revocable, non-transferable (except as provided in Section 8.05) license during the term of this Agreement to access and use such Intellectual Property that is provided by the granting Party ("Licensor") to the other Party ("Licensee") in connection with this Agreement, but only to the extent and for the duration necessary for the Licensee to provide or receive the applicable Service or access to the applicable Facility as permitted by this Agreement. Upon the expiration of such time, or the earlier termination of such Service or access to such Facility in accordance with Section 6.01(d), the license granted hereunder by the Licensor to the Licensee to the relevant Intellectual Property will terminate; provided, however, that all licenses granted under this Agreement shall terminate immediately upon the expiration or earlier termination of this Agreement in accordance with the terms hereof. The foregoing license is subject to the terms of any licenses granted by others with respect to Intellectual Property not owned by AIG, the Company or their respective Affiliates that is required for or used in the provision or receipt of the Services or access to the Facilities in accordance with this Agreement. No license or right, express or implied, is granted under this Agreement by any Licensor to any Licensee or their respective Affiliates in or to their respective Intellectual Property except as expressly provided above in this Section 2.12(a), and all other rights are expressly reserved by each Licensor.

(b) Subject to the limited license granted in Section 2.12(a), in the event that any Intellectual Property is created by a Provider in the performance of the Services or provision of access to the Facilities, all right, title and interest throughout the world in and to all such Intellectual Property shall vest solely in such Provider unconditionally and immediately upon such Intellectual Property having been developed, written or produced, unless the Parties agree otherwise in writing.

(c) Except as otherwise expressly provided in this Agreement or in any other Transaction Agreement, no Party (or its Affiliates) shall have any rights or licenses with respect to any Intellectual Property (including software), hardware or facility of the other Party. All rights and licenses not expressly granted in this Agreement or in such other Transaction Agreement are expressly reserved by the relevant Party. Each Party shall from time to time execute any documents and take any other actions reasonably requested by the other Party to effectuate the intent of this Section 2.12.

Section 2.13. Divestitures. If AIG sells or divests any AIG Provider that provides Services or access to Facilities hereunder, AIG shall use commercially reasonable efforts to provide or to cause another AIG Provider to provide for the continuity of Services and access to Facilities on the same price, terms and conditions as are in effect immediately prior to such sale or divestiture, and in a manner which does not cause a degradation in the service standards set forth herein and without requiring a material change to the Recipient's business processes or operations. If such measures are not reasonably acceptable to the Company, the Parties shall cooperate reasonably and in good faith to attempt to find an alternative arrangement reasonably acceptable to the Company that meets the foregoing standards. If the Parties are unable to find an alternative arrangement reasonably acceptable to the Company that meets the foregoing standards, AIG will give the Company thirty (30) days' prior written notice to enable it to develop and implement alternative services or obtain such alternative services from third parties. Upon expiration of such thirty (30) day notice period, notwithstanding anything to the contrary contained herein, including Section 2.01 and Section 2.02, AIG shall be relieved of its obligation to (and shall not be obligated to cause any Provider to) provide such Services or access to such Facilities hereunder and the Company shall be relieved of its obligation to pay any Services Charges or any other costs, expenses, fees and other amounts otherwise payable pursuant to this Agreement in connection with such terminated Services or access to Facilities.

Section 2.14. Migration.

(a) AIG agrees to use, and to cause the AIG Entities that are Providers to use, and the Company agrees to use, and to cause the Company Subsidiaries to use, their reasonable good faith efforts to cooperate with and assist each other in connection with the migration of the business of the Company Entities from the AIG Entities to the Company Entities, in each case and to the extent reasonably agreed by the Parties, including the migration from the performance of any Service or provision of access to any Facility by a Provider to the performance of such Service and provision of access to such Facility by the Company Entities, their Affiliates or a third Person ("Migration Services"), taking into account the need to minimize both the cost of such migration and the disruption to the ongoing business activities of AIG, the AIG Entities that are Providers and the Company Entities. The Parties acknowledge that Migration Services may include the provision of services requested by the Company Entities in connection with their migration to non-AIG Entity systems, including the transfer of records, segregation and migration of historical data, migration-specific enhancements and cooperation with and assistance to third-Person consultants engaged by the Company Entities in connection with the foregoing. Migration Services shall be agreed upon by the Parties and shall be charged to the Company or any Affiliate of the Company that is receiving Migration Services (the "Migration Services Recipient") on a time and materials basis at the then current rates for the personnel of the AIG Entities providing such Migration Services (the "Migration Services Provider") and shall include actual out-of-pocket costs and expenses (less any VAT recoverable by the Migration Services Provider or any of its Affiliates) incurred by a Migration Services Provider in the provision of Migration Services (collectively, the "Migration Services Charges").

(b) The applicable Party shall cause the applicable Migration Services Recipients to pay the Migration Services Charges to the applicable Migration Services Providers. Any Migration Services Charges shall be reasonably calculated and invoiced by the applicable Migration Services Providers (or by AIG on behalf of the applicable Migration Services Providers) and shall be paid to the applicable Migration Services Providers in immediately available funds within twenty (20) days of the receipt by the applicable Migration Services Recipients of an invoice therefor from the applicable Migration Services Providers (or from AIG on behalf of the applicable Migration Services Providers). Each invoice for Migration Services Charges shall be accompanied by (i) a reasonably detailed document showing the calculation of the Migration Services Charges and (ii) all receipts or invoices from third parties (or copies thereof) relating to out-of-pocket costs and expenses included in the Migration Services Charges. Any amount required to be paid under this Section 2.14 and not paid by the due date for payment shall be subject to late charges at an interest rate of three percent (3%) over the London Inter-Bank Offered Rate for a one (1) year period, as published by the eastern edition of *The Wall Street Journal* on the date on which the payment was due.

(c) Section 3.01(c) shall apply to the payments payable pursuant to this Section 2.14, except that (i) each reference to the “Provider(s)” and the “Recipient(s)” shall be changed to refer to the “Migration Services Provider(s)” and the “Migration Services Recipient(s)”, respectively, (ii) each reference to “Service(s) or access to Facilities/Facility”, or any substantially similar construction or derivation thereof, shall be changed to refer to the “Migration Service(s)” and (iii) each reference to “hereunder” or “under this Agreement” shall be changed to refer to “under this Section 2.14.”

(d) The applicable Party shall cause the applicable Migration Services Recipients to pay to the applicable Migration Services Providers the full amount of the Migration Services Charges and not to set-off, counterclaim or otherwise withhold any amount owed or claimed to be owed to any Migration Services Recipient under this Agreement on account of any obligation owed by any Migration Services Provider, whether or not such obligation has been finally adjudicated, settled or otherwise agreed upon in writing. In the event that a Party disputes any amount on an invoice, such Party shall (i) give notice of such disputed amount to either AIG or the applicable Provider pursuant to the provisions of Section 8.08 and (ii) cause the Migration Services Recipient to pay any undisputed amounts on such invoice, in each case within twenty (20) days from the Migration Services Recipient’s receipt of such disputed invoice.

Section 2.15. Primary Points of Contact for this Agreement.

(a) Each Party shall appoint an individual to act as the primary point of operational contact for the administration and operation of this Agreement, as follows:

(i) The individual appointed by the Company as the primary point of operational contact pursuant to this Section 2.15(a) as set forth in Schedule 2.15(a) (the “Company Contract Manager”) shall have overall operational responsibility for coordinating, on behalf of the Company, all activities undertaken by the Company and the Company Subsidiaries and their Affiliates and Representatives hereunder, including the performance of the Company’s obligations hereunder, acting as a day-to-day contact with the AIG Contract Manager and making available to AIG the data, facilities, resources and other support services from the Company required for the AIG Providers to be able to provide the Services and access to the Facilities in accordance with the requirements of this Agreement. The Company may change the Company Contract Manager from time to time upon written notice to AIG pursuant to Section 8.02. The Company shall use commercially reasonable efforts to provide at least thirty (30) days’ prior written notice of any such change.

(ii) The individual appointed by AIG as the primary point of operational contact pursuant to this Section 2.15(a) as set forth in Schedule 2.15(a) (the “AIG Contract Manager”) shall have overall operational responsibility for coordinating, on behalf of AIG, all activities undertaken by the AIG Providers and their Affiliates and Representatives hereunder, including the performance of AIG’s obligations hereunder, the coordinating of the provision of the Services and access to the Facilities with the Company, acting as a day-to-day contact with the Company Contract Manager. AIG may change the AIG Contract Manager from time to time upon written notice to the Company pursuant to Section 8.02. AIG shall use commercially reasonable efforts to provide at least thirty (30) days’ prior written notice of any such change.

(b) The Parties shall ensure that the AIG Contract Manager and the Company Contract Manager shall meet in person or telephonically as frequently as necessary or advisable for the performance of the Parties’ obligations hereunder.

ARTICLE III

COSTS AND DISBURSEMENTS

Section 3.01. Costs and Disbursements.

(a) As consideration for providing the Services and access to the Facilities, the Company shall cause the Recipient to pay to the Provider the amount specified next to each Service set forth in Schedule 2.01 and each Facility set forth in Schedule 2.02, as such may be amended from time to time pursuant to Section 6.01(d)(iv) (with respect to a Service or Facility, the “Service Charge” for such Service or Facility). Each month’s Service Charges (pro-rated if applicable to less than a full calendar month) shall be payable in arrears, unless otherwise specified for each Service in Schedule 2.01, via electronic funds transfer (instructions to be separately provided), to the Provider (i) within twenty (20) days of the Recipient’s receipt of an invoice from the Provider (or from AIG on behalf of the Provider), or (ii) for flat-rate Service Charges where invoices are not issued, on the last day of each month in which the applicable Services or access to the Facilities are rendered. Each invoice from a Provider (or from AIG on behalf of a Provider) shall be accompanied by reasonable supporting documentation that provides the number of hours worked by each employee (without identifying the names of such employees) and the hourly rate for each employee (without identifying the names of such employees) with respect to a Service or access to a Facility for which variable or hourly fees are charged for such Services and access to such Facilities.

(b) In addition to any Service Charges, the Company shall cause the Recipient to pay the Provider any actual out-of-pocket costs and expenses (less any VAT recoverable by the Provider or any of its Affiliates of the type set forth in Schedule 3.01(b), incurred by a Provider in the provision of, or in setting-up for, facilitating or enabling the provision of, any Services or access to any Facilities (the “Pass-Through Charges”). Any Pass-Through Charges shall be reasonably calculated and invoiced by the Provider (or by AIG on behalf of the Provider) and each invoice for such charges shall be accompanied by all receipts or invoices from third parties (or copies thereof) relating to out-of-pocket costs and expenses included in the Pass-Through Charges. The Company shall cause the Recipient to pay any such Pass-Through Charges to the Provider in immediately available funds within twenty (20) days of Recipient’s receipt of an invoice (and reasonable supporting documentation) therefor from the Provider (or from AIG on behalf of the Provider).

(c) (i) The Provider shall be entitled to charge and collect from the Recipient an additional amount equal to all state, local and/or foreign sales tax or VAT or any other similar tax with respect to the provision of any Services or access to any Facilities provided hereunder and shall timely remit such taxes to the appropriate tax authorities. For the avoidance of doubt, where, in the sole discretion of the Provider, the Provider is not required by law to charge or collect state, local and/or foreign sales tax, VAT or any other similar tax, the Recipient shall be responsible for, and shall timely remit to the appropriate authorities, any such taxes that are required to be self-assessed by the Recipient. AIG shall be responsible for (i) any Losses (including any deficiency, interest and penalties) imposed as a result of a failure to timely remit such taxes if and only if the Recipient has timely remitted such additional amount to the Provider at the Provider’s request and (ii) interest and penalties relating to a deficiency imposed as a result of the Provider’s failure to have charged to the Recipient such taxes (but excluding any such deficiency); otherwise the Company shall be responsible for such Losses and shall hold AIG and any other Providers harmless in respect of them.

(ii) If VAT is chargeable in respect of any supply of any Services and/or access to any Facilities under this Agreement, the Provider (or AIG on behalf of the Provider) shall deliver a valid VAT invoice or invoices (as appropriate) in respect of the supply of such Services and/or access to such Facilities to the Recipient and, following receipt of a valid VAT invoice, the Recipient shall pay the Provider the amount of that VAT on the date which the Provider (or AIG on behalf of the Provider) shall have specified on the relevant VAT invoice.

(iii) Within thirty (30) days of receiving notification of the commencement of any sales tax, VAT or other similar tax audit by a tax authority which involves the provision of any Services or access to any Facilities provided hereunder, the Party receiving such notice shall notify the other Party of such audit. Thereafter, the Party or its Affiliate that bears the cost of such tax (exclusive of any related interest and penalties) pursuant to Section 3.01(c) of this Agreement shall control all proceedings taken in connection with such sales tax or VAT or other similar tax audit and shall take reasonable steps to keep the other Party informed of the progress of any such audit; provided, however, that where the other Party is liable to pay an amount in respect of such sales tax, VAT or other similar tax pursuant to this Section 3.01(c) to a taxing authority or any other Person, the controlling Party shall not settle or otherwise compromise such audit without the other Party's consent (which consent shall not be unreasonably withheld or delayed). The other Party shall have the right (but not the duty) to participate in any proceeding to contest sales tax, VAT or other similar liability, and shall have the right to retain tax advisers or counsel at its own expense.

(iv) Any payment to the Provider made hereunder shall be made free and clear of any deduction or withholding for tax (if any) and in the event that any deduction or withholding for tax is required, the Company shall cause the Recipient to pay additional amounts to the Provider so that after such deduction or withholding the Provider receives the same amount that it would have received but for the deduction or withholding of tax. The Company shall cause the Recipient to timely remit such deduction or withholding for tax to the appropriate taxing authority and provide the Provider with a receipt confirming such payment. The Provider shall reasonably cooperate with the Recipient to minimize applicable withholding taxes (e.g., by providing tax residency certificates and other documents required under a certain tax treaty to obtain the benefit of a lower withholding rate).

