

For immediate release

31st August 2010

Omega Insurance Holdings Limited

Interim results for the six months ended 30 June 2010

Omega Insurance Holdings Limited ("Omega" or "the Group") today announces interim results for the six months ended 30 June 2010.

Financial highlights

- Loss before tax of US\$34.2 million (H1 2009: Profit of US\$22.9 million)
- Gross premiums written growth of 30.2% to US\$244.1 million (H1 2009: US\$187.5 million)
 - Significant growth due to participation on Syndicate 958 rising to 38.8%
 - Cautious growth in newer platforms
 - Income earnings are weighted towards the second half of the year
- Net loss ratio of 100.1% (H1 2009: 52.0%)
 - Losses due to catastrophe events and high incidence of large losses, combined with low premium earnings in the first half of the year
 - Strengthening of prior year reserves by \$12.0 million
- Combined ratio of 128.3% (H1 2009: 82.5%)
- Investment return (before derivative gains) of 1.4% (H1 2009: 0.7%)
- Basic earnings per share of (13.3)cents (H1 2009: 9.1cents)
- Return on average equity of (6.9)% (H1 2009: 4.2%)
- Interim dividend of 6.0 cents per share (H1 2009: 6.0 cents)

Operational highlights

- New Chairman and Board in place
- Geoffrey Johnson has been appointed to the Group Board with effect from 1 September 2010 and new non-executive directors have been appointed to the underwriting agency board
- Another Group non-executive director is being appointed
- Focus on building quality of resources and infrastructure to most efficiently manage risk and return

Commenting on the interim results, Richard Pexton, Chief Executive Officer of Omega said:

“The first half of the year experienced a number of significant catastrophes, combined with a challenging rating environment. These catastrophe losses, together with the lag that currently exists in 2010 premium earnings, have had a major effect on our half year results. In response we continue to monitor the rating environment closely and maintain our selective and focused approach to underwriting. We do not believe now is the right time for significant growth. This is the time to position ourselves for a correction in the market.

“After completion of the business review encompassing underwriting, corporate governance and operations we have concluded that Omega remains a strong underwriting platform. Despite the losses we have sustained during this period our business is robust we are confident about our strategy and the future prospects for the Group. With this background the Board is comfortable to maintain the dividend.”

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Key Performance Indicators

| | Six months ended 30 June 2010 | Six months ended 30 June 2009 | Year ended 31 December 2009 |
|----------------------------|----------------------------------|----------------------------------|--------------------------------|
| Gross premiums written | US\$244.1m | US\$187.5m | US\$265.8m |
| Net earned premiums | US\$105.6m | US\$90.1m | US\$195.5m |
| Basic earnings per share | (13.3) US cents | 9.1 US cents | 18.6 US cents |
| Investment return | 1.4% | 0.7% | 2.8% |
| Group combined ratio | 128.3% | 82.5% | 81.4% |
| Dividend per share | 6.0 US cents | 6.0 US cents | 12.5 US cents |
| (Loss) / profit before tax | US\$(34.2)m | US\$22.9m | US\$47.1m |
| Net assets | US\$445.1m | US\$485.7m | US\$496.0m |
| Return on equity | (6.9)% | 4.2% | 9.8% |
| Net assets per share | \$1.83 | \$2.01 | \$2.04 |

Group Overview

The first half of 2010 has been a period of abnormal loss activity for the insurance industry. The Omega results reflect these losses, in particular those relating to the earthquake in Chile, the explosion on the Deepwater Horizon oil rig and the loss of the Aban Pearl submersible. There were also less material losses resulting from Hailstorms in Australia and the US, in addition to increased attritional activity.

The Syndicate has reduced its writings, especially in catastrophe exposed areas, reflecting market conditions. In Bermuda and the US business growth targets have been limited to ensure new business remains focused in areas where the Group believes adequate rating is available.

Gross premium income continues to grow as a result of the Group's increased share of Syndicate 958 capacity for the 2010 year of account, giving us the security of growth through an existing book of business that has achieved a record of unbroken profitability since inception in 1980. However with only 64% of expected ultimate premiums for the 2010 year of account written at the half year stage, and only 29% of business written having been earned (i.e. 19% of ultimate premiums), earnings provide little offset to the losses incurred in the first half. This effect should reduce by full year when approximately 65% of the expected ultimate 2010 year of account premiums will have been earned.

Our catastrophe loss estimates for 2009 of \$29.4 million are unchanged since they were outlined to the market in May, and remain favourable compared with our peer group. After an in depth review of reserves in the past month, Omega has decided to strengthen other reserves by \$12.0 million. A portion of this relates directly to the recent deterioration in the Apache energy loss, due to Hurricanes Ike and Gustav in 2008. The remainder is due to risks within the energy, professional indemnity, liability and motor classes where we have experienced some adverse development in the 2007 and 2008 underwriting years.

Whilst we recognise that the market remains challenging, we continue to see adequate margins in our core classes. Overall the Board remains confident about the business and the future of the Group and has resolved to maintain the interim dividend at 6.0 cents per share (H1 2009: 6.0 cents).

Operational developments

The Group has appointed a new Non-executive director, Geoffrey Johnson, to the Group Board with effect from 1 September 2010. Geoffrey recently retired as a partner at PricewaterhouseCoopers LLP ("PwC") after a forty year career during which he served some of the major clients of the firm and held senior management positions in the UK, Europe and globally; most recently as the Chief Executive Officer of the PwC global network's Bermuda-based professional indemnity captive insurance company.

The Group is in the process of appointing another new non-executive director to the Group Board and its committees. New Non-executive directors (Roger Field and Robin Oakes) have also been appointed to the managing agency Board (OUAL) and committees.

The Group remains focussed on building the quality of resources and infrastructure to most efficiently manage risk and return. This includes:

- Acquisition of the AIR catastrophe model to facilitate more detailed aggregate analysis and more efficient reinsurance purchasing
- Developing an in-house capital model providing a clearer linkage between capital, return and class of business performance
- New senior hires in finance, actuarial, investor relations, internal audit, company secretarial and risk management functions
- Solvency II preparation including enhanced controls and risk frameworks

Management Review of the Business

Following the Board changes in March, the new Chairman and Chief Executive, John Coldman and Richard Pexton respectively, undertook a review of the business, initially concentrating on underwriting, operational and governance structures. This included reviewing the underwriting portfolio, the reinsurance programme and aggregate exposure monitoring. At the same time they engaged with key stakeholders including shareholders, regulatory bodies, employees and rating agencies. The initial review concluded at the end of June, with the new management team reaffirming Omega's overall strategic direction. A further review is planned for the second half of the year covering capital management.

H1 2010 Financial Review

The Group made a loss of \$34.2 million before tax for the first half of 2010 (H1 2009: profit of \$22.9 million).

This result is driven by three factors. Firstly, the first half has seen an above average level of loss activity including both catastrophe events and large losses such as the Chile Earthquake, the Deepwater Horizon explosion, the loss of the Aban Pearl submersible and hailstorms in Western Australia. Secondly, though the majority of our premium is written in the first half of the year, most earns in the second half. As a result little of the benefit of the growth in premium is reflected in first half earnings, offering little offset to the losses. Finally, development in the period in some of the medium tail lines has been worse than expected including a late notified claim on the Apache energy loss. The board believes that at this stage of the cycle a cautious response to this development is appropriate and has therefore increased reserves in the affected lines.

| GROUP UNDERWRITING RESULT | Six months ended | Six months ended | Year ended 31 |
|------------------------------------|------------------|------------------|---------------|
| | 30 June 2010 | 30 June 2009 | December 2009 |
| | US\$m | US\$m | US\$m |
| Gross premium written | 244.1 | 187.5 | 265.8 |
| Net premiums earned | 105.6 | 90.1 | 195.5 |
| Claims incurred net of reinsurance | (105.7) | (46.9) | (96.3) |
| Net underwriting charges | (29.7) | (27.5) | (62.7) |
| Underwriting (loss)/profit | (29.8) | 15.7 | 36.5 |

Gross written premium

Overall gross written premium has increased 30.2% to \$244.1 million (H1 2009: \$187.5 million). The growth is driven by our increased participation on Syndicate 958, which has risen from 16.4% for the 2009 year of account to 38.8% for the 2010 year of account. At the 100% level the Syndicate premium has reduced to \$341.9 million from \$364.6 million, as catastrophe exposed business has been reduced reflecting the pressure in the market rating environment.

At this point in the year some 64% of the planned Syndicate 958 premium for the year has been written.

| GROSS WRITTEN PREMIUM SUMMARY | Six months ended | Six months ended | Year ended 31 |
|---|------------------|------------------|---------------|
| | 30 June 2010 | 30 June 2009 | December 2009 |
| | US\$m | US\$m | US\$m |
| Syndicate 958 derived | 164.8 | 118.3 | 166.6 |
| Omega Specialty (third party reinsurance) | 56.5 | 52.1 | 63.0 |
| Omega US | 22.8 | 17.1 | 36.2 |
| | 244.1 | 187.5 | 265.8 |
| Syndicate 958 (100%) | 341.9 | 364.6 | 510.1 |

The third party reinsurance business placed directly with Omega Specialty in Bermuda has grown 8.4% to \$56.5 million from \$52.1 million. However, when reinstatement premiums on the Chile loss are removed the income is broadly flat, again this is a conscious slowing of growth in line with rating conditions.

The Omega US book grew substantially during 2009, reaching \$36.2 million at full year 2009 (2008: \$10.8 million). The first half premium at \$22.8 million (H1 2009: \$17.1 million) has seen growth of 33.3%. The business is taking a more cautious approach at this point in the cycle and as a result we expect the rate of growth to slow in the second half.

Gross written premium for the period by class of business was as follows:

| | Six months ended 30 June 2010 US\$m | % of total | Six months ended 30 June 2009 US\$m | % of total | Year ended 31 December 2009 US\$m | % of total |
|---|--|---------------|--|---------------|--|---------------|
| Non-marine property insurance | 44.1 | 18% | 25.7 | 14% | 59.2 | 22% |
| Property catastrophe treaty reinsurance | 100.4 | 41% | 87.8 | 47% | 96.8 | 36% |
| Property per risk treaty reinsurance | 12.6 | 5% | 13.6 | 7% | 18.5 | 7% |
| Professional indemnity insurance | 4.7 | 2% | 5.9 | 3% | 9.3 | 3% |
| Motor insurance & reinsurance | 16.9 | 7% | 9.5 | 5% | 11.9 | 4% |
| Marine insurance & reinsurance | 30.2 | 12% | 17.7 | 9% | 22.6 | 9% |
| Liability insurance & reinsurance | 26.3 | 11% | 18.1 | 10% | 33.7 | 13% |
| Other | 8.9 | 4% | 9.2 | 5% | 13.8 | 5% |
| | 244.1 | 100% | 187.5 | 100% | 265.8 | 100% |

Business descriptions for our key classes of business are as follows:

- Non-marine property insurance: mainly short-tail, small ticket commercial property account, predominately in the US, written via binding authorities with nationwide managing general agents;
- Property catastrophe treaty reinsurance: short-tail, excess of loss account, focused on regional and nationwide US writers, together with a smaller international account, reflecting current trading conditions;
- Property per risk treaty reinsurance: short-tail, excess of loss account with a focus on reinsuring small to medium sized insurance companies, mainly in the US;
- Professional indemnity insurance: longer-tail account focused on small, non-financial insureds in the US;
- Motor insurance & reinsurance: medium to long-tail liability-biased account with a focus on the UK and Europe,
- Marine insurance and reinsurance: short to medium-tail account focused on offshore energy and yachts;
- Liability insurance and reinsurance: medium-tail insurance account written as part of a packaged product for the US market; focused on the "trip and fall" element of household policies, artisans liability, together with a casualty reinsurance account encompassing "worldwide ex US" risks;
- Other business: short-tail account mainly focused on satellite business with some personal accident and kidnap and ransom.