(d) Any amount required to be paid under this Section 3.01 and not paid by the due date for payment shall be subject to late charges at an interest rate of three percent (3%) over the London Inter-Bank Offered Rate for a one (1) year period, as published by the eastern edition of *The Wall Street Journal* on the date on which the payment was due. For avoidance of doubt, any amounts required to be paid by either AIG or another Provider, on the one hand, or the Company or another Recipient, on the other hand, after a dispute is resolved pursuant to Section 8.08 shall be subject to the late charges specified in this Section 3.01(d) from the original due date for such amounts. In the event that the Company or another Recipient disputes any amount on an invoice, the Company or the Recipient shall (i) give notice of such disputed amount to either AIG or the applicable Provider pursuant to the provisions of Section 8.08 and (ii) pay any undisputed amounts on such invoice, in each case within twenty (20) days from the Company's or a Recipient's receipt of such disputed invoice.

Section 3.02. No Right to Set-Off. The Company shall cause each Recipient to pay to the Provider the full amount of Service Charges, Pass-Through Charges and other amounts required to be paid by such Recipient under this Agreement and shall not set-off, counterclaim or otherwise withhold any amount owed or claimed to be owed to such Recipient under this Agreement on account of any obligation owed by the Provider, whether or not such obligation has been finally adjudicated, settled or otherwise agreed upon in writing.

ARTICLE IV

WARRANTIES AND COMPLIANCE

Section 4.01. Disclaimer of Warranties. Except as expressly set forth herein (including Article V), each Party (on behalf of itself and its Affiliates) acknowledges and agrees that the Services and access to the Facilities are provided as-is, that each Party (on behalf of itself and its Affiliates) assumes all risks and liabilities arising from or relating to its use of and reliance upon the Services and the Facilities and that each Party (on behalf of itself and its Affiliates) makes no representation or warranty with respect thereto. EXCEPT AS EXPRESSLY SET FORTH HEREIN, EACH PARTY (ON BEHALF OF ITSELF AND ITS AFFILIATES) HEREBY EXPRESSLY DISCLAIMS ALL REPRESENTATIONS, WARRANTIES AND CONDITIONS REGARDING THE SERVICES AND THE FACILITIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATION OR WARRANTY IN REGARD TO QUALITY,

PERFORMANCE, NONINFRINGEMENT, COMMERCIAL UTILITY, MERCHANTABILITY OR FITNESS OF THE SERVICES AND THE FACILITIES FOR A PARTICULAR PURPOSE. In addition, each Party (on behalf of itself and its Affiliates) expressly disclaims any express or implied obligation or warranty of the Services and access to the Facilities that could be construed to require a Provider to provide Services or access to the Facilities hereunder in such a manner to allow a Recipient to comply with any law, regulation, rule or court order applicable to the actions or functions of a Recipient.

Section 4.02. Compliance with Laws and Regulations. Each Party shall be responsible for its own compliance with any and all Laws applicable to its performance under this Agreement.

ARTICLE V

LIMITED LIABILITY AND INDEMNIFICATION

Section 5.01. Limited Liability of a Provider. Except in connection with breaches of Section 2.12, Article VII, and Section 8.01, no AIG Indemnified Person or any other Provider shall have any liability to any Company Indemnified Person, in contract, tort or otherwise, for or in connection with (a) any Services provided or to be provided or any access to any Facilities provided or to be provided by any AIG Indemnified Person or any other Provider pursuant to this Agreement or (b) any AIG Indemnified Person's or other Provider's actions or inactions in connection with any such Services or access to any such Facilities referred to in the immediately preceding clause (a), in each case, except to the extent that such Company Indemnified Person suffers a Loss that results from such AIG Indemnified Person's or other Provider's gross negligence, bad faith or willful misconduct in connection with any such Services or access to any such Facilities and except as otherwise set forth in this Article V.

Section 5.02. Indemnification of Each Recipient by the Relevant Provider. Subject to the limitations set forth in Section 5.04 and the other provisions of this Agreement, AIG shall, or shall cause the relevant Provider to, indemnify each Company Indemnified Person against, and defend and hold each Company Indemnified Person harmless from, any and all Losses imposed on, sustained, incurred or suffered by, or asserted by any Company Indemnified Person to the extent such Losses result from or arise out of: (a) AIG's (and its Affiliates that are Providers) breach of Section 2.12, Article VII, or Section 8.01 or (b) gross negligence, bad faith or willful misconduct of the Providers in providing any Services or access to any Facilities pursuant to this Agreement or otherwise in connection with this Agreement.

Section 5.03. Indemnification of Each Provider by the Relevant Recipient. Subject to the limitations set forth in Section 5.04 and the other provisions of this Agreement, the Company shall, or shall cause the relevant Recipient to, indemnify each AIG Indemnified Person and any other Provider against, and defend and hold each AIG Indemnified Person and any other Provider harmless from, any and all Losses arising from third-party claims imposed on, sustained, incurred or suffered by, or asserted against any AIG Indemnified Person or other Provider to the extent such Losses result from or arise out of: (a) the Company's (and its Affiliates that are Recipients) material breach of this Agreement or (b) any Services provided or to be provided or access to any Facilities provided or to be provided to the Company (and its Affiliates that are Recipients) by any AIG Indemnified Person or other Provider pursuant to this Agreement, provided that the Company shall not be responsible for any Losses for which an AIG Indemnified Person is required to indemnify the Company and other Company Indemnified Persons pursuant to Section 5.02. Without prejudice to the foregoing, the Company also shall, or shall cause the relevant Recipient to, indemnify each AIG Indemnified Person and any other Provider against, and defend and hold each AIG Indemnified Person and any other Provider harmless from, any and all Losses arising from third-party claims imposed on, sustained, incurred or suffered by, or asserted against any AIG Indemnified Person or other Provider for or in respect of any actions taken, omitted to be taken or suffered to be taken by it pursuant to this Agreement, in good faith and in reliance upon the written opinion of outside counsel or written instructions by or on behalf of the Company or the Company Entities, except to the extent such liability arises from the gross negligence, bad faith or willful misconduct of an AIG Indemnified Person or any other Provider or any of their respective officers, employees, agents, or representatives.

Section 5.04. Additional Limitations on Liability.

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NO PARTY, NOR ANY OF ITS AFFILIATES OR ITS OR THEIR REPRESENTATIVES (NOR ANY SUCCESSORS OR ASSIGNS OF SUCH PERSONS) SHALL BE LIABLE FOR ANY INCIDENTAL, SPECIAL, INDIRECT, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFIT OR LOSS OF REVENUE) OF THE OTHER PARTY, ITS SUCCESSORS, ASSIGNS OR THEIR RESPECTIVE AFFILIATES AND REPRESENTATIVES, IN ANY WAY DUE TO, RESULTING FROM OR ARISING IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN TORT (INCLUDING NEGLIGENCE), CONTRACT, BREACH OF WARRANTY, STRICT LIABILITY, INDEMNIFICATION OR OTHERWISE AND REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE FORESEEABLE OR WHETHER AN INDEMNIFIED PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES.

(b) The aggregate liability of AIG and the other Providers pursuant to this Agreement or anything done or omitted to be done in connection therewith, whether in contract, tort or otherwise, shall not exceed the aggregate amount of the fees, costs, expenses, or any other amounts payable by the Recipient to AIG or such other Provider pursuant to this Agreement.

(c) Other than in connection with an indemnity claim under this Article V, upon a claim of a breach of this Agreement, the non-breaching Party shall give the breaching Party a reasonable opportunity to correct the breach within thirty (30) days of the non-breaching Party delivering a notice of such breach to the breaching Party. If the breaching Party is able to cure the breach within thirty (30) days and the non-breaching Party has not incurred any actual Losses, the breaching Party shall not be liable for any Losses hereunder.

(d) Each AIG Indemnified Person and Company Indemnified Person agrees that it shall use commercially reasonable efforts to mitigate and otherwise minimize its respective Losses, whether direct or indirect, due to, resulting from or arising in connection with any failure by an AIG Indemnified Person or Company Indemnified Person, as applicable, to perform fully any obligations under, and comply with, this Agreement.

(e) No AIG Indemnified Person shall have any responsibility to any Company Indemnified Person for reserve reporting or regulatory reporting.

(f) Any claim for indemnification by an Indemnified Person must be made in writing to AIG or the Company, as applicable, before the day that is the one year anniversary of the date the Service or the access to the Facility giving rise to such claim was terminated.

Section 5.05. Insurance. Notwithstanding anything to the contrary contained herein, no Party indemnified under this Article V shall be indemnified or held harmless to the extent such Losses are covered by insurance.

Section 5.06. Procedures. The provisions of Section 8.04 and Section 8.05 of the Separation Agreement shall govern indemnification under this Article V.

Section 5.07. Exclusive Remedy. Each Party acknowledges and agrees that, following the First Time of Delivery, other than (a) in the case of fraud by the Company or AIG or any of their respective Affiliates or Representatives, (b) as expressly set forth in this Agreement and (c) with respect to Section 2.12, Section 8.01, Section 8.08(g) and Section 8.08(i), the indemnification provisions of this Article V shall be the sole and exclusive remedy of AIG and the Company, respectively, for any breach of this Agreement and for any failure to perform or comply with any covenants or agreements contained in this Agreement.

ARTICLE VI

TERM AND TERMINATION

Section 6.01. Term and Termination.

(a) Each Service and access to each Facility shall be provided for a term commencing on the First Time of Delivery and ending, in each case, on the date set forth with respect to such Service or access to such Facility in Schedule 2.01 (in the case of Services) or Schedule 2.02 (in the case of access to Facilities), respectively, or such shorter term if earlier terminated pursuant to the terms of this Agreement.

(b) Notwithstanding the term for providing any Service or access to any Facility as set forth in Schedule 2.01 or Schedule 2.02, respectively, this Agreement may be terminated earlier by AIG (i) if the Company is in material breach of the terms of this Agreement and the Company fails to cure such breach within thirty (30) days of AIG delivering a written notice of such breach to the Company (it being understood and agreed that the failure of the Company or a Recipient to pay any outstanding Service Charge or other amount due to AIG or a Provider shall be a material breach of the terms of this Agreement and that AIG may terminate this Agreement if the Company fails to cure such breach within ten (10) days of AIG delivering a written notice of such breach to the Company); or (ii) if the Company or the Company Entities commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors or shall take any corporate action to authorize any of the foregoing.

(c) Notwithstanding the term for providing any Service or access to any Facility as set forth in Schedule 2.01 or Schedule 2.02, respectively, this Agreement may be terminated earlier by the Company (i) if AIG is in material breach of the terms of this Agreement and AIG fails to cure such breach within thirty (30) days of the Company delivering a written notice of such breach to AIG; or (ii) if AIG commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors or shall take any corporate action to authorize any of the foregoing.

(d) With respect to any Service or access to any Facility:

(i) the Company may terminate such Service or access to such Facility, in whole but not in part with respect to such Service or access to such Facility: (A) for any reason or no reason upon providing at least ten (10) days' prior written notice to the Provider of such Service or access to such Facility (unless a longer notice period is specified in the Schedules attached hereto or in a third-Person agreement to provide Services), in each case, subject to the obligation to pay any applicable termination charges pursuant to Section 6.02; or (B) at any time upon prior written notice if AIG has failed to perform any of its material obligations under this Agreement with respect to such Service or access to such Facility, and such failure shall continue to exist thirty (30) days after receipt by AIG of a written notice of such failure from the Company or the applicable Recipient; or (C) pursuant to Section 6.04(b);

(ii) AIG may terminate such Service or access to such Facility, in whole but not in part with respect to such Service or access to such Facility: (A) at any time upon prior

written notice if the Company has failed to perform any of its material obligations under this Agreement with respect to such Service or access to such Facility, and such failure shall continue to exist thirty (30) days after receipt by the Company of a written notice of such failure from AIG or the applicable Provider; (B) after compliance with the provisions of Section 2.04, immediately upon the Company's receipt of written notice, if the continued performance of such Service or the provision of access to such Facility would, in the opinion of AIG exercised in good faith, be a violation of any Law; or (C) pursuant to Section 6.04(b);

(iii) Any such Service or access to such Facility may be terminated, in whole but not in part, upon the mutual agreement of the Parties; and

(iv) AIG may terminate such Service or access to such Facility, in whole but not in part with respect to such Service or access to such Facility: upon sixty (60) days' prior written notice to the Company if (A) AIG determines in its reasonable discretion that it is necessary for AIG to increase its Service Charges in order to recover its increased costs to provide such Service or access to such Facility and (B) the Company does not consent in writing to amend Schedule 2.01 or Schedule 2.02, as applicable, to provide for such increased Service Charges within thirty (30) days of receiving from AIG such written notification along with the proposed increased Service Charges and reasonably detailed documentation in support of the proposed increased Service Charges.

If a Service or access to a Facility is terminated, the relevant Schedule shall be updated to reflect such termination. In the event that the effective date of the termination of any Service or access to any Facility is a day other than at the end of a month, the Service Charge, the Pass-Through Charges and other amounts due to a Provider associated with such Service or access to such Facility shall be pro-rated appropriately. In addition, to the extent that a Provider's ability to provide a Service or access to a Facility, as the case may be, is dependent on the continuation of another Service or access to another Facility, as the case may be, such Provider's obligation to provide such Service or access to such Facility shall terminate automatically with the termination of such supporting Service or access to such supporting Facility.

Section 6.02. Termination Charges. Upon early termination of any Service or access to any Facility pursuant to Section 6.01(d)(i) or (ii), the Company shall pay to AIG or any other Provider such early termination charges as may be incurred by AIG or any other Provider in order to discontinue earlier than originally anticipated the provision of such Service or access to such Facility. Such early termination charges may include wind-down costs, breakage fees, early termination fees or charges, minimum volume make-up charges, other start-up or wind-down costs incurred by AIG or any other Provider that AIG or such other Provider had anticipated would be paid for by the Company over the course of the originally contemplated term or other amounts payable to third Persons or internal costs incurred by AIG or such other Provider in its commercially reasonable efforts to discontinue earlier than originally anticipated the provision of such Services or access to such Facilities. AIG and such other Provider shall use commercially reasonable efforts to minimize the existence and amount of such early termination charges; provided, however, that the foregoing obligations shall not alter or diminish the Company's obligation to pay early termination charges as reasonably determined by AIG and such other Provider in accordance with the terms hereof. All termination charges shall be due and payable to AIG or any other Provider in immediately available funds within twenty (20) days of the Company's receipt of any invoice therefor.

Section 6.03. Effect of Termination.

(a) Upon termination of any Service or access to any Facility in accordance with this Agreement and subject to Section 6.02, AIG and any other Provider will have no further obligation to provide such terminated Service or such terminated access to the applicable Facility, and the Company shall have no obligation to pay any Service Charges, Pass-Through Charges or other required amounts relating to any such Service or access to such Facility, provided that the Company shall remain obligated to AIG and any other Provider for any Service Charges, Pass-Through Charges or other required

amounts owed and payable in respect of such terminated Service or such terminated access to the applicable Facility that was provided prior to the effective date of termination and any amounts owed or payable for Migration Services provided. Any and all rights to Intellectual Property granted to a Recipient and/or Provider hereunder in connection with the provision of a terminated Service or terminated access to the applicable Facility shall immediately cease upon such termination. In connection with the termination of any Service or access to any Facility, the provisions of this Agreement not relating solely to such terminated Service or such terminated access to the applicable Facility shall survive any such termination.

(b) In connection with a termination of this Agreement, Article I, Article V, Article VII, Article VIII, Section 2.12, Section 6.02 and this Section 6.03 and liability for all due and unpaid Service Charges, Pass-Through Charges and other amounts required by this Agreement shall continue to survive indefinitely.

Section 6.04. Force Majeure.

(a) No Party (or any Person acting on its behalf) shall have any liability or responsibility for any interruption, delay or other failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of a Force Majeure, provided that such Party (or such Person) shall have exercised commercially reasonable efforts to minimize the effect of a Force Majeure on its obligations. In the event of an occurrence of a Force Majeure, the Party whose performance is affected thereby shall give notice (orally or in writing) of suspension as soon as reasonably practicable to the other stating the date and extent of such suspension and the cause thereof, and such Party shall resume the performance of such obligations as soon as reasonably practicable upon the cessation of such Force Majeure and its effects.

(b) During the period of a Force Majeure, the Company shall be entitled to seek an alternative service provider at its own cost with respect to the Services affected or access to the Facilities affected. If a Force Majeure shall continue to exist for more than thirty (30) consecutive days, either the Company or AIG shall be entitled to permanently terminate the Services affected or access to the Facilities affected. The Company shall be relieved of the obligation to pay any Service Charges or Pass-Through Charges for the provision of the affected Services or access to the affected Facilities throughout the duration of such Force Majeure.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.01. Representations and Warranties of AIG. AIG hereby represents and warrants to the Company as follows:

(a) Incorporation and Authority of AIG. AIG is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. AIG has full legal power and authority, and has taken all required legal action necessary, to execute and deliver this Agreement and all other agreements, instruments, certificates, notices and other documents as are necessary to consummate the transactions contemplated hereby and otherwise to carry out the terms of this Agreement. AIG has duly and validly authorized the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly and validly authorized by AIG and no other proceedings on the part of AIG are necessary to authorize the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby by AIG.

(b) Enforceability. This Agreement has been duly and validly executed by AIG and, assuming due authorization, execution and delivery by the other Party hereto, constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding agreement of AIG, enforceable

against AIG in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) **Consents and Approvals.** Except as set forth on Schedule 7.01(c), no consent, approval, waiver, authorization, notice or filing is required to be obtained by AIG or any of its Affiliates from, or to be given by AIG or any of its Affiliates to, or made by AIG or any of its Affiliates with, any Governmental Authority or any other Person, in connection with the execution, delivery and performance by AIG or any of its Affiliates of this Agreement.

(d) **Non-Contravention.** The execution, delivery and performance by AIG and its Affiliates of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of the Organizational Documents of AIG or any of its Affiliates; (ii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 7.01(c), conflict with, or result in the breach of, or constitute a default under, or result in the termination, cancellation, modification or acceleration (whether after the filing of notice or the lapse of time or both) of any right or obligation of AIG or any of its Affiliates under, or result in a loss of any benefit to which AIG or any of its Affiliates is entitled under, any Contract, or result in the creation of any Lien (other than Permitted Liens) upon the assets and properties of AIG or any of its Affiliates; or (iii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 7.01(c) or required to be made or obtained by the Company or any of the Company Subsidiaries, violate, or result in a breach of, or constitute a default under any Law, Governmental Order or Self-Regulatory Organization Approval to which AIG or any of its Affiliates is subject, other than, in the cases of clauses (ii) and (iii), conflicts, breaches, terminations, defaults, cancellations, accelerations, losses, violations or Liens that would not materially impair or delay AIG's ability to perform its obligations hereunder.

(e) **Disclaimer.** Except for the representations and warranties contained in this Section 7.01, AIG does not make any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to AIG or any of its Affiliates, this Agreement or the transactions contemplated by this Agreement.

Section 7.02. Representations and Warranties of the Company.

(a) **Incorporation and Authority of the Company.** The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Company has full legal power and authority, and has taken all required legal action necessary, to execute and deliver this Agreement and all other agreements, instruments, certificates, notices and other documents as are necessary to consummate the transactions contemplated hereby and otherwise to carry out the terms of this Agreement. The Company has duly and validly authorized the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly and validly authorized by the Company and no other proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby by the Company.

(b) **Enforceability.** This Agreement has been duly and validly executed by the Company and, assuming due authorization, execution and delivery by the other Party hereto, constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) Consents and Approvals. Except as set forth on Schedule 7.02(c), no consent, approval, waiver, authorization, notice or filing is required to be obtained by the Company or any of the Company Subsidiaries from, or to be given by the Company or any of the Company Subsidiaries to, or made by the Company or any of the Company Subsidiaries with, any Governmental Authority or other Person, in connection with the execution, delivery and performance by the Company or any of the Company Subsidiaries of this Agreement.

(d) Non-Contravention. The execution, delivery and performance by the Company and the Company Subsidiaries of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of the Organizational Documents of the Company or any of the Company Subsidiaries; (ii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 7.02(c), to the Knowledge of the Company, conflict with, or result in the breach of, or constitute a default under, or result in the termination, cancellation, modification or acceleration (whether after the filing of notice or the lapse of time or both) of any right or obligation of the Company or any of the Company Subsidiaries under, or result in a loss of any benefit to which the Company or any of the Company Subsidiaries is entitled under, any Contract, or result in the creation of any Lien (other than Permitted Liens) upon the assets and properties of the Company or any of the Company Subsidiaries; or (iii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of notices and filings set forth on Schedule 7.02(c) or required to be made or obtained by AIG or any of its Affiliates, to the Knowledge of the Company, violate or result in a breach of or constitute a default under any Law, Governmental Order or Self-Regulatory Organization Approval to which the Company or any of the Company Subsidiaries is subject, other than, in the cases of clauses (ii) and (iii), conflicts, breaches, terminations, defaults, cancellations, accelerations, losses, violations or Liens that would not materially impair or delay the Company's ability to perform its obligations hereunder.

(e) Disclaimer. Except for the representations and warranties contained in this Section 7.02, the Company does not make any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company or any of the Company Subsidiaries, this Agreement or the transactions contemplated by this Agreement.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01. Treatment of Confidential Information.

(a) Each Party shall not, and shall cause other Persons under its Control (including Affiliates and Representatives) that are providing or receiving Services or access to Facilities or that otherwise have access to information of the other Party that is confidential or proprietary ("Confidential Information") not to, disclose to any other Person or use, except for purposes of this Agreement, any Confidential Information of the other Party that after the First Time of Delivery is provided or that becomes known or available pursuant to or as a result of the carrying out of the provisions of this Agreement; provided, however, that each Party may disclose (subject to applicable Law) Confidential Information of the other Party to Providers and Recipients and their respective Representatives, in each case who (x) require such information in order to perform their duties in connection with this Agreement and (y) have agreed to maintain the confidentiality of such information consistent with the terms hereof; and provided, further, that each Party may disclose (subject to applicable Law) Confidential Information of the other Party if (i) any such Confidential Information is or becomes generally available to the public other than (A) in the case of the Company, as a result of disclosure by AIG or its Affiliates or any of their respective Representatives and (B) in the case of AIG, as a result of disclosure by the Company or any Company Subsidiary (after the First Time of Delivery) or any of their respective Affiliates or any of their respective Representatives, (ii) any such Confidential Information (including any report, statement, testimony or other submission to a Governmental Authority) is required by applicable Law, Governmental Order or such Governmental Authority to be disclosed, after prior notice has been given to the other Party to the extent such notice is permitted by applicable Law, provided that no such notice is required if prohibited by

applicable law, (iii) any such Confidential Information is reasonably necessary to be disclosed in connection with any Action or in any dispute with respect to this Agreement (including in response to any summons, subpoena or other legal process or formal or informal investigative demand issued to the disclosing Party in the course of any litigation, arbitration, mediation, investigation or administrative proceeding), (iv) any such Confidential Information was or becomes available to such Party on a non-confidential basis and from a source (other than a Party to this Agreement or any Affiliate or Representative of such Party) that is not bound by a confidentiality agreement with respect to such information or (v) any such Confidential Information is independently developed after the First Time of Delivery without the aid, application or use of any information that is to be kept confidential under this Article VIII as evidenced by a written record proving such independent development.

(b) Notwithstanding anything to the contrary contained herein, the Parties acknowledge and agree that each of the Parties and such Party's Affiliates may share upon prior written notice any information relating to or obtained from the other Party and its Affiliates (including, in the case of the Company, the Company Subsidiaries) with (i) the Federal Reserve Bank of New York or the U.S. Department of the Treasury and their respective Representatives, (ii) the AIG Credit Facility Trust, (iii) any insurance regulatory authority or (iv) the IRS or any other tax authority, in each case as such Party deems necessary or advisable in its good faith judgment.

(c) To the fullest extent permitted by applicable Laws, the provisions of Section 8.01(a) shall not restrict or limit the use of or disclosure by AIG or any of its Affiliates of any customer, policy or beneficiary information (including such information relating to the Company and the Company Subsidiaries) if such information was in the possession or control of AIG or its Affiliates prior to the First Time of Delivery. For the avoidance of doubt, the foregoing shall apply regardless of whether such information (i) was also possessed or controlled by the Company and the Company Subsidiaries on or prior to the First Time of Delivery and/or (ii) was originated by any other such Person.

Section 8.02. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt except as otherwise set forth herein) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8.02):

- (i) if to AIG:

American International Group, Inc.
70 Pine Street
New York, New York 10270
Attention: General Counsel
Facsimile: (212) 425-2175

with a copy to:

American International Group, Inc.
70 Pine Street – Floor 24
New York, New York 10270
Attention: Ms. Liz Flynn
Head of Divestiture Separation Team
Facsimile: (212) 770-3637

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Stephen M. Kotran, Esq.
Robert E. Buckholz Jr., Esq.
Facsimile: (212) 558-3588

(ii) if to the Company:

Transatlantic Holdings, Inc.
80 Pine Street
New York, NY 10005
Attention: Gary A. Schwartz
SVP and General Counsel
Facsimile: (212) 248-0965

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Attention: Lois Herzeca, Esq.
Andrew Fabens, Esq.
Facsimile: (212) 351-5218
(212) 351-5237

Section 8.03. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 8.04. Entire Agreement. Except as otherwise expressly provided in this Agreement, this Agreement and the other Transaction Agreements constitute the entire agreement of the Parties with respect to the subject matter of this Agreement and supersede all prior agreements and undertakings, both written and oral, between or on behalf of AIG and/or its Affiliates, on the one hand, and the Company and/or its Affiliates, on the other hand, with respect to the subject matter of this Agreement.

Section 8.05. Assignment. This Agreement shall not be assigned, in whole or in part, by operation of law or otherwise without the prior written consent of the Parties; provided, however, that AIG may assign any or all of its rights and obligations under this Agreement (a) to any of its Affiliates or (b) to an Affiliate, business unit or any other portion of the business of AIG that it divests (whether by stock or asset sale, merger or otherwise) in connection with such divestiture; provided, however, that such assignment does not release AIG from any liability under this Agreement incurred prior to such assignment. Any attempted assignment in violation of this Section 8.05 shall be void. This Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by the Parties and their successors and permitted assigns.

Section 8.06. No Third-Party Beneficiaries. Except as set forth in Article V with respect to Indemnified Persons and other Providers, this Agreement is for the sole benefit of the Parties and their successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or

shall confer upon any other Person (including any policyholder of AIG or the Company or any of the Insurance Subsidiaries) any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Any Company Subsidiary and any Provider who, immediately prior to the First Time of Delivery, was an Affiliate of AIG, shall be an express third party beneficiary under this Agreement and, as such, this Agreement may be enforced by any such Company Subsidiary or Provider as if it were a party hereto.

Section 8.07. Amendment; Waiver. No provision of this Agreement may be amended, supplemented or modified except by a written instrument signed by all the Parties. No provision of this Agreement may be waived except by a written instrument signed by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 8.08. Dispute Resolution. Any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, or the breach, termination or validity thereof (a "Dispute"), shall be resolved as follows:

(a) The service managers of the Parties most immediately responsible for the issue giving rise to the Dispute shall seek to resolve such Dispute through informal good faith negotiation. If the Dispute is not resolved at that level of management within seven (7) Business Days after the claiming Party verbally notifies the other Party of the Dispute, then the Dispute shall be escalated to the AIG Contract Manager and the Company Contract Manager for resolution. In the event such managers fail to resolve the Dispute within an additional seven (7) Business Days, then the claiming Party will provide the other Party with a written "Notice of Dispute", describing the nature of the Dispute, and the Dispute shall be escalated to the Chief Administrative Officers or Chief Operating Officers of the Parties or their respective designees who shall discuss the dispute (either in person or by telephone) within seven (7) Business Days after such Notice of Dispute is provided by the claiming Party to the other Party and confer in a good faith effort to resolve the Dispute. If the Chief Administrative Officers or Chief Operating Officers or their respective designees do not discuss the dispute within the allotted time or fail to resolve the Dispute within seven (7) Business Days after beginning such discussions, then the Dispute shall be finally settled by arbitration as follows:

(b) The arbitration shall be conducted by three (3) arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect at the time of the arbitration, except as they may be modified herein or by mutual agreement of the Parties. The seat of the arbitration shall be New York, New York.

(c) The claimant shall appoint an arbitrator in its request for arbitration. The respondent shall appoint an arbitrator within thirty (30) days of the receipt of the request for arbitration. The two (2) arbitrators shall appoint a third arbitrator within thirty (30) days after the appointment of the second arbitrator. The third arbitrator shall act as chair of the tribunal. If any of the three (3) arbitrators is not appointed within the time prescribed above, then upon the request of any Party, the AAA shall appoint that arbitrator.