Ceded written premium

The Group's reinsurance cover consists of a combination of ultimate net loss covers and industry loss warranties, facultative reinsurance on specific accounts and some whole account protections.

Premiums ceded to reinsurers have increased to \$42.1 million from \$24.1 million for the same period last year. The majority of the increase relates to the Group's higher proportion of Syndicate reinsurance a result of the increased share of Syndicate capacity. During the year the nature of the reinsurances was adjusted to incorporate a greater proportion of ultimate net loss style covers in the Syndicate. Also a proportion of the reinsurances were placed earlier in the year than has previously been the case and adjustment premiums have been accrued on whole account protections as a result of increased accrued loss recoveries.

Loss experience

| GROUP LOSS EXPERIENCE | 30 June 2010 | | 30 June 2009 | | 31 December 2009 | |
|---|--------------|--------|--------------|-------|------------------|-------|
| | Gross | Net | Gross | Net | Gross | Net |
| Syndicate 958 derived | 91.7% | 103.2% | 53.7% | 58.5% | 48.6% | 52.7% |
| Omega Specialty (third party reinsurance) | 80.1% | 115.6% | 20.7% | 25.1% | 12.4% | 20.9% |
| Omega US | 69.5% | 71.2% | 67.6% | 69.3% | 73.7% | 71.9% |
| | 86.0% | 100.1% | 47.7% | 52.0% | 43.0% | 49.3% |

Syndicate 958's and Omega Specialty's loss ratio suffered from a combination of catastrophe and large loss events such as the Chilean earthquake, Deepwater Horizon, the Aban Pearl submersible, Australian hailstorms together with an increased occurrence of smaller, attritional losses. Syndicate 958 was also impacted by reserve additions relating to the Apache oil rig loss in 2008, together with adverse development on the 2007 underwriting year on the energy account, and 2008 underwriting years on longer tail lines including liability, professional indemnity and motor. The reserve strengthening was determined by a detailed actuarial review following the period end, with input from independent actuarial advisers.

Syndicate 958 derived business

The Group derives business from the Syndicate through a combination of its 38.8% direct participation (for the 2010 year of account) and through a quota share reinsurance agreement. This arrangement implies an Omega Group economic interest of 51.0% for the 2010 year of account, after elimination effects. The table below illustrates how this relationship has developed:

| SYNDICATE DERIVED BUSINESS | 2011 | 2010 | 2009 | 2008 |
|-------------------------------------|--------|--------|---------|--------|
| Effective capacity | \$420m | \$420m | \$496m | \$478m |
| Omega Group share | 38.8% | 38.8% | 16.4% | 16.4% |
| Quota share reinsurances with Omega | 20.0% | 20.0% | 20.0% | 20.0% |
| Forecast profit | n/a | n/a | 5 - 15% | 0 - 5% |

The profit forecasts for the Syndicate's open years of account have been reviewed and, notwithstanding the strengthening of the reserves in some years of account, reaffirmed as part of the half year process and are also set out in the table above. The forecasts are stated after personal expenses and are expressed as a percentage of Syndicate capacity. The Syndicate is forecasting to continue track record of unbroken underwriting profits into its twenty ninth year.

Third party Bermuda reinsurance business

In the first half of 2010, Omega Specialty wrote \$56.5 million of third party reinsurance business (H1 2009: \$52.1 million). A net loss ratio of 115.6% (H1 2009: 25.1%) reflects the higher level of loss activity in the first half of the year, including specific events such as the Chile Earthquake and Deepwater Horizon oil rig loss.

Omega Specialty has seen deterioration in rates of between 5-10% on the US Catastrophe book, but margins remain satisfactory for the moment. However, we do not foresee a change in this trend for the remainder of 2010. The International Catastrophe book writings have remained similar to 2009. We have seen a softening in rates in this book over the past six months although we would expect this softening to be mitigated by the Chilean earthquake.

Omega US

Omega US has continued to demonstrate growth in 2010. Gross written premium in the first half 2010 was \$22.8 million (H1 2009: \$17.1 million), representing an increase of 33.3%. Recognizing the ongoing challenges presented by the soft US property and casualty market, our focus here is very much on developing books of business with general agents established since OUS's inception. New opportunities to develop profitable books of business currently remain challenging. While rates generally remain soft, there are certain geographic areas which are starting to be subject to contraction of supply and rates are starting to increase, which may present an opportunity as the year progresses.

Omega US is licensed to write business on a surplus lines basis in 41 states as well as the District of Columbia and continues to build out the infrastructure to support its future growth plans. We are in the process of obtaining a license in the key remaining state of California.

The combined ratio for the period is 107.9% and the loss ratio is 71.2% compared to 114.9% and 69.3% respectively for 2009. OUS avoided any significant losses from the US Winter storms and the Oklahoma City hailstorm; however, given its lack of critical mass, the business remains sensitive to medium sized claims. Further, OUS has not yet reached peak efficiency to cover operating expenses.

Underwriting Agency

| UNDERWRITING AGENCY FIGURES | Six months ended 30 June 2010 US\$m | Six months ended 30 June 2009 US\$m | Year ended 31 December 2009 US\$m |
|---------------------------------|---|---|---|
| Profit commission | (5.8) | 5.1 | 11.5 |
| Managing agency fee | 1.1 | 1.8 | 2.6 |
| Management charges to Syndicate | 0.7 | 0.8 | 1.8 |
| | (4.0) | 7.7 | 15.9 |

The Group receives income for managing Syndicate 958 via Omega Underwriting Agents. The agency receives income from Syndicate 958 by way of a managing agent's fee and profit commission. Agency fees are calculated as 0.75% of capacity. Profit commission is 20.0% on the third party portion of Syndicate profit and is received by the agency upon the closure of the underwriting year. It is accrued by the agency in line with the underlying income recognised in the Syndicate on an annually accounted basis i.e. in line with premium earnings.