(d) The award shall be final and binding on the Parties. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

(e) Any request for production of documents or other information is subject to the express authorization of the tribunal, which shall endeavor to ensure that any such requests are as limited and disciplined as is consistent with the just resolution of the dispute. The Parties expressly waive any right to seek evidence under 9 U.S.C. § 7 or any similar provision. A Party may request, and the tribunal should authorize, production only of specific documents or narrow and specific categories of documents

that are critical to the fair presentation of a Party's case and reasonably believed to exist and be in the possession, custody or control of the other Party.

(f) The Parties agree that the arbitration shall be kept confidential and that the existence of the proceeding and any element of it (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions and any awards) shall not be disclosed beyond the arbitral tribunal, the AAA, the Parties, their counsels, accountants and auditors, insurers and re-insurers or any Person necessary to the conduct of the proceeding. These confidentiality obligations shall not apply (i) if disclosure is required by Law or regulatory obligations, the applicable rules and policies of any national securities exchange or in judicial or administrative proceedings or (ii) as far as disclosure is necessary to enforce the rights arising out of the award.

(g) For the avoidance of doubt, the tribunal may grant specific performance or injunctive relief where authorized under this Agreement or applicable Law. The tribunal shall have the authority to make orders for interim relief necessary to preserve a Party's rights, including preliminary injunctive relief. The Parties agree that any ruling by the tribunal on interim measures shall be deemed to be a final award with respect to the subject matter of the ruling and shall be fully enforceable as such. Each Party hereby acknowledges that money damages may be an inadequate remedy for a breach or anticipated breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered in the event that this Agreement is breached. Therefore, in the event of a breach or anticipated breach of this Agreement by the other Party or its Affiliates for which the provisions of Article V do not provide for indemnification as the exclusive remedy under the Agreement, each Party may, in addition to any other remedies available to it, seek an injunction to prohibit such breach or anticipated breach. Each Party acknowledges and agrees that an injunction is a proper, but not exclusive, remedy available to each Party and that the harm from any breach or anticipated breach of the covenants set forth in this Agreement would be irreparable and immediate.

(h) Notwithstanding Section 8.09 of this Agreement, the agreement to arbitrate set forth in this Section 8.08 and any arbitration conducted hereunder shall be governed by Title 9 (Arbitration) of the United States Code.

(i) The Parties submit to the non-exclusive jurisdiction of the federal and state courts located within the County of New York, State of New York, as well as all appellate courts having jurisdiction over appeals from any of the foregoing, for the limited purpose of: (i) an application to compel arbitration or to resolve any dispute concerning the validity or effectiveness of this agreement to arbitrate; or (ii) an application for relief in aid of arbitration or enforcement of an arbitration award, including an application for a restraining order and/or injunction to preserve the Party's rights. A request to a court for any of the foregoing remedies shall not be deemed incompatible with or a waiver of any Party's right to arbitrate. Each Party hereby waives any requirement for the securing or posting of any bond in connection with such remedy.

Section 8.09. Governing Law; Waiver of Jury Trial.

(a) This Agreement shall in all respects be governed by, and construed in accordance with, the Laws of the State of Delaware without giving effect to any conflicts of law principles of such state that might refer the governance, construction or interpretation of such agreements to the Laws of another jurisdiction.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR

ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS OF THIS SECTION 8.09. EITHER PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 8.10. Rules of Construction. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Preamble, Recital, Article, Section, paragraph and Schedule are references to the Preamble, Recitals, Articles, Sections, paragraphs and Schedules to this Agreement unless otherwise specified; (c) references to “\$” shall mean U.S. dollars; (d) the word “including” and words of similar import when used in this Agreement shall mean “including without limitation,” unless otherwise specified; (e) the word “or” shall not be exclusive; (f) the words “herein,” “hereof” or “hereunder” and similar terms are to be deemed to refer to this Agreement as a whole and not to any specific section; (g) the headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (h) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted; (i) if a word or phrase is defined, the other grammatical forms of such word or phrase have a corresponding meaning; (j) references to any statute, listing rule, rule, standard, regulation or other law include a reference to (i) the corresponding rules and regulations and (ii) each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time; and (k) references to any section of any statute, listing rule, rule, standard, regulation or other Law include any successor to such section.

Section 8.11. Obligations of Parties. Each obligation of a Provider under this Agreement to take (or refrain from taking) any action hereunder shall be deemed to include an undertaking by AIG to cause such Provider to take (or refrain from taking) such action. Each obligation of a Recipient or any of its Subsidiaries under this Agreement to take (or refrain from taking) any action hereunder shall be deemed to include an undertaking by the Company to cause such Recipient or its Subsidiaries to take (or refrain from taking) such action.

Section 8.12. Counterparts. This Agreement may be executed in one or more counterparts, and by each Party in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other means of electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 8.13. Effective Time. This Agreement shall become effective as of the First Time of Delivery. In the event that the First Time of Delivery does not occur, this Agreement shall be of no force or effect.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Philip M. Jacobs

Name: Philip M. Jacobs
Title: Senior Vice President – Divestitures

TRANSATLANTIC HOLDINGS, INC.

By: /s/ Robert F. Orlich

Name: Robert F. Orlich
Title: Chairman, President and Chief Executive Officer

STOCKHOLDERS AGREEMENT

dated as of June 4, 2009

by and

among

AMERICAN INTERNATIONAL GROUP, INC.,

AMERICAN HOME ASSURANCE COMPANY,

and

TRANSATLANTIC HOLDINGS, INC.

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STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT, dated as of June 4, 2009 (this “Agreement”), by and between TRANSATLANTIC HOLDINGS, INC., a Delaware corporation (the “Company”), AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation (“AIG”), and AMERICAN HOME ASSURANCE COMPANY, a New York domiciled insurance company (“AHAC”, and together with AIG, “Stockholder”).

RECITALS

WHEREAS, the Company and Stockholder have entered into a Master Separation Agreement, dated as of May 28, 2009 (the “Separation Agreement”), to effect the orderly separation of Stockholder and the Company;

WHEREAS, concurrently with the execution of the Separation Agreement, the Company filed a prospectus supplement to the prospectus contained in Post-Effective Amendment No. 1 to its registration statement on Form S-3 with the SEC for a public offering of all or some of the Shares (as defined below);

WHEREAS, as of the date hereof, AIG directly Beneficially Owns 17,073,690 shares of common stock, par value \$1.00 per share, of the Company (“Common Stock”) (collectively, the “AIG Shares”);

WHEREAS, as of the date hereof, AHAC directly Beneficially Owns 22,018,972 shares of Common Stock (collectively, the “AHAC Shares”, and together with the AIG Shares, the “Shares”);

WHEREAS, pursuant to the Separation Agreement, Stockholder and the Company have agreed that if the Shares to be Beneficially Owned by Stockholder immediately following the sale of the Shares agreed to be sold pursuant to the Underwriting Agreement (without giving effect to the Underwriters’ option to purchase additional shares) would constitute at least 10% of the outstanding Common Stock following the Closing, the parties hereto would enter into this Agreement at Closing; and

WHEREAS, each of Stockholder and the Company desires, for its mutual benefit and protection, to enter into this Agreement with respect to certain matters relating to the operations and management of the Company, the disposition and voting of the Shares and certain other matters set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, each of the Company and Stockholder agrees as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. Unless otherwise defined herein, all capitalized terms used herein shall have the same meanings as set forth in the Separation Agreement. For purposes of this Agreement, the following terms have the meanings set forth below:

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; provided that, except as expressly provided herein, none of (A)(i) the FRBNY or the U.S. Department of the Treasury or their respective Representatives, (ii) the AIG Credit Facility Trust, (iii) any insurance regulatory authority, (iv) the IRS or any other tax authority or (v) any other Person controlled by any of the foregoing, nor (B) the Company and its Subsidiaries shall be deemed Affiliates of Stockholder.

“Agreement” is defined in the Preamble.

“AHAC” is defined in the Preamble.

“AHAC Shares” is defined in the Recitals.

“AIG” is defined in the Preamble.

“AIG Indemnified Parties” is defined in Section 5.3(b).

“AIG Shares” is defined in the Recitals.

“Banks” is defined in Section 4.2(a)(iii).

“Beneficial Ownership”, “Beneficial Owner” and “Beneficially Own” refer to ownership by any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares (i) voting power which includes the power to vote, or to direct the voting of, such security; and/or (ii) investment power which includes the power to dispose, or to direct the disposition of, such security; and shall otherwise be interpreted in accordance with the term “beneficial ownership” as defined in Rule 13d-3 adopted by the SEC under the Exchange Act.

“Board” means the board of directors of the Company.

“Change of Control” shall mean the occurrence of any of the following events: (i) Stockholder and its Affiliates become the Beneficial Owners of more than 50% of the outstanding Voting Stock; (ii) a merger or consolidation of the Company with or into another Person or the merger or consolidation of another Person into the Company, as a result of which transaction or series of related transactions Stockholder and its Affiliates become the Beneficial Owners of more than 50% of the Voting Stock outstanding immediately after such transaction or transactions; or (iii) the consummation of the sale, transfer, lease or other disposition (but not including a transfer, lease or other disposition by pledge or mortgage to a bona fide Lender) of all or substantially all of the assets of the Company and the Company Subsidiaries to Stockholder or its Affiliates. For the avoidance of doubt, Stockholder’s Beneficial Ownership of more than 50% of the outstanding Voting Stock prior to the date hereof shall not be considered a “Change of Control” for purposes of this definition.

“Common Stock” is defined in the Recitals.

“Company” is defined in the Preamble.

“Company Indemnified Parties” is defined in Section 5.3(a).

“Company Transaction Proposal” is defined in Section 3.2(a)(ii)(A).

“Director” means any member of the Board.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Fundamental Change” means the occurrence of any of the following: (i) the consummation of any merger, consolidation, share exchange, recapitalization or other business combination transaction (or series of related transactions) as a result of which the Voting Stock immediately prior to such transaction (or series of related transactions) is converted into and/or continues to represent, in the aggregate, less than 50% of the outstanding securities having the right to vote for the election of directors of the Survivor of a Fundamental Change;

(ii) any Person or Group, together with any Affiliates thereof, becomes, directly or indirectly, the Beneficial Owner of more than 50% of the outstanding Voting Stock of the Company;

(iii) the consummation of the sale, transfer, lease or disposition by the Company or by one or more of its Subsidiaries of all or substantially all of the assets, business or securities of the Company (on a consolidated basis) to any Person or Group (other than the Company or its wholly owned Subsidiaries); or

(iv) during any period, the directors of the Company as of the date hereof (or any directors nominated by such directors) cease for any reason to constitute a majority of the Directors of the Board.

“Group” shall have the meaning assigned to it in Section 13(d)(3) of the Exchange Act.

“Independent Director” means any Director who without regard to whether the Company is listed on the NYSE, is or would be an “independent director” with respect to the Company pursuant to Section 303A.02 of the New York Stock Exchange Listed Company Manual (or any successor provision thereof that is no less stringent than such section as in effect on the date hereof).

“Lenders” is defined in Section 4.2(a)(iii).

“NYSE” means the New York Stock Exchange, Inc.

“Permitted Transferee” means (i) any Affiliate directly or indirectly controlled by Stockholder; or (ii) the FRBNY, the U.S. Department of Treasury or any other Person as directed by the FRBNY or the U.S. Department of Treasury.

“Preferred Stock” means the shares of preferred stock, par value \$1.00 per share, of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization.

“Public Offering” means a public offering of shares of Common Stock pursuant to an effective registration statement (other than on Form S-4, Form S-8 or their equivalent) filed with the SEC pursuant to the Securities Act.

“Secured Loan” is defined in Section 4.2(a)(iii).

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Separation Agreement” is defined in the Recitals.

“Shares” is defined in the Recitals.

“Stockholder” is defined in the Preamble.

“Survivor of a Fundamental Change” means (a) the issuer of the securities received by the holders of Common Stock (in their capacities as such) upon the occurrence of a Fundamental Change, to the extent the holders of Common Stock receive other securities in exchange, conversion or substitution of their shares of Common Stock in the transaction that resulted in such Fundamental Change or (b) the Company (or its successor) in all other circumstances of a Fundamental Change.

“Termination Date” is defined in Section 7.1(ii).

“Transfer” means, directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of (by operation of law or otherwise), either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of (by operation of law or otherwise), any Shares or any interest in any Shares; provided, however, that a merger or consolidation in which Stockholder or any of its Affiliates is a constituent corporation shall not be deemed to be the Transfer of any Shares Beneficially Owned by such Person (provided that a purpose of any such transaction is not to avoid the provisions of this Agreement and that the successor or surviving Person to such merger or consolidation, if not Stockholder or such Affiliate, expressly assumes all obligations of Stockholder or such Affiliate, as the case may be, under this Agreement).

“Voting Stock” means shares of Common Stock and any other securities of the Company or its successor having the power to vote in the election of Directors of the Company or its successor.

Section 1.2. Interpretation. (a) The headings in this Agreement are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions of this Agreement.

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(c) For purposes of this Agreement, except where otherwise expressly provided or unless the context otherwise necessarily requires: (i) references to this Agreement shall include a reference to all exhibits and schedules hereto; (ii) the words “hereof”, “herein” and “hereto”, and words of similar import, when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; (iii) references to the Preamble, Recitals, Articles, Sections or Schedules are to the preamble, recitals, articles, sections or schedules to this Agreement; (iv) whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation” and shall not be construed to mean that the examples given are an exclusive list of the topics covered; (v) meanings specified in this Agreement are applicable to both the singular and plural forms of these terms and to the masculine, feminine and neuter genders, as the context requires; (vi) references to a Person include its successors and permitted assigns; (vii) references to any agreement, instrument or other document means such agreement, instrument or other document as amended, modified or supplemented from time to time, including by waiver or consent, and all attachments thereto and instruments incorporated therein; (viii) if a word or phrase is defined, the other grammatical forms of such word or phrase have a corresponding meaning; (ix) references to any Law is a reference to that Law and the rules and regulations adopted or promulgated thereunder, in each case, as amended, modified or supplemented as of the date on which the reference is made, and all attachments thereto and instruments incorporated therein; (x) references to any section of any statute, listing rule, rule, standard, regulation or other law include any successor to such section; (xi) references to times of day or dates are to local times or dates in New York, New York; and (xii) references to currency are references to the lawful money of the United States.