Due to the Syndicate losses in the first half detailed above, the Group has recognised a reduction of accrued profit commission income of \$5.8 million in the first half (H1 2009: income of \$5.1 million) representing a \$10.9m loss of revenue compared to the first half of 2009.

Net acquisition costs

Net acquisition costs have risen by 0.8 % to \$24.7 million (H1 2009: \$24.5 million) as a result of the increased share in Syndicate expenses due to our higher participation on the 2010 year of account, together with increased premium earnings on Omega Specialty and Omega US and investment in the Syndicate infrastructure and headcount.

Underwriting and Corporate Expenses

| OTHER UNDERWRITING AND OTHER CORPORATE EXPENSES | Six months ended 30 June 2010 US\$m | Six months ended 30 June 2009 US\$m | Year ended 31 December 2009 US\$m |
|--|---|---|---|
| Other underwriting and corporate expenses: | | | |
| Recurring staff costs (including group share of Syndicate 958 at 2009 share of Syndicate 958 capacity) | 5.9 | 5.4 | 13.1 |
| Recurring staff (increase arising from increased group share of Syndicate 958) | 0.5 | - | - |
| Recurring costs - other (including group share of Syndicate 958 at 2009 share of Syndicate 958 capacity) | 7.2 | 5.6 | 12.1 |
| Recurring costs -other (increase arising from increased group share of Syndicate 958 capacity) | 0.5 | - | - |
| Total recurring costs | 14.2 | 11.0 | 25.2 |
| Non recurring expenses | 2.2 | 2.2 | 3.6 |
| Total | 16.4 | 13.2 | 28.8 |
| These amounts have been allocated as follows: | | | |
| Other underwriting operating expenses | 5.0 | 2.9 | 6.8 |
| Other corporate expenses - non-recurring | 2.2 | 2.2 | 3.6 |
| Other corporate expenses - other | 9.1 | 8.1 | 18.4 |
| | 16.4 | 13.2 | 28.8 |

Non-recurring items above include the following:

| | | | |
|---|-------|-----|-------|
| Legal costs arising from shareholder demands for change to the Board | 3.2 | - | 0.8 |
| Accrued payments in lieu of notice for Richard Tolliday | 0.9 | - | - |
| Credit arising on share options due to the forfeiture of Richard Tolliday's share options | (1.9) | - | - |
| Costs associated with the Main Market listing | - | 2.2 | 2.4 |
| Accrued payments in lieu of notice for John Robinson | - | - | 0.6 |
| Legal costs associated with the departure of John Robinson | - | - | 0.9 |
| Credit arising on share options due to the forfeiture of John Robinson's share options | - | - | (1.1) |
| | 2.2 | 2.2 | 3.6 |

Recurring other underwriting and corporate expenses at \$14.1 million are \$3.1 million up on 2009. \$1.0 million of this is due to our increased share of capacity in Syndicate 958, which means we incur a proportionate increase in our share of Syndicate expenses. The remainder is due largely to investment during the first half of 2010 in systems, resource and infrastructure to prepare the Group as part of the Group's operational development.

Non-recurring items

The half year results incorporate non-recurring costs of \$2.2 million for professional fees relating to the Special General Meeting of shareholders held in March.

These financial accounts also reflect the full effect of expected payments to Richard Tolliday, the previous Group Chief Executive Officer (being payment of salary and benefits for his notice period of \$0.9 million). The Group does not expect to incur further material costs in relation to Mr Tolliday's departure from the Group.

Mr Tolliday's contract incorporates a clause entitling him to certain payments in the case of a change of control. Based on legal advice the board do not expect any claim to be successful and accordingly have not provided for the cost in the financial statements. The total cost of \$5.2 million should any claim relating to this clause be successful in full has been disclosed as a contingent liability.

The results also include a credit to the income statement of \$1.9 million. This is due to the reversal through the income statement of all previously recognised costs relating to the outstanding share options at the time of his departure as a result of his forfeiture of these options.

The 2009 financial statements reflected the full effect of expected payments to John Robinson, the previous Group Chief Underwriting Officer. The Group does not expect to incur any material costs in relation to Mr Robinson's departure from the Group.

Investments

The Group's investment return for the six months to 30 June 2010 is 1.4% (H1 2009: 0.7%) based on average funds for the period. The return benefitted from the significant rally in US government bond values in the second quarter. The investment return also included a small gain of \$0.1 million on the foreign currency derivatives purchased by the Syndicate.

| INVESTMENTS AND INVESTMENT RETURN | Funds at 30 June 2010 | Income for 6 months ended 30 June 2010 | Average return for 6 months ended 30 June 2010 |
|---|--------------------------|---|--|
| | US\$m | US\$m | US\$m |
| Share of Syndicate funds | 87.1 | 0.7 | 0.73% |
| Corporate funds | 25.0 | - | 0.08% |
| Corporate funds supporting underwriting | | | |
| Bermuda | 446.0 | 7.4 | 1.64% |
| US | 63.7 | 0.9 | 1.49% |
| Investment return before foreign exchange hedging contracts | 621.8 | 9.0 | 1.43% |
| Foreign exchange hedging contracts | 0.1 | 0.1 | |
| Total including foreign exchange hedging contracts | 621.9 | 9.1 | 1.44% |

The Group maintains a conservative approach to asset allocation with all assets either in cash, treasuries or high grade corporate bonds. Over 76.0% (H1 2009: 56.0%) of Group assets are government, government guaranteed or government agency bonds, with an average duration of 1.37 years. Cash and money market investments were kept to a minimum at 12.1% of total funds (H1 2009: 31.0%) as the returns in that asset class remain unattractive. All assets remain short dated and highly liquid.