ARTICLE II

VOTING AGREEMENTS

Section 2.1. Voting Agreements. (a) Stockholder shall vote at every duly called annual or special meeting of stockholders of the Company, and at every postponement or adjournment thereof, or act by written consent for all of the Shares Beneficially Owned by it entitled to vote thereat: (i) in the manner recommended by the Board with respect to the election of any Director nominee or removal of any existing Director of the Board; and (ii) in favor of each matter required to effectuate any provision of this Agreement. Notwithstanding the foregoing, if Stockholder Beneficially Owns more than

30% of the outstanding Common Stock, Stockholder shall vote the number of shares Beneficially Owned by it in excess of 30% of the outstanding Common Stock in a manner proportionate to the holders of the Common Stock (other than Stockholder, stockholders of the Company Beneficially Owning more than 10% of the outstanding Common Stock and directors and officers of the Company) voting on such matter in connection with any election of any Director nominee or removal of any existing Director of the Board.

(b) Stockholder shall cause any and all Shares Beneficially Owned by it and entitled to Vote thereat to be present in person or represented by proxy at all annual and special meetings of stockholders of the Company to the extent necessary so that all Shares Beneficially Owned by it shall be counted as present for the purposes of determining the presence of a quorum at such meeting and to vote such shares in accordance with Section 2.1(a).

Section 2.2. Termination of Article II. This Article II shall terminate and be of no further effect at such time as the Shares Beneficially Owned by Stockholder no longer constitute at least 10% of the outstanding Common Stock. Notwithstanding the foregoing, the rights and obligations of Stockholder under this Article II shall survive a Fundamental Change to the extent that the Shares Beneficially Owned by Stockholder continue to constitute at least 10% of the total securities having the right to vote for the election of directors of the Survivor of a Fundamental Change; provided that, for all purposes of this Article II, if the Company is not the Survivor of a Fundamental Change, the board of directors of the Survivor of a Fundamental Change shall be substituted for the Board.

ARTICLE III

STANDSTILL

Section 3.1. Acquisition of Common Stock. (a) Except as provided in Sections 3.1(b) and 3.2, Stockholder covenants and agrees with the Company that it will not, and will cause its Affiliates and their respective directors and executive officers not to, directly or indirectly, Beneficially Own or acquire, offer or propose to acquire, or agree to acquire, whether by purchase, tender or exchange offer, through the acquisition of control of another Person (including by way of merger or consolidation), by joining a partnership, syndicate or other Group or otherwise, the Beneficial Ownership of, any shares of Common Stock other than the shares of Common Stock Beneficially Owned by Stockholder and its Affiliates and their respective directors and executive officers as of the date hereof (except by way of stock splits, stock dividends, stock reclassifications or other distributions, recapitalizations or offerings made available to and, if applicable, exercised on a pro rata basis by, holders of Common Stock generally).

(b) Notwithstanding the foregoing, the prohibition set forth in Section 3.1(a) shall not apply to (i) the acquisition (whether by merger, consolidation or otherwise) by Stockholder or an Affiliate thereof of any entity that Beneficially Owns shares of Common Stock at the time of the consummation of such acquisition, provided that in connection with any such acquisition Stockholder or its Affiliate, as the case may be, (A) divests the shares of Common Stock Beneficially Owned by the acquired entity at the time of the consummation of such acquisition (other than any shares of Common Stock acquired in the ordinary course activities of the acquired entity as contemplated by clause (ii) below) within a reasonable period of time after the consummation of such acquisition, and (B) if any annual or special meeting of shareholders is held prior to the disposition thereof, votes such shares on each matter presented at any annual or special meeting of the stockholders or by written consent in a manner proportionate to the holders of the Common Stock (other than Stockholder, stockholders of the Company Beneficially Owning more than 10% of the outstanding Common Stock, and directors and officers of the Company) voting on such matter or (ii) ordinary course activities of Stockholder and its Affiliates and their respective directors and executive officers, including (A) proprietary and third party fund and asset management activities, (B) brokerage and securities trading activities, (C) financial services and insurance activities and (D) the acquisition of shares of Common Stock in connection with securing or collecting a debt previously contracted in good faith; provided that the purpose of any such transaction is not to avoid the provisions of this Agreement.

(c) For the avoidance of doubt, this Agreement shall not be deemed to apply to any Common Stock owned or acquired by individuals who are officers or employees of the Company or any of its Subsidiaries or directors of the Company or any of its Subsidiaries.

Section 3.2. Certain Restrictions. (a) Except as required in connection with the execution, delivery or performance of this Agreement and as otherwise required, permitted or contemplated by this Agreement or any other Transaction Agreement (including with respect to any Transfer permitted pursuant to Section 4.2(a)), Stockholder agrees not to, and to cause each of its Affiliates and its and their respective directors and executive officers not to, directly or indirectly, alone or in concert with others, without express authorization of the Company:

(i) effect, initiate, propose or otherwise solicit stockholders of the Company for the approval of one or more stockholder proposals or induce or attempt to induce any other Person to effect, initiate, propose or otherwise solicit any stockholder proposal;

(ii) (A) propose or seek to effect a Change of Control of the Company by way of merger, consolidation, recapitalization, reorganization, sale, lease, exchange, pledge or other disposition of substantially all assets of the Company and the Company Subsidiaries or other business combination involving, or a tender or exchange offer for securities of, the Company or any of the Company Subsidiaries or any material portion of the business or assets of the Company or any of the Company Subsidiaries or any other type of transaction that would otherwise result in a Change of Control of the Company (any such action described in this clause (A), a "Company Transaction Proposal"), (B) seek to exercise any control or influence over the management of the Company or the Board or any of the businesses, operations or policies of the Company or (C) present to the Company's stockholders or any third party any proposal constituting or that can reasonably be expected to result in a Company Transaction Proposal;

(iii) solicit proxies (or written consents) or assist or participate in any other way, directly or indirectly, in any solicitation of proxies (or written consents), or otherwise become a "participant" in a "solicitation", or assist any "participant" in a "solicitation" (as such terms are defined in Rule 14a-1 of Regulation 14A and Instruction 3 of Item 4 of Schedule 14A, respectively, under the Exchange Act) in opposition to the recommendation or proposal of the Board, or recommend or request or induce or attempt to induce any other Person to take any such actions, or seek to advise, encourage or influence any other Person with respect to the voting of (or the execution of a written consent in respect of) shares of Common Stock or grant a proxy with respect to the voting of (or execution of a written consent in respect of) shares of Common Stock to any Person other than an officer or agent of Stockholder or the Company;

(iv) form, join in or in any other way (including by deposit of Common Stock) participate in a partnership, pooling agreement, syndicate, voting trust or other Group (other than a Group comprised solely of Stockholder, its Affiliates and its Permitted Transferees) with respect to Common Stock, or enter into any agreement or arrangement or otherwise act in concert with any other Person, for the purpose of acquiring, holding, voting or disposing of Common Stock, other than in respect of any agreement or arrangement with the FRBNY or any other Person as directed by the FRBNY or the U.S. Department of the Treasury;

(v) take any action which might cause the Company to be required to make a public announcement regarding any of the types of matters set forth in (i) through (iv) above;

(vi) enter into any discussions or arrangements with any third party with respect to any of the foregoing; or

(vii) request, or induce or encourage any other Person to request, that the Company amend or waive any of the provisions of this Agreement.

(b) Notwithstanding the foregoing restrictions, if, at any time, (i) the Company has entered into a definitive agreement, the consummation of which would result in a Fundamental Change or (ii) any Person shall have commenced and not withdrawn a bona fide public tender or exchange offer which if consummated would result in a Fundamental Change, then the limitations set forth in Section 3.2 shall not be applicable to Stockholder for so long as the conditions described in this Section 3.2(b) continue.

Section 3.3. Termination of Article III. This Article III shall terminate and be of no further effect at such time as the Shares Beneficially Owned by Stockholder no longer constitute at least 10% of the outstanding Common Stock.

ARTICLE IV

TRANSFER RESTRICTIONS

Section 4.1. General Transfer Restrictions. The right of Stockholder to Transfer any Shares is subject to the restrictions set forth in this Article IV, and no Transfer of Shares by Stockholder may be effected except in compliance with this Article IV. Any attempted Transfer in violation of this Agreement shall be of no effect and shall be null and void, regardless of whether the purported transferee has any actual or constructive knowledge of the Transfer restrictions set forth in this Agreement, and shall not be recorded on the stock transfer books of the Company.

Section 4.2. Restrictions on Transfer. (a) Without the prior written consent of the Company as approved by the Board, Stockholder shall not Transfer any Shares except as expressly permitted by, and in compliance with, the following provisions of this Section 4.2(a):

(i) Stockholder may Transfer any or all of the Shares (A) to the Company or any of its Subsidiaries, (B) pursuant to any tender offer, exchange offer, merger, reclassification, reorganization, recapitalization or other similar transaction in which stockholders of the Company are offered, permitted or required to participate as holders of any of the Company's Voting Stock, (C) in connection with any Public Offering, provided that the underwriters or placement agent in such Public Offering implement reasonable protections to the extent practicable so that such Public Offering will not be made to, and would not reasonably facilitate the acquisition of Common Stock by, a Person or Group who after such Public Offering would Beneficially Own more than 10% of the Common Stock, (D) to any other Person or Group to the extent such Person or Group would not, to the knowledge of Stockholder after due inquiry (it being understood that due inquiry shall not be required in circumstances where the purchaser in a sale transaction is not reasonably identifiable, such as in a "brokers' transaction", as defined in Rule 144 under the Securities Act), upon completion of a Transfer of Shares by Stockholder Beneficially Own more than ten percent (10%) of the outstanding Common Stock or (E) to any other Person or Group approved by, or that acquires shares of Common Stock in connection with any transaction approved or recommended by, the Board.

(ii) Stockholder may Transfer any or all of the Shares to any Permitted Transferee; provided that such Permitted Transferee (unless such Permitted Transferee is the FRBNY or the U.S. Department of the Treasury) (A) executes a counterpart to this Agreement, thereby agreeing to be bound by the terms hereof, and (B) agrees that the representations, covenants and other agreements made by Stockholder herein shall be deemed to have been made by such Permitted Transferee. Upon any such Transfer, the Permitted Transferee shall be entitled to the same rights, and subject to the obligations and restrictions, contained herein applicable to Stockholder at the time of such Transfer. For purposes of calculating the Shares Beneficially Owned by Stockholder at any time in accordance with this Agreement, any Shares Transferred to any Permitted Transferee in accordance with this Section 4.2(a)(ii) shall be included in such calculation.

(iii) Stockholder may make a bona fide pledge of any or all of the Shares to (A) the FRBNY or any other Person as directed by the FRBNY or the U.S. Department of the Treasury with respect to any agreement or arrangement between Stockholder and its Affiliates, on the one hand, and the FRBNY or any other Person as directed by the FRBNY or the U.S. Department of the Treasury, on the other hand, and (B) any bank or financial institution (“Banks”, and together with the FRBNY and the Persons referred to in clause (A) above, “Lenders”) solely for the purpose of securing bona fide indebtedness for borrowed money (a “Secured Loan”), and such Lenders may execute a bona fide foreclosure upon any Shares so pledged upon the terms and subject to the conditions set forth in any agreements concerning such pledge. For the avoidance of doubt, any pledge or other contractual encumbrance or foreclosure resulting from any such Secured Loan or arrangement with the FRBNY or any other Person referred to in clause (A) above (including an obligation to repay such Secured Loan or other obligation with the proceeds of any Transfer of, or dividend or distribution on, the Shares) shall not be deemed to be a Transfer associated with the Shares.

(b) This Section 4.2 shall terminate and be of no further effect (i) at such time as the Shares Beneficially Owned by Stockholder no longer constitute at least 10% of the outstanding Common Stock or (ii) or upon the occurrence of a Fundamental Change.

Section 4.3. Securities Act. (a) The Company may make a notation on its records or give instructions to any transfer agents or registrars for the Common Stock in order to implement the restrictions on Transfer set forth in Section 4.2. In connection with any Transfer of Shares other than (x) a Transfer pursuant to a Public Offering or (y) a sale pursuant to Rule 144 under the Securities Act, the transferor shall provide the Company with such customary certificates, opinions and other documents as the Company may reasonably request in respect of compliance of such Transfer with applicable securities registration requirements.

(b) Subject to the requirement of applicable Law, Stockholder will not be subject to the Company’s trading policies requiring pre-clearance or limiting trading to specified dates and Stockholder acknowledges its obligation hereunder not to Transfer Shares in contravention of applicable Law, including each of Section 10(b) of and Rule 10b-5 under the Exchange Act.

ARTICLE V

COVENANTS AND OTHER MATTERS

Section 5.1. Other Agreements. In addition to the specific agreements, documents and instruments described in this Agreement, the parties agree to execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be necessary or desirable in order to consummate and make effective the transactions contemplated by this Agreement.

Section 5.2. Actions Requiring Consent. For as long as the Shares Beneficially Owned by Stockholder constitute at least 10% of the outstanding Common Stock, the Company must obtain Stockholder’s written consent before:

(a) entering into any agreement or arrangement or taking any other action that (i) restricts the ability of Stockholder or its Affiliates to acquire or Beneficially Own shares of Common Stock or to Transfer the Shares in a manner not otherwise prohibited by the terms of this Agreement, (ii) is inconsistent or conflicts with the Company’s ability to perform its obligations under this Agreement or any other Transaction Agreements or the transactions contemplated hereby or thereby or (iii) is inconsistent or conflicts with the rights or obligations of Stockholder under this Agreement; or

(b) amending, modifying or repealing (whether by merger, consolidation, conversion or otherwise) any provision of the Restated Certificate of Incorporation or Bylaws of the Company that implements or supports Stockholder's rights under this Agreement or any other Transaction Agreement or adopting any provisions inconsistent herewith or therewith.

Section 5.3. Indemnification. (a) Each of AIG and AHAC shall indemnify, defend and hold harmless the Company and its Representatives (collectively, the "Company Indemnified Parties"), severally and not jointly, against, and reimburse any Company Indemnified Party for, all Losses that such Company Indemnified Party may at any time suffer or incur, or become subject to as a result of or in connection with:

- (i) the inaccuracy or breach of any representation or warranty made by it in this Agreement; or
- (ii) any breach or failure by it to perform any of its covenants or obligations contained in this Agreement.

(b) The Company shall indemnify, defend and hold harmless AIG, AHAC, and their respective Representatives (collectively, the "AIG Indemnified Parties") against, and reimburse any AIG Indemnified Party for, all Losses that such AIG Indemnified Party may at any time suffer or incur, or become subject to as a result of or in connection with:

- (i) the inaccuracy or breach of any representation or warranty made by the Company in this Agreement; or
- (ii) any breach or failure by the Company to perform any of its covenants or obligations contained in this Agreement.

(c) Claims for indemnification under this Section 5.3 shall be made pursuant to the procedures set forth in section 8.04 and section 8.05 of the Separation Agreement.

(d) Except for the rights any AIG Indemnified Party or Company Indemnified Party is or becomes entitled to under Law or under the Restated Certificate of Incorporation or Bylaws of the Company or any of its Subsidiaries and for injunctive and provisional relief (including specific performance) provided for in Section 7.11, each party hereto acknowledges and agrees that the indemnification provisions of this Section 5.3 shall be the sole and exclusive remedies of the parties hereto for any breach of the representations or warranties or any breach or failure by the other party to perform any of its covenants or obligations hereunder.

Section 5.4. Information Rights. The Company will deliver to an officer designated by Stockholder copies of all materials and other information sent to the Board (and any committee thereof) of the Company and to the board of directors of any Company Subsidiary (and any committee thereof) at the same time as such materials are sent to the Directors of the Company and the directors of any Company Subsidiary, or any of their respective committees, in their respective capacities as directors of the Company or any Company Subsidiary, except as prohibited by applicable Law; provided that any such information shall be subject to the terms of Section 3.17 of the Separation Agreement as if the Company or a Company Subsidiary provided such information directly to Stockholder or any of its Affiliates. Notwithstanding the foregoing, Stockholder shall not be entitled to any information (1) that is sent to the Board of the Company (or any committee thereof) or the board of directors of any Company Subsidiary (or any committee thereof) relating to any matter or transaction to which Stockholder is a party or otherwise "interested" and (2) that is sent solely to a committee thereof required by Law, Self-Regulatory Organization or advice of counsel to be comprised solely of Independent Directors.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

Section 6.1. Representations and Warranties of AIG and AHAC. Each of AIG and AHAC hereby represents and warrants, severally and not jointly, to the Company as follows:

(a) Incorporation and Authority of AIG and AHAC. AIG is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. AHAC is an insurance company duly organized, validly existing and in good standing under the Laws of the State of New York. It has full legal power and authority, and has taken all required legal action necessary, to execute and deliver this Agreement and all other agreements, instruments, certificates, notices and other documents as are necessary to consummate the transactions contemplated hereby and otherwise to carry out the terms of this Agreement. It has duly and validly authorized the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby has been duly and validly authorized by it and no other proceedings on its part are necessary to authorize the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(b) Enforceability. This Agreement has been duly and validly executed by it and, assuming due authorization, execution and delivery by the Company constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding agreement of it, enforceable against it in accordance with the terms hereof, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) Consents and Approvals. Except as set forth on Schedule 6.1(c), no consent, approval, waiver, authorization, notice or filing is required to be obtained by it from, or to be given by it to, or made by it with, any Governmental Authority or any other Person, in connection with the execution, delivery and performance by it of this Agreement.

(d) Non-Contravention. The execution, delivery and performance by it of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of its Organizational Documents; (ii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 6.1(c), conflict with, or result in the breach of, or constitute a default under, or result in the termination, cancellation, modification or acceleration (whether after the filing of notice or the lapse of time or both) of any right or obligation of it under, or result in a loss of any benefit to which it is entitled under, any Contract, or result in the creation of any Lien (other than Permitted Liens) upon its assets and properties; or (iii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 6.1(c) or required to be made or obtained by the Company, violate, or result in a breach of, or constitute a default under any Law, Governmental Order or Self-Regulatory Organization Approval to which it is subject, other than, in the cases of clauses (ii) and (iii), conflicts, breaches, terminations, defaults, cancellations, accelerations, losses, violations or Liens that would not materially impair or delay its ability to perform its obligations hereunder.

(e) Disclaimer. Except for the representations and warranties contained in this Section 6.1, it does not make any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to it, any of its Affiliates, this Agreement or the transactions contemplated by this Agreement.

Section 6.2. Representations and Warranties of the Company. The Company hereby represents and warrants to AIG and AHAC as follows:

(a) Incorporation and Authority of the Company. The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Company has full legal power and authority, and has taken all required legal action necessary, to execute and deliver this Agreement and all other agreements, instruments, certificates, notices and other documents as are necessary to consummate the transactions contemplated hereby and otherwise to carry out the terms of this Agreement. The Company has duly and validly authorized the execution and delivery of this Agreement to which it is a party, and the consummation of the transactions contemplated hereby has been duly and validly authorized by the Company and no other proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby by the Company.

(b) Enforceability. This Agreement has been duly and validly executed by the Company and, assuming due authorization, execution and delivery by AIG and AHAC, constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) Consents and Approvals. Except as set forth on Schedule 6.2(c), no consent, approval, waiver, authorization, notice or filing is required to be obtained by the Company from, or to be given by the Company to, or made by the Company with, any Governmental Authority or other Person, in connection with the execution, delivery and performance by the Company of this Agreement.

(d) Non-Contravention. The execution, delivery and performance by the Company of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of the Organizational Documents of the Company; (ii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of the notices and filings set forth on Schedule 6.2(c), to the Knowledge of the Company, conflict with, or result in the breach of, or constitute a default under, or result in the termination, cancellation, modification or acceleration (whether after the filing of notice or the lapse of time or both) of any right or obligation of the Company under, or result in a loss of any benefit to which the Company is entitled under, any Contract, or result in the creation of any Lien (other than Permitted Liens) upon the assets and properties of the Company; or (iii) assuming the receipt of all consents, approvals, waivers and authorizations and the making of notices and filings set forth on Schedule 6.2(c) or required to be made or obtained by AIG or any of its Affiliates, to the Knowledge of the Company, violate or result in a breach of or constitute a default under any Law, Governmental Order or Self-Regulatory Organization Approval to which the Company is subject, other than, in the cases of clauses (ii) and (iii), conflicts, breaches, terminations, defaults, cancellations, accelerations, losses, violations or Liens that would not materially impair or delay the Company's ability to perform its obligations hereunder.

(e) Disclaimer. Except for the representations and warranties contained in this Section 6.2, the Company does not make any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company or any of the Company Subsidiaries, this Agreement or the transactions contemplated by this Agreement.

ARTICLE VII

MISCELLANEOUS AND GENERAL

Section 7.1. Termination. This Agreement shall terminate, except for this Article VII and Section 5.3, which shall survive such termination, upon the earlier of: (i) the date the Shares Beneficially Owned by Stockholder cease to constitute at least 10% of the outstanding Common Stock or

(ii) written consent of the parties hereto (the “Termination Date”). For the avoidance of doubt, after the Termination Date no party shall have any liability of any kind to any other party under this Agreement, except with respect to Section 5.3.

Section 7.2. Expenses. All expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid in accordance with section 9.01 of the Separation Agreement.

Section 7.3. Amendment and Waiver. Except as otherwise provided herein, no modification, amendment or waiver of any provisions of this Agreement, and no giving of any consent provided for hereunder, shall be effective against the Company or Stockholder unless such modification, amendment, waiver or consent is approved by (i) a majority of the Directors then in office or (ii) any committee thereof formed solely for the purpose of reviewing and approving transactions or agreements between the Company and the Company Subsidiaries, on the one hand, and Stockholder and its Affiliates, on the other hand. In addition to the foregoing, no provision of this Agreement may be amended, supplemented or modified except by a written instrument signed by all of the parties hereto, and no provision of this Agreement may be waived except by a written instrument signed by the party against whom the waiver is to be effective. No failure or delay by any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

Section 7.4. Counterparts. This Agreement shall be effective upon delivery of original signature pages or electronic copies thereof executed by each of the parties. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute one and the same agreement.

Section 7.5. GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT, AND ALL CLAIMS AND DEFENSES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE FORMATION, BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT, SHALL IN ALL RESPECTS BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE. Each of the parties irrevocably and unconditionally:

- (i) submits for itself and its property to the exclusive jurisdiction of the courts of the State of Delaware (and any appeals court therefrom) in any Action directly or indirectly arising out of or relating to this Agreement or the formation, breach, termination or validity of this Agreement, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined solely in Delaware state court;
- (ii) consents to jurisdiction over the Person of such parties and agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 7.6 or in such other manner as may be permitted by Law, shall be valid and sufficient service thereof;
- (iii) consents that any such Action may and shall be brought in such court and waives any objection that it may now or hereafter have to the venue or jurisdiction of any such Action in such court or that such court is an inconvenient forum for the Action and agrees not to assert, plead or claim the same;

(iv) agrees that the final judgment of such court shall be enforceable in any court having jurisdiction over the relevant party or any of its assets;

(v) irrevocably waives any right to remove any such Action from the Delaware Court of Chancery to any federal court;

(vi) agrees that service of process in any such Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 7.6; and

(vii) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the applicable rules of procedure.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE FORMATION, BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.5. EITHER PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 7.6. Notices. All notices, requests, instructions, demands or other communications to be given under this Agreement shall be given in accordance with section 9.02 of the Separation Agreement.

Section 7.7. Entire Agreement. This Agreement, together with the agreements and other documents and instruments referred to herein or annexed hereto, constitute the entire agreement among the parties hereto, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter of this Agreement.

Section 7.8. No Third Party Beneficiaries. Except as provided in Section 5.3 with respect to Company Indemnified Parties and AIG Indemnified Parties, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns, and nothing in this Agreement, express or implied, is not intended to, and does not, confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason hereunder.

Section 7.9. Confidentiality. Stockholder agrees that any information provided to it hereunder is confidential and shall only be disclosed by it to any other Person in accordance with Section 3.17 of the Separation Agreement.

Section 7.10. Severability. The provisions of this Agreement shall be deemed severable and the invalidity, illegality or unenforceability of any provision hereto shall not affect the validity, legality or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid, illegal or unenforceable, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as

the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 7.11. Specific Performance; No Special Damages. (a) The parties acknowledge and agree that in the event that any of the provisions of this Agreement are not performed in accordance with its specific terms or are otherwise breached, irreparable damage would occur for which monetary damages would not be an adequate remedy. The parties further acknowledge and agree that, in addition to any other remedy to which such party is entitled to at Law or in equity, the parties shall be entitled to enforce the terms of this Agreement by decree of specific performance, without the necessity of proving the inadequacy of monetary damages or of posting bond or other undertaking, as a remedy and to obtain injunctive relief against any breach or threatened breach hereof. In the event that any action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto waives the defense or counterclaim that there is an adequate remedy at Law.

(b) Each party (i) agrees that there shall be no special, consequential, indirect or incidental damages, exemplary, punitive or multiple damages connected with or resulting from any breach of this Agreement, or actions undertaken in connection with or related hereto, including any such damages which are based upon breach of contract, tort, breach of warranty, strict liability, statute, operation of law or any other theory of recovery, except to the extent such damages are actually incurred by a party hereunder to a third party, and (ii) hereby waives any rights to claim such damages.

Section 7.12. Assignment. (a) Neither this Agreement nor any of the rights or obligations of any party under this Agreement shall be assigned, in whole or in part (by operation of law or otherwise), by any party without the prior written consent of the other parties hereto except as and to the extent expressly provided for in this Agreement; provided, however, that no such assignment shall release the Company or Stockholder from any liability or obligation under this Agreement. Any attempted assignment in violation of this Section 7.12 shall be void. Subject to the foregoing, this Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

Section 7.13. Effective Time. This Agreement shall become effective on the First Time of Delivery if at such time the Shares Beneficially Owned by Stockholder constitute at least 10% of the outstanding Common Stock. If the Shares Beneficially Owned by Stockholder at the First Time of Delivery do not constitute at least 10% of the outstanding Common Stock, this Agreement will be of no force or effect.

[Next page is the signature page.]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties as of the date first written above.

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ Philip M. Jacobs

Name: Philip M. Jacobs
Title: Senior Vice President – Divestitures

AMERICAN HOME ASSURANCE COMPANY

By /s/ Robert S. H. Schimek

Name: Robert S. H. Schimek
Title: Chief Financial Officer, Senior Vice President and Treasurer

TRANSATLANTIC HOLDINGS, INC.

By /s/ Robert F. Orlich

Name: Robert F. Orlich
Title: Chairman, President and Chief Executive Officer

REGISTRATION RIGHTS AGREEMENT

by and among

Transatlantic Holdings, Inc.,

American International Group, Inc.

and

American Home Assurance Company

Dated as of June 4, 2009

This REGISTRATION RIGHTS AGREEMENT (the “Agreement”) is made and entered into as of [●], 2009, by and among Transatlantic Holdings, Inc., a Delaware corporation (the “Company”), American International Group, Inc., a Delaware corporation (“AIG”), and American Home Assurance Company, a New York corporation (“AHA”).

WITNESSETH:

WHEREAS, the Company, AIG and AHA have entered into a Master Separation Agreement, dated as of May 28, 2009 (the “Separation Agreement”), to effect the orderly separation of the Company from AIG and AHA;

WHEREAS, pursuant to the Separation Agreement, AIG, AHA and the Company have agreed to enter into this Agreement at closing of the Separation Agreement; and

WHEREAS, the parties desire to set forth certain registration rights applicable to the Registrable Securities (as defined below) held from time to time by the Holders, and the Company desires to indemnify Holders against certain liabilities to which such Holders may become subject as a result of Holders’ interests in the Company.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

Affiliate: Means, with respect to any Person, any other Person directly or indirectly, controlled by, controlling or under common control with such Person.

Agreement: As defined in the Preamble.

AHA: As defined in the Preamble.

AIG: As defined in the Preamble.

AIG Credit Facility Trust: AIG Credit Facility Trust established by the FRBNY for the sole benefit of the United States Treasury pursuant to the AIG Credit Facility Trust Agreement made on January 16, 2009 by and among the FRBNY and Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee.

Board: Means the Board of Directors of the Company.

Code: The United States Internal Revenue Code of 1986

Common Stock: Means the Company’s common stock. Par value \$1.00 per share.

Company: As defined in the Preamble.

Confidential Information: As defined in Section 4(n).