Investment exposures are limited by asset class, credit quality, maturity and issuer concentration. Levels of risk are also monitored in terms of the degree of 'Value at Risk' in the portfolio and movements in that metric over time. The Group will continue to explore opportunities to marginally increase risk and yield by raising its allocation to non government bonds as opportunities arise.

The Group has limited exposure to the PIIGS (Portugal, Italy, Ireland, Greece, Spain) with only 0.2% of its portfolio invested in Italy, Spain and Ireland and no direct exposure to Portugal or Greece.

| ASSET ALLOCATION | 30 June 2010 | | | | 30 June 2009 | | 31 December 2009 | |
|---------------------------------------|---|-----------------------------|-------------|--------|--------------|--------|------------------|--------|
| | Share of Syndicate Funds US\$m | Corporate funds US\$m | Total Funds | | Total Funds | | Total Funds | |
| | | | US\$m | % | US\$m | % | US\$m | % |
| By asset type | | | | | | | | |
| Bonds | 67.3 | 479.6 | 546.9 | 87.9% | 432.4 | 68.9% | 517.4 | 84.8% |
| Money market and overseas deposits | 9.9 | 20.4 | 30.3 | 4.9% | 112.0 | 17.8% | 54.9 | 9.0% |
| Cash and cash equivalents | 9.8 | 34.8 | 44.6 | 7.2% | 82.6 | 13.2% | 37.9 | 6.2% |
| Foreign exchange hedging contracts | 0.1 | - | 0.1 | 0.0% | 0.9 | 0.1% | - | - |
| | 87.1 | 534.8 | 621.9 | 100.0% | 627.9 | 100.0% | 610.2 | 100.0% |
| Bond types | | | | | | | | |
| Government bonds | 23.7 | 380.6 | 404.3 | 74.0% | 284.3 | 65.7% | 337.6 | 65.3% |
| Government agency | 8.7 | 0.8 | 9.5 | 1.7% | 11.7 | 2.7% | 11.2 | 2.1% |
| Government guaranteed | 20.1 | 38.5 | 58.6 | 10.7% | 55.6 | 12.9% | 59.9 | 11.6% |
| Corporate bonds | 14.8 | 59.7 | 74.5 | 13.6% | 80.8 | 18.7% | 108.7 | 21.0% |
| | 67.3 | 479.6 | 546.9 | 100.0% | 432.4 | 100.0% | 517.4 | 100.0% |

| CREDIT QUALITY | Total Funds | |
|----------------|-------------|--------|
| | US\$m | % |
| AAA | 500.7 | 80.5% |
| AA | 80.8 | 13.0% |
| A | 40.4 | 6.5% |
| BBB & Below | - | - |
| | 621.9 | 100.0% |

Taxation

Omega's effective tax rate for the period is 5.8% (H1 2009: 10.1%). The rate reflects the distribution of underwriting returns according to the relevant jurisdiction. The balance sheet includes a net deferred tax asset of \$4.1 million (H1 2009: \$2.3 million). This relates primarily to operating losses incurred since the formation of Omega US. The asset reflects tax losses expected to be offset against future taxable profits in the US as that business gains the necessary scale to cover its expense base.

Capital

In February 2010 AM Best placed the ratings of Omega, Omega Specialty and Omega US under review with negative implications due to 'uncertainty regarding Board composition, operational management and future strategy'. The decision to put the ratings under review was prompted by the uncertainty at the time about any future board's actions. The management team is working closely and continually with AM Best to give them comfort and clarity over these points.

With market conditions increasingly challenging Omega has tempered its growth plan in a number of areas. The board will undertake a review of the Group's overall capital position in the second half in light of the business plans, the effect, of the Atlantic wind season, which lasts from July to November, on market opportunities, and increasing clarity around Solvency II and its implications.

Dividend

Omega's dividend policy is to return a significant part of its profit to shareholders in the form of dividends. In making the decision as to the affordability of such a dividend, the Board takes into account both its current and anticipated future requirements. The Board remains confident about the business and the future of the Group. Consequently the Board is pleased to announce an unchanged interim dividend of 6.0 cents per share payable on the 1st October for those shareholders on the company's registry as of the 10 September 2010.

Risks and Uncertainties

The nature of our risks and uncertainties remains materially the same as described in our 2009 annual report and accounts (pages 83 to 87).

By far our greatest risk remains that of insurance underwriting either due to margin erosion in a softening market, claims inflation, over exposure to catastrophes or large losses. Omega has maintained its approach of diversified business lines, focus on smaller, regional insurance companies and smaller insureds, and purchase of reinsurance cover to reduce potential volatility. The Group has further enhanced its management of insurance risk through the use of catastrophe models.

Market risk is normally much less significant to insurers than insurance risk, but has in the past two years had extraordinary relevance in turbulent times. The credit markets although more settled than twelve months ago have remained cautious through the first half of the year due to slow recovery in the US and the debt concerns sparked by the economic issues in Greece. The Group has retained its low tolerance for market risk, keeping its asset portfolio in short duration highly rated fixed income assets.

In terms of liquidity, the Company holds only high quality, fixed income assets. As there are no mortgage asset backed securities, equities or preference shares, our holdings remain highly liquid.

Operational risk is monitored and managed through a detailed set of risk registers, committees and board oversight. Our assessment of operational risk remains consistent with that set out in the 2009 annual report.

Strength and depth of management and technical talent across the Group is also a core focus, in a skills based business such as ours. Over the past twelve months there have been key hires in the US, London and Bermuda and recruitment is ongoing.