Exchange Act: The Securities Exchange Act of 1934, as amended from time to time.

First Time of Delivery: Shall have the meaning set forth in the Underwriting Agreement.

FRBNY: The Federal Reserve Bank of New York.

Governmental Authority: Shall have the meaning set forth in the Separation Agreement.

Governmental Order: Shall have the meaning set forth in the Separation Agreement.

Holder: Any of AIG, its Subsidiaries (including AHA) or its Affiliates (other than the Company) that is a beneficial owner of Registrable Securities (it being understood that Holder shall include any Person that is on the date hereof or subsequently becomes a Holder, whether or not such Person remains an AIG Subsidiary or Affiliate).

Indemnified Party: As defined in Section 6(c)(i).

Indemnified Person: As defined in Section 6(a).

Indemnifying Party: As defined in Section 6(c)(i).

IRS: The U.S. Internal Revenue Service.

Law: Shall have the meaning set forth in the Separation Agreement.

managing underwriter or underwriters: The Person or Persons selected pursuant to Section 2 of this Agreement to manage an underwritten offering of Registrable Securities.

Person: An individual, partnership, corporation, company, trust or unincorporated organization, or a government or agency or political subdivision thereof, or any other organization or entity.

Prospectus: The prospectus (including any preliminary prospectus and any final prospectus) included in any Registration Statement, as amended or supplemented by any free writing prospectus, whether or not required to be filed with the SEC, prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement and by all other amendments and supplements to the prospectus, and all material incorporated by reference in such prospectus.

Registrable Securities: Any Common Stock beneficially owned as of the date hereof by AIG, its Subsidiaries (including AHA) or its Affiliates (other than the Company); provided that a security ceases to be a Registrable Security when:

(i) it has been effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it, or

(ii) it is distributed to the public pursuant to Rule 144 (or any similar provisions then in force) under the Securities Act.

Registration Expenses: As defined in Section 5 hereof.

Registration Statement: Means either (a) a shelf registration statement filed by the Company under the Securities Act permitting resales of the Registrable Securities on a delayed or continuous basis pursuant to the provisions of Section 2(a)(i) of this Agreement, or (b) in the

circumstances contemplated by Section 2(a)(ii), a registration statement filed by the Company under the Securities Act meeting the requirements of Section 2(a)(ii), and in either case including the Prospectus contained therein, any amendments and supplements to such Registration Statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement; provided that, in any such case if the Registration Statement includes a plan of distribution, such plan of distribution must be approved by AIG.

Rules and Regulations: The published rules and regulations of the SEC promulgated under any of the Securities Act or the Exchange Act, as in effect at any relevant time.

SEC: The Securities and Exchange Commission.

Securities Act: The Securities Act of 1933, as amended from time to time.

Separation Agreement: As defined in the Recitals.

Subsidiary: Means, with respect to any Person, any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person that is a legal entity, trust or estate of which (or in which) (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person (irrespective of whether at the time capital stock of any other class or classes of such corporation or other Person shall or might have voting power upon the occurrence of any contingency), (b) more than 50% of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than 50% of the beneficial interest in such trust or estate, is at the time of determination directly or indirectly beneficially owned or controlled by such Person.

Suspension Period: As defined in Section 2(a)(iii) hereof.

Underwriting Agreement: Means the Underwriting Agreement, dated as of ___, 2009, between AIG, AHA, the Company and Goldman Sachs & Co., as representative of the several underwriters.

underwritten offering: A transaction in which Registrable Securities of the Company registered under the Securities Act are sold to an underwriter or underwriters for reoffering to the public.

2. Filing of Registration Statements

(a) Demand Registration.

(i) Until such time as all Registrable Securities cease to be Registrable Securities, the Company agrees to use its reasonable efforts to keep current and effective a shelf Registration Statement, and to file such supplements or amendments to such Registration Statement as may be necessary or appropriate in order to keep such shelf Registration Statement continuously effective and useable, for the resale of Registrable Securities under the Securities Act.

(ii) If the Company is no longer eligible to use a shelf Registration Statement, the Company agrees within 30 days of a Holder's written request to register the resale of a specified amount of the Registrable Securities (which shall represent at least 5% of the outstanding Common Stock) under the Securities Act, the Company will file a Registration Statement, on an

appropriate form, to register the resale of such Registrable Securities, which Registration Statement will (if specified in the Holder's notice) contemplate the ability of the Holders to effect an underwritten offering, and will use its reasonable efforts to cause such Registration Statement to become or be declared effective, and to file such supplements or amendments to such Registration Statement as may be necessary or appropriate in order to keep such Registration Statement effective and useable, for the resale of Registrable Securities under the Securities Act, through the completion of the offering thereof.

(iii) Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled, from time to time, by providing prior written notice to the Holders, to require such Holders to suspend the use of the Prospectus included in any Registration Statement for resales of Registrable Securities under any shelf Registration Statement pursuant to Section 2(a)(i) or to postpone the filing or suspend the use of any Registration Statement pursuant to Section 2(a)(ii) for a reasonable period of time not to exceed 60 days in succession (or a longer period of time with the prior written consent of AIG, which consent shall not be unreasonably withheld) or two times in any one year period (a "Suspension Period") if (A) the Board determines in good faith that effecting the registration (or permitting sales under an effective registration) would materially and adversely affect an offering of securities of the Company, (B) the Company is in possession of material non-public information and the Board determines in good faith that the disclosure of such information during the period specified in such notice would be materially detrimental to the Company, or (C) the Company shall determine that it is required to disclose in any such Registration Statement a contemplated financing, acquisition, corporate reorganization or other similar transaction or other material event or circumstance affecting the Company or its securities, and the Board determines in good faith that the disclosure of such information at such time would be materially detrimental to the Company or the holders of its equity securities.

(iv) After the expiration of any Suspension Period and without any further request from a Holder, the Company shall as promptly as reasonably practicable prepare a Registration Statement or post-effective amendment or supplement to the applicable shelf Registration Statement or Prospectus, or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the Prospectus will not include a material misstatement or omission or be not effective and useable for resale of Registrable Securities.

(v) If at any time or from time to time the Holders desire to sell Registrable Securities representing at least 5% of the outstanding Common Stock in an underwritten offering, the managing underwriter or underwriters for such offering shall be selected by AIG. The Holders will provide the Company with prior notice of any such underwritten offering, such notice to be provided as soon as reasonably practicable after the Holders determine to proceed with such offering. The Company shall use its reasonable efforts to assist such managing underwriter or underwriters in their efforts to sell Registrable Securities pursuant to such Registration Statement and shall use reasonable efforts to make senior executives with appropriate seniority and expertise reasonably available for "road show" or other presentations during the marketing period.

(b) No Piggyback Registration Rights. The Company shall not, without the prior written consent of AIG and AHA (which consent may be withheld in AIG's and AHA's sole discretion), grant or enter into any agreement or undertaking that would permit any Person (other than the Company) to sell Common Stock along with sales of the Registrable Securities whether or not in an underwritten offering.

(c) Undertaking to be Bound by this Agreement. Each Holder which is not an original party to this Agreement and whose Registrable Securities are included in a Registration Statement filed with

the SEC pursuant to this Section 2 shall be deemed without any further action to be a party to this Agreement with all rights and obligations of a Holder hereunder and if requested by the Company, shall execute and deliver an undertaking in form and substance reasonably satisfactory to the Company whereby such Holder agrees to be bound by the terms and provisions of this Agreement.

3. Restrictions on Public Sale by the Company and Others

The Company agrees that it will not, without the prior written consent of AIG and AHA and the managing underwriter or underwriters of any underwritten offering (which shall represent at least 5% of the outstanding Common Stock) under a Registration Statement filed pursuant to Section 2(a), offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any Common Stock, during the period from the date of receipt of timely notice of the intent to price an underwritten offering from the managing underwriter or underwriters (which notice may be delivered up to 15 business days before pricing) to the date 90 days after the pricing date of such underwritten offering. The foregoing restrictions shall not apply to issuances of Common Stock (or securities convertible into or exercisable or exchangeable for Common Stock) by the Company (i) upon conversion, exchange or exercise of convertible, exchangeable or exercisable securities outstanding as of the date of pricing of the underwritten offering or under any existing employee benefit plans, (ii) in connection with strategic alliances or transactions involving the Company, (iii) in connection with registration statements filed in connection with future business combination transactions or (iv) in connection with registration statements on Form S-8 filed to register shares of Common Stock that are issuable pursuant to existing employee benefit plans of the Company; provided that any Person receiving shares of Common Stock in a transaction excepted by clauses (ii) or (iii) above shall agree to be bound by the restrictions set forth in this Section 3.

4. Registration Procedures

In connection with the Company’s obligations to keep current and effective each Registration Statement pursuant to Section 2 hereof, the Company will use its reasonable efforts to effect such registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company will as expeditiously as possible use its reasonable efforts to:

(a) before filing a Registration Statement or Prospectus or any amendments or supplements thereto, excluding documents incorporated by reference in the Registration Statement, furnish to AIG, AHA and the managing underwriter or underwriters, if any, copies of all such documents proposed to be filed, which documents will be subject to the review of AIG, AHA and the managing underwriter or underwriters, and the Company will not file any Registration Statement or amendment thereto or any Prospectus or any supplement thereto (excluding such documents incorporated by reference and proposed to be filed after the initial filing of the Registration Statement) to which AIG, AHA or the managing underwriter or underwriters, if any, shall reasonably and timely object; provided, that the Company may assume, for the purposes of this paragraph (a), that objections to the inclusion of information (i) requested by the staff of the SEC to be included in the Registration Statement or other documents, (ii) required, in the opinion of counsel to the Company, to be in the Registration Statement or other documents, or (iii) required by the Securities Act or the Rules and Regulations thereunder to be in the Registration Statement or other documents, shall not be deemed to be reasonable objections; and, provided, further, that the Company shall, to the extent reasonably practicable in light of the circumstances, consult with AIG, AHA and the managing underwriter or underwriters as to any document that is to be incorporated by reference in the Registration Statement during the marketing period of any underwritten offering until the closing of such underwritten offering;

(b) prepare and file with the SEC such amendments and post-effective amendments to the Registration Statement, and such supplements to the Prospectus, as may be required by the Rules and Regulations or the instructions applicable to the registration form utilized by the Company or by the Securities Act or the Rules and Regulations thereunder for registration or otherwise necessary to keep the Registration Statement effective and cause the Prospectus as so supplemented to be filed pursuant to Rule 424 under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(c) notify AIG, AHA and the managing underwriter or underwriters, if any, promptly, and confirm such advice in writing,

(i) when the Registration Statement, any pre-effective amendment thereto, the Prospectus or any prospectus supplement or post-effective amendment to the Registration Statement has been filed, and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective,

(ii) of any comments by the SEC and the "Blue Sky" or securities commissioner or regulator of any state with respect to the Registration Statement, the Prospectus or any prospectus supplement or any request by the SEC for amendments or supplements to the Registration Statement, the Prospectus or any prospectus supplement or for additional information,

(iii) of the issuance by the SEC or any other regulatory authority of any stop order suspending the effectiveness of the Registration Statement or the initiation or threatening of any proceedings for that purpose,

(iv) if at any time the representations and warranties of the Company contemplated by paragraph (m) below cease to be true and correct,

(v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale under the securities or "Blue Sky" laws of any jurisdiction or the initiation or threatening of any proceeding for such purpose, and

(vi) of the existence of any fact which results in the Registration Statement, any amendment or post-effective amendment thereto, the Prospectus, any prospectus supplement, or any document incorporated therein by reference containing an untrue statement of material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(d) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible moment;

(e) if requested by the managing underwriter or underwriters, AHA or AIG, as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters, AHA or AIG reasonably request to be included therein relating to the sale of the Registrable Securities, including without limitation, information with respect to the amount of Registrable Securities being sold to such underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of the underwritten offering (including whether such underwriting commitment is on a firm commitment or best efforts basis)

of the Registrable Securities to be sold in such offering; and make all required filings of such prospectus supplement or post-effective amendment promptly upon notice of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(f) furnish to AIG, to each selling Holder, and to each managing underwriter or underwriters, without charge, at least one signed copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference therein);

(g) deliver to AIG, each selling Holder and each underwriter, if any, without charge, as many copies (including an electronic copy) of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons may reasonably request; the Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders and each underwriter, if any, in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(h) prior to any public offering of Registrable Securities, use its reasonable efforts to register or qualify or cooperate with AIG, the selling Holders, the managing underwriter or underwriters, if any, and their respective counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of such jurisdictions as AIG, any selling Holder or underwriter reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the Registration Statement; provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(i) cooperate with AIG, the selling Holders and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of the Registrable Securities to be sold; and enable such Registrable Securities to be in such denominations and registered in such names as AIG, the selling Holder or the managing underwriter or underwriters, if any, may request at least two business days prior to any delivery of Registrable Securities;

(j) use its reasonable efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities, federal, state or local, as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(k) except as permitted by Section 2(a)(iii), if any fact contemplated by paragraph (c)(vi) above shall exist, prepare a post-effective amendment or supplement to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that the Prospectus, as thereafter delivered to the purchasers of the Registrable Securities, will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(l) use its reasonable efforts to cause all Registrable Securities covered by the Registration Statement to be listed on each securities exchange on which the Common Stock is then listed, if any;

(m) enter into such customary agreements (including a customary underwriting agreement with the underwriter or underwriters, if any) and take all such other actions in connection therewith in order to expedite or facilitate the disposition of such Registrable Securities and in such connection,

whether or not an underwriting agreement is entered into and whether or not the Registrable Securities are to be sold in an underwritten offering:

(i) make such representations and warranties to AIG, the selling Holders of such Registrable Securities and the underwriter or underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings of equity securities;

(ii) cause to be delivered to the sellers of Registrable Securities and the underwriter or underwriters, if any, opinions of counsel to the Company, dated, in the case of an underwritten offering, the date of delivery of any Registrable Securities sold pursuant thereto which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriter or underwriters, if any, AIG and the selling Holders, addressed to AIG, each selling Holder and each underwriter, if any, covering the matters customarily covered in opinions requested in underwritten offerings of common stock and such other matters as may be reasonably requested by AIG or the selling Holders or the appointed representative of or counsel to AIG and the selling Holders (it being agreed that the matters to be covered by such opinions shall include and shall cover both the date of the first contract to sell the Registrable Securities and the date of delivery of any Registrable Securities sold pursuant thereto);

(iii) cause to be delivered, in the case of an underwritten offering, at the time of delivery of any Registrable Securities sold pursuant thereto, letters from the Company's independent certified public accountants addressed to AIG, each selling Holder and each underwriter, if any, in customary form and covering such financial and accounting matters as are customarily covered by letters of independent certified public accountants delivered in connection with underwritten public offerings of common stock;

(iv) if an underwriting agreement is entered into, the same shall provide for indemnification of the underwriters by the Company in customary form; and

(v) the Company shall deliver such documents and certificates as may be reasonably requested by AIG, any Holder selling Registrable Securities or the managing underwriter or underwriters, if any, to evidence compliance with clause (i) above and with any customary conditions contained in the underwriting agreement, if any, or other agreement entered into by the Company in connection with such offering.