Market conditions and outlook

The market is challenging with margins tight in a number of lines. Whilst the Board remains confident that adequate returns remain, increasing selectivity is required and premium growth will become more limited in order to protect returns. We continue to monitor the rating environment closely and maintain our selective and focused approach to underwriting. Rather than push for significant growth at this point in the cycle we believe now is the time to position ourselves for a correction in the market. With this in mind, the Group continues to focus on building the quality of its resources and infrastructure so that it is well placed to take advantage of market opportunities as they arise.

Richard Pexton
Chief Executive Officer
27 August 2010

Responsibility Statement

The Directors have confirmed that to the best of our knowledge:

- the condensed set of consolidated financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting);
- the interim management report includes a fair review of information required by:
 - (a) DTR 4.2.7R of the Disclosure Transparency Rules (an indication of important events during the first six months of the financial year and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year); and
 - (b) DTR 4.2.8R of the Disclosure Transparency Rules (disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so).

The Directors are confident that the Group has adequate resource to continue in operation for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the accounts.

Penny James
Group Chief Financial Officer
27 August 2010

2010 Half Year Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement

Six months ended 30 June 2010

| | Note | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|--|------|---|---|--|
| Income | | | | |
| Gross premiums written | 2 | 244,116 | 187,505 | 265,811 |
| Premiums ceded to reinsurers | | (60,301) | (47,719) | (66,519) |
| Net premiums written | | 183,815 | 139,786 | 199,292 |
| Change in gross provision for unearned premiums | | (96,448) | (73,394) | (8,837) |
| Reinsurers' share of change in the provision for unearned premiums | | 18,199 | 23,655 | 5,004 |
| Net earned premiums | | 105,566 | 90,047 | 195,459 |
| Investment return | 3 | 9,088 | 10,951 | 16,323 |
| Income from management of Lloyd's Syndicate | 4 | (3,974) | 7,743 | 15,885 |
| Other income | | 66 | 500 | 506 |
| Net revenue | | 110,746 | 109,241 | 228,173 |
| Expenses | | | | |
| Insurance claims | | (126,930) | (54,447) | (110,429) |
| Insurance claims recoverable from reinsurers | | 21,263 | 7,597 | 14,118 |
| Net insurance claims | 10 | (105,667) | (46,850) | (96,311) |
| Net acquisition costs | 5 | (24,673) | (24,535) | (55,837) |
| Other underwriting operating expenses | 6 | (5,031) | (2,929) | (6,849) |
| Other corporate expenses | | | | |
| Other corporate expenses - non-recurring items | 6 | (2,248) | (2,232) | (3,601) |
| Other corporate expenses - other | 6 | (9,110) | (8,048) | (18,350) |
| Other corporate expenses - total | | (11,358) | (10,280) | (21,951) |
| Foreign exchange gains/(losses) | | 1,746 | (1,746) | (171) |
| Total expenses | | (144,983) | (86,340) | (181,119) |
| (Loss)/profit before tax | | (34,237) | 22,901 | 47,054 |
| Income tax | 7 | 1,972 | (2,322) | (3,440) |
| Total recognised (loss)/profit for the period | | (32,265) | 20,579 | 43,614 |
| Earnings per share - basic (cents per share) | 8 | (13.3) | 9.1 | 18.6 |
| Earnings per share - diluted (cents per share) | 8 | (13.3) | 8.7 | 17.8 |

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|--|---|---|--|
| Total recognised (loss)/profit for the period | (32,265) | 20,579 | 43,614 |
| Currency translation differences | (1,507) | 2,352 | 1,192 |
| Total comprehensive income for the period | (33,772) | 22,931 | 44,806 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

| | Note | 30 June 2010 US\$'000 | 30 June 2009 US\$'000 | 31 December 2009 US\$'000 |
|--|------|-----------------------------|-----------------------------|---------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | 11 | 44,627 | 82,589 | 37,919 |
| Financial investments | 12 | 577,236 | 545,277 | 572,276 |
| Deferred acquisition costs | | 37,476 | 30,663 | 22,063 |
| Reinsurance assets comprising: | | | | |
| - Reinsurers' share of unearned premium | 15 | 39,459 | 39,378 | 21,444 |
| - Reinsurers' share of claims | 15 | 47,842 | 28,859 | 32,039 |
| - Debtors arising from reinsurance operations | | 82,840 | 76,676 | 35,419 |
| Insurance receivables | | 90,674 | 67,823 | 43,065 |
| Prepayments and accrued income | | 9,457 | 27,060 | 14,088 |
| Other debtors | | 8,204 | 9,234 | 25,388 |
| Current income tax assets | | 1,178 | - | 1 |
| Deferred tax assets | | 4,094 | 3,122 | 3,256 |
| Property and equipment | | 793 | 405 | 942 |
| Intangible assets | 13 | 43,414 | 3,118 | 42,978 |
| Total assets | | 987,294 | 914,204 | 850,878 |
| EQUITY | | | | |
| Called up share capital | 14 | 24,348 | 24,167 | 24,348 |
| Share premium account | | 321,085 | 317,467 | 321,085 |
| Contributed surplus | | 100,000 | 100,000 | 100,000 |
| Foreign exchange reserve | | (11,497) | (8,830) | (9,990) |
| Profit and loss account | | 11,181 | 52,930 | 60,521 |
| Total equity and reserves | | 445,117 | 485,734 | 495,964 |
| LIABILITIES | | | | |
| Insurance contract liabilities comprising: | | | | |
| - Provision for claims reported | 15 | 152,041 | 131,294 | 127,810 |
| - Provision for claims incurred but not reported | 15 | 124,787 | 82,837 | 83,545 |
| - Provision for unearned premium | 15 | 189,581 | 157,195 | 93,554 |
| Trade and other payables | | 75,768 | 54,960 | 49,060 |
| Current income tax liabilities | | - | 1,411 | - |
| Deferred tax liabilities | | - | 773 | 945 |
| Total liabilities | | 542,177 | 428,470 | 354,914 |
| Total liabilities and equity | | 987,294 | 914,204 | 850,878 |
| Net assets per share (US\$) | | 1.83 | 2.01 | 2.04 |
| Net tangible assets per share (US\$) | | 1.65 | 2.00 | 1.86 |

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

| | Share capital US\$'000 | Share premium account US\$'000 | Contributed Surplus US\$'000 | Foreign exchange reserve US\$'000 | Profit and loss account US\$'000 | Total US\$'000 |
|---|---------------------------|-----------------------------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------|
| Balance at 1 January 2010 | 24,348 | 321,085 | 100,000 | (9,990) | 60,521 | 495,964 |
| (Loss)/profit for the period | - | - | - | - | (32,265) | (32,265) |
| Other comprehensive income | - | - | - | (1,507) | - | (1,507) |
| Total comprehensive income for the period | - | - | - | (1,507) | (32,265) | (33,772) |
| Share based payments | - | - | - | - | (1,249) | (1,249) |
| Dividends | - | - | - | - | (15,826) | (15,826) |
| Balance as at 30 June 2010 | 24,348 | 321,085 | 100,000 | (11,497) | 11,181 | 445,117 |

Six months ended 30 June 2009

| | Share capital US\$'000 | Share premium account US\$'000 | Contributed Surplus US\$'000 | Foreign exchange reserve US\$'000 | Profit and loss account US\$'000 | Total US\$'000 |
|--|---------------------------|-----------------------------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------|
| Balance at 1 January 2009 | 14,766 | 147,918 | 100,000 | (11,182) | 32,091 | 283,593 |
| Profit for the period | - | - | - | - | 20,579 | 20,579 |
| Other comprehensive income | - | - | - | 2,352 | - | 2,352 |
| Total comprehensive income for the period | - | - | - | 2,352 | 20,579 | 22,931 |
| Issue of new share capital | 9,401 | 178,746 | - | - | - | 188,147 |
| Share based payments | - | - | - | - | 1,460 | 1,460 |
| Dividends | - | - | - | - | (1,478) | (1,478) |
| Tax relating to share options taken directly to equity | - | - | - | - | 278 | 278 |
| Cost of capital raise | - | (9,197) | - | - | - | (9,197) |
| Balance as at 30 June 2009 | 24,167 | 317,467 | 100,000 | (8,830) | 52,930 | 485,734 |

Year ended 31 December 2009

| | Share capital US\$'000 | Share premium account US\$'000 | Contributed Surplus US\$'000 | Foreign exchange reserve US\$'000 | Profit and loss account US\$'000 | Total US\$'000 |
|---|---------------------------|-----------------------------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------|
| Balance at 1 January 2009 | 14,766 | 147,918 | 100,000 | (11,182) | 32,091 | 283,593 |
| Profit for the period | - | - | - | - | 43,614 | 43,614 |
| Other comprehensive income | - | - | - | 1,192 | - | 1,192 |
| Total comprehensive income for the period | - | - | - | 1,192 | 43,614 | 44,806 |
| Issue of new share capital | 9,582 | 182,364 | - | - | - | 191,946 |
| Share based payments | - | - | - | - | 902 | 902 |
| Dividends | - | - | - | - | (16,086) | (16,086) |
| Cost of capital raise | - | (9,197) | - | - | - | (9,197) |
| Balance as at 31 December 2009 | 24,348 | 321,085 | 100,000 | (9,990) | 60,521 | 495,964 |

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2010

| | Note | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 30 December 2009 US\$'000 |
|--|------|---|---|--|
| Cash flow from operating activities | | | | |
| Cash generated from operations | 17 | 23,802 | (183,690) | (174,576) |
| Interest paid | | (27) | (23) | (58) |
| Income tax paid | | (1,075) | (3,501) | (6,480) |
| Net cash inflow/(outflow) from operating activities | | 22,700 | (187,214) | (181,114) |
| Cash flow from investing activities | | | | |
| Purchase of property and equipment | | (44) | (12) | (701) |
| Purchase of intangible assets | | (448) | (803) | (40,694) |
| Net cash (outflow) from investing activities | | (492) | (815) | (41,395) |
| Cash flow from financing activities | | | | |
| Equity dividends paid | | (15,826) | (1,478) | (16,086) |
| Issue of share capital | | - | 187,906 | 191,946 |
| Cost of share capital issued | | - | (8,956) | (9,197) |
| Net cash (outflow)/inflow from financing activities | | (15,826) | 177,472 | 166,663 |
| Net increase/(decrease) in cash and cash equivalents | | 6,382 | (10,557) | (55,846) |
| Cash and cash equivalents at the start of the period | | 37,919 | 92,554 | 92,554 |
| Foreign exchange currency movements | | 326 | 592 | 1,211 |
| Cash and cash equivalents at end of period | 11 | 44,627 | 82,589 | 37,919 |

Notes to the condensed consolidated financial statements

1. GENERAL INFORMATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim consolidated financial statements for the period ended 30 June 2010 and 30 June 2009 are unaudited but have been subject to a review by the Group's independent auditors and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The statutory accounts for the year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committees ("IFRIC"), both as adopted for use by the European Union ('EU') and applied in accordance with the Bermuda Companies Act 1981, have been reported on by the Group's auditors, Ernst & Young LLP. The independent auditors' report on the group accounts for the year ended 31 December 2009 was not qualified. The comparative figures provided for the 12 months ended 31 December 2009 are based on the Group's statutory accounts.

Condensed consolidated financial statement values are presented in US dollars rounded to the nearest \$'000 unless otherwise stated.

ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with accounting policies that are consistent with the prior accounting periods, except as noted, and those that the Directors anticipate will be applied in the annual financial statements.

Changes to accounting requirements applicable to these financial statements

IFRS 3 (Revised) Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and are effective prospectively for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*.

This will only impact future acquisitions and disposals by the Group of its interest in subsidiaries.

Changes to other accounting standards

In addition to the changes described above, there are various other new or amended International Financial Reporting Standards and IFRIC interpretations applicable for the year, but only those that are relevant to the Group have been disclosed.

Future changes to accounting requirements

While there are a number of new or amended International Financial Reporting Standards and IFRIC interpretations that have been issued but not yet effective, they are either not required to be adopted by the Group or have no material effect on these interim condensed consolidated financial statements.

2. SEGMENTAL INFORMATION

The Group's reportable segments have been identified as follows:

1. Group reinsurance of, and participation on, Syndicate 958.
2. Omega Specialty (other reinsurance) which is the non-Syndicate derived business written by Omega Specialty in Bermuda.
3. Omega US Insurance which is the contribution to the Group from Omega US ignoring the effects of intra-group reinsurance.
4. Omega Underwriting Agents - which show the results for managing the non-Omega share of Syndicate 958 and includes profit commission and agency fees received for managing the Syndicate.
5. Other group activities – which show the results of transactions that do not relate to any of the segments above, being primarily those of the Group's ultimate and intermediate holding companies.

i) Income statement by segment

For the six months ended 30 June 2010:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Omega Underwriting Agents US\$'000 | Other group activities US\$'000 | Total US\$'000 |
|--|---|---|--------------------------------|---------------------------------------|------------------------------------|-------------------|
| Gross premiums written | 164,779 | 56,532 | 22,805 | - | - | 244,116 |
| Gross premiums earned | 92,976 | 35,067 | 19,625 | - | - | 147,668 |
| Premiums ceded to reinsurers | (25,065) | (15,321) | (1,716) | - | - | (42,102) |
| Net earned premium | 67,911 | 19,746 | 17,909 | - | - | 105,566 |
| Investment return | 6,009 | 2,062 | 832 | 1 | 184 | 9,088 |
| Income from management of Lloyd's Syndicate | - | - | - | (3,974) | - | (3,974) |
| Other income | - | - | - | 66 | - | 66 |
| Net revenue | 73,920 | 21,808 | 18,741 | (3,907) | 184 | 110,746 |
| Expenses | | | | | | |
| Insurance claims | (85,219) | (28,072) | (13,639) | - | - | (126,930) |
| Insurance claims recoverable from reinsurers | 15,130 | 5,250 | 883 | - | - | 21,263 |
| Net insurance claims | (70,089) | (22,822) | (12,756) | - | - | (105,667) |
| Net acquisition costs | (15,865) | (3,449) | (5,359) | - | - | (24,673) |
| Other underwriting operating expenses | (3,144) | (665) | (1,222) | - | - | (5,031) |
| Other corporate expenses | (4,358) | (1,644) | (1,213) | (944) | (3,199) | (11,358) |
| Foreign exchange gains / (losses) | - | - | - | - | 1,746 | 1,746 |
| Total expenses | (93,456) | (28,580) | (20,550) | (944) | (1,453) | (144,983) |
| Loss before tax | (19,536) | (6,772) | (1,809) | (4,851) | (1,269) | (34,237) |
| Claims ratio | 103.2% | 115.6% | 71.2% | | | 100.1% |
| Net acquisition cost ratio | 23.4% | 17.5% | 29.9% | | | 23.4% |
| Other underwriting expense ratio | 4.6% | 3.4% | 6.8% | | | 4.8% |
| Corporate expense ratio | 6.4% | 8.3% | 6.8% | | | 10.8% |
| Combined ratio | 131.2% | 136.5% | 107.9% | | | 128.3% |

For the six months ended 30 June 2009:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Omega Underwriting Agents US\$'000 | Other group activities US\$'000 | Total US\$'000 |
|--|---|---|--------------------------------|---------------------------------------|------------------------------------|-------------------|
| Gross premiums written | 118,297 | 52,102 | 17,106 | - | - | 187,505 |
| Gross premiums earned | 81,108 | 24,268 | 8,735 | - | - | 114,111 |
| Premiums ceded to reinsurers | (19,244) | (4,277) | (543) | - | - | (24,064) |
| Net earned premium | 61,864 | 19,991 | 8,192 | - | - | 90,047 |
| Investment return | 4,155 | 411 | 412 | 9 | 5,964 | 10,951 |
| Income from management of Lloyd's Syndicate | - | - | - | 6,460 | 1,283 | 7,743 |
| Other income | - | - | - | 500 | - | 500 |
| Net revenue | 66,019 | 20,402 | 8,604 | 6,969 | 7,247 | 109,241 |
| Expenses | | | | | | |
| Insurance claims | (43,522) | (5,020) | (5,905) | - | - | (54,447) |
| Insurance claims recoverable from reinsurers | 7,365 | - | 232 | - | - | 7,597 |
| Net insurance claims | (36,157) | (5,020) | (5,673) | - | - | (46,850) |
| Net acquisition costs | (18,403) | (3,774) | (2,358) | - | - | (24,535) |
| Other underwriting operating expenses | (861) | (691) | (1,377) | - | - | (2,929) |
| Other corporate expenses | (3,668) | (804) | (684) | (621) | (4,503) | (10,280) |
| Foreign exchange gains / (losses) | - | - | - | - | (1,746) | (1,746) |
| Total expenses | (59,089) | (10,289) | (10,092) | (621) | (6,249) | (86,340) |
| Profit/(loss) before tax | 6,930 | 10,113 | (1,488) | 6,348 | 998 | 22,901 |
| Claims ratio | 58.5% | 25.1% | 69.3% | | | 52.0% |
| Net acquisition cost ratio | 29.7% | 18.9% | 28.8% | | | 27.2% |
| Other underwriting expense ratio | 1.4% | 3.4% | 16.8% | | | 3.3% |
| Corporate expense ratio | 5.9% | 4.0% | 8.3% | | | 11.4% |
| Combined ratio | 89.6% | 47.4% | 114.9% | | | 82.5% |

For the year ended 31 December 2009:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Omega