The above shall be done at each closing under such underwriting or similar agreement or as and to the extent required thereunder;

(n) make available for inspection by a representative or representatives of AIG or the selling Holders, any underwriter participating in any disposition pursuant to a Registration Statement, and any attorney or accountant retained by AIG or such selling Holders or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement; provided that AIG shall not, and shall cause its Affiliates and representatives having access to information of the Company that is either oral or in writing and that is confidential or proprietary ("Confidential Information") not to, disclose any Confidential Information; provided, however, that AIG may disclose Confidential Information to the extent permitted by applicable Law: (i) to its representatives on a need-to-know basis in connection with the exercise of rights or the performance of obligations under this Agreement, provided that such representatives are informed of the confidential nature of such information and made aware of the provisions of this 4(n); (ii) to the extent reasonably necessary in connection with any action or in any dispute with respect to this Agreement; (iii) to the extent such information is required

to be disclosed by applicable Law, Governmental Order or Governmental Authority (including in any report, statement, testimony or other submission to a Governmental Authority) or in response to any summons, subpoena or other legal process or formal or informal investigative demand issued to AIG or AHA in the course of any litigation, arbitration, mediation, investigation or administrative proceeding; (iv) to the extent any such information is or becomes generally available to the public other than as a result of disclosure by AIG, AHA or any of their Subsidiaries or any of their Affiliates or representatives; and provided further, however, (A) AIG and AHA may disclose Confidential Information related to the Company to AIG's and AHA's representatives who need to know such information for the purpose of evaluating, monitoring or taking any other action with respect to AIG's and/or AHA's investment in the Company and its Subsidiaries, and (B) AIG and AHA may disclose Confidential Information delivered to them by the officers designated by them, respectively, to receive the information contemplated by Section 5.4 of the Stockholders Agreement to each other, their respective Affiliates and their respective Representatives, provided that in the cases of clauses (A) and (B) above, such representatives are informed of the confidential nature of such information and made aware of the provisions of this Section 4(n).

In the event that AIG or AHA becomes required (based on advice of counsel) by deposition, interrogatory, request for documents subpoena, civil investigative demand or similar judicial or administrative process or in connection with a report, statement, testimony or other submission to be made to any Governmental Authority to disclose any Confidential Information, the disclosing party shall provide the Company, to the extent reasonably practicable, with prior written notice of such requirement, and, to the extent reasonably practicable, cooperate with the Company (at the Company's expense) to obtain a protective order or similar remedy to cause such Confidential Information not to be disclosed; provided, however, that none of AIG, AHA or any of their respective Affiliates is required to provide such prior written notice with respect to any disclosure to the FRBNY. In the event that such protective order or other similar remedy is not obtained, the disclosing party shall furnish only that portion of the Confidential Information that it reasonably believes is required to be disclosed and shall exercise its commercially reasonable efforts (at the Company's expense) to obtain assurance that confidential treatment will be accorded such Confidential Information.

Notwithstanding anything to the contrary contained herein, the parties hereto acknowledge and agree that AIG, AHA and their respective Affiliates may, without notifying the Company or any other Person, share any information relating to or obtained from the Company or any of its Subsidiaries with (i) the FRBNY or the U.S. Department of the Treasury and their respective Representatives, (ii) the AIG Credit Facility Trust, (iii) any insurance regulatory authority or (iv) the IRS or any other tax authority, in each case as AIG deems necessary or advisable in its good faith judgment.

To the fullest extent permitted by applicable Laws, the provisions of this Section 4(n) shall not restrict or limit the use of or disclosure by AIG, AHA or any of their respective Affiliates of any customer, policy or beneficiary information (including such information relating to the Company and its Subsidiaries) if such information was in the possession or control of AIG, AHA or their respective Affiliates prior to the date hereof. For the avoidance of doubt, the foregoing shall apply regardless of whether such information (i) was also possessed or controlled by the Company or any of its Subsidiaries on or prior to the date hereof and/or (ii) was originated by any other Person; and

(o) otherwise use its reasonable efforts to comply with all applicable Rules and Regulations, and make generally available to its security holders earnings statements satisfying the provisions of Section 11(a) of the Securities Act, no later than 40 days after the end of any 12-month period (or 60 days, if such period is a fiscal year) commencing on the date of the filing of any Prospectus relating to the sale of Registrable Securities, which statements shall cover a 12-month period.

The Company may require each selling Holder as to which any registration is being effected to furnish to the Company such information regarding the distribution of such securities as the Company may from

time to time reasonably request in writing and as shall be required by law or by the SEC in connection with any registration.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(c)(vi) hereof, such Holder will forthwith discontinue disposition of Registrable Securities until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 4(k) hereof, or until it is advised in writing by the Company that the use of the Prospectus may be resumed.

5. Registration Expenses

(a) All expenses incident to the Company's performance of or compliance with this Agreement, at or prior to the time that the Holders shall have completed three underwritten offerings pursuant hereto (it being understood that the offering effected pursuant to the Underwriting Agreement shall not be deemed to have been effected pursuant hereto), including without limitation:

- (i) all registration and filing fees (including fees with respect to filings required to be made with the Financial Industry Regulatory Authority ("FINRA")), unless the required filing or filings arise solely by reason of the status of the Holders or any of their Affiliates, or their intended use of proceeds of the offering (in which case such fees shall be the responsibility of the Holders);
- (ii) fees and expenses of compliance with securities or "Blue Sky" laws (including reasonable fees and disbursements of one counsel for the selling Holders and underwriter or underwriters in connection with the registration or qualification of the Registrable Securities under applicable state securities laws and determination of their eligibility for investment under the laws of such jurisdictions as AIG, the managing underwriter or underwriters or the Holders of Registrable Securities being sold may designate);
- (iii) all printing, messenger, telephone and delivery expenses of the Company, including, without limitation, the expenses of printing the Registration Statement and the Prospectus, the expenses of preparing the Registrable Securities for delivery and the expenses of printing or producing any agreement(s) among underwriters, underwriting agreement(s) and "Blue Sky" or legal investment memoranda, any selling agreements and any other documents in connection with the offering, sale or delivery of Registrable Securities to be disposed of;
- (iv) fees, disbursements and expenses of counsel for the Company;
- (v) fees and disbursements of all independent certified public accountants of the Company (including the expenses of any special audit and accountants' letters required by or incident to such performance);
- (vi) all fees and expenses incurred by the Company in connection with the listing of the Registrable Securities on any securities exchange pursuant to Section 4(l); and
- (vii) fees and expenses of other Persons retained by the Company (all such expenses being herein called "Registration Expenses");

will be borne by the Company, whether or not the Registration Statement becomes effective. In connection with any subsequent underwritten offering effected by the Holders pursuant hereto, all such out-of-pocket expenses reasonably incurred by the Company shall be borne by the Holders, in proportion

to the shares sold by each of them in such offering. The Company will, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

6. Indemnification

(a) Indemnification by Company.

(i) The Company agrees to indemnify and hold harmless each Holder, each underwriter with respect to Registrable Securities and each of their respective officers, directors, employees and agents and each Person who controls such Holder or underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each such Person being sometimes hereinafter referred to as an "Indemnified Person") from and against any and all losses, claims, damages and liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus, including any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities relate to any untrue statement or omission or alleged untrue statement or omission based upon information furnished in writing to the Company by any Holder or underwriter expressly for use therein.

(ii) The Company will also indemnify selling brokers, dealers and similar securities industry professionals participating in the distribution, their officers, directors and partners and each Person who controls such Persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided in Section 6(a)(i) with respect to the indemnification of the Holders and underwriters of Registrable Securities and such Persons shall be deemed "Indemnified Persons" for all purposes of this Section 6.

(b) Indemnification by Selling Holders. Each selling Holder agrees severally, and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Holder (but not in an amount exceeding the net proceeds to such Holder from the offering of its Registrable Securities pursuant to such Registration Statement), but only with reference to information relating to such Holder furnished in writing by such Holder to the Company expressly for use in any Registration Statement, preliminary prospectus, or Prospectus, including any amendment or supplement thereto.

(c) Proceedings.

(i) In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to either Section 6(a) or 6(b), such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding.

(ii) In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (a) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (b) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them.

(iii) It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (a) the reasonable fees and expenses of more than one separate firm for all underwriters, selling brokers, dealers and similar securities industry professionals and all persons, if any, who control such Persons within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and (b) the reasonable fees and expenses of more than one separate firm for all selling Holders and all Persons, if any, who control selling Holders within the meaning of either such Section.

(iv) In the case of any such separate firm for the underwriters, selling brokers, dealers and similar securities industry professionals and such control Persons, such firm shall be designated in writing by the managing underwriter or underwriters. In the case of any such separate firm for the selling Holders and such control Persons of selling Holders, such firm shall be designated in writing by the Holder. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

(d) Contribution.

(i) If the indemnification provided for in this Section 6 is unavailable to an Indemnified Party under Section 6(a) or Section 6(b) hereof or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and of the Holder or underwriter, selling broker, dealer or similar securities professional, as the case may be, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Holder or underwriter, selling broker, dealer or similar securities professional, as the case may be, on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, by the Holder or by the underwriter, selling broker, dealer or similar securities professional and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(ii) The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Holders or the underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim.

Notwithstanding the provisions of this Section, no Holder or underwriter, selling broker, dealer or similar securities professional shall be required to contribute any amount in excess of the amount by which (a) in the case of any Holder, the net proceeds received by such Holder from the sale of Registrable Securities or (b) in the case of an underwriter, selling broker, dealer or similar securities professional, the total price at which the Registrable Securities purchased by it and distributed to the public were offered to the public exceeds, in any such case, the amount of any damages that the Holders or such underwriter, selling broker, dealer or similar securities professional has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligations to contribute pursuant to this Section 6 of the Indemnified Persons are several and not joint.

(e) Cumulative Obligations. The obligations of the Company under this Section 6 shall be in addition to any liability which the Company may otherwise have to any Indemnified Person.

(f) Survival. The indemnity and contribution agreements contained in this Section 6 and the representations and warranties of the Company referred to in Section 4(m)(i) shall remain operative and in full force and effect regardless of (i) any termination of this Agreement or any underwriting agreement, (ii) any investigation made by or on behalf of any Indemnified Person or by or on behalf of the Company and (iii) the consummation of the sale or successive resales of the Registrable Securities.

7. **Rule 144**

The Company covenants that it shall use its reasonable efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act and the Rules and Regulations and it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. Upon the reasonable request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such information and requirements.

8. **Miscellaneous**

(a) Remedies. Each Holder, in addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Each party agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not on or after the date of this Agreement enter into any agreement with respect to its securities which is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof.

(c) Amendment and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given without the prior written consent of the parties hereto.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing and delivered personally, by telegram, by telecopy or sent by overnight courier, postage prepaid:

(i) if to a Holder, at the most current address given by such Holder to the Company in accordance with the provisions of this Section 8(d), which address initially is American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: General Counsel, with a copy to Sullivan & Cromwell, 125 Broad Street, New York, New York 10004, Attention: Robert E. Buckholz, Jr., Esq.; or

(ii) if to the Company, at Transatlantic Holdings, Inc., 80 Pine Street, New York, New York 10005, Attention: Gary Schwartz, with a copy to Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attention: Lois Herzeca

or to such other address as any party may, from time to time, designate in a written notice given in a like manner. Notice given by telegram or telecopy shall be deemed delivered when evidence of the transmission is received by the sender and shall be confirmed in writing by overnight courier, postage prepaid. Notice given by overnight courier as set out above shall be deemed delivered the business day after the date the same is mailed.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Registrable Securities and the Indemnified Persons specified in Section 6. The Company may not assign its rights or delegate its obligations under this Agreement without the prior written consent of AIG and the Holders.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICT OF LAW PRINCIPLES.**

(i) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(j) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to its costs and expenses and any other available remedy.

(k) Effective Time. This Agreement shall become effective as of the First Time of Delivery. In the event that the First Time of Delivery shall not occur, this Agreement will be of no force or effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first written above.

TRANSATLANTIC HOLDINGS, INC.

By: /s/ Robert F. Orlich

Name: Robert F. Orlich
Title: Chairman, President and Chief
Executive Officer

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Philip M. Jacobs

Name: Philip M. Jacobs
Title: Senior Vice President – Divestitures

AMERICAN HOME ASSURANCE COMPANY

By: /s/ Robert S. H. Schimek

Name: Robert S. H. Schimek
Title: Chief Financial Officer, Senior
Vice President and Treasurer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002CERTIFICATION

I, Robert F. Orlich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transatlantic Holdings, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

/s/ ROBERT F. ORLICH

Robert F. Orlich
President and Chief Executive Officer

Date: August 7, 2009

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002CERTIFICATION

I, Steven S. Skalicky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transatlantic Holdings, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

/s/ STEVEN S. SKALICKY

Steven S. Skalicky
Executive Vice President and Chief Financial Officer

Date: August 7, 2009

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 for the quarter ended June 30, 2009 of Transatlantic Holdings, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert F. Orlich, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ ROBERT F. ORLICH

Robert F. Orlich
President and Chief Executive Officer

Date: August 7, 2009

The foregoing is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of this Quarterly Report on Form 10-Q or as a separate disclosure document.

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 for the quarter ended June 30, 2009 of Transatlantic Holdings, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven S. Skalicky, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ STEVEN S. SKALICKY

Steven S. Skalicky
Executive Vice President and Chief Financial Officer

Date: August 7, 2009

The foregoing is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of this Quarterly Report on Form 10-Q or as a separate disclosure document.
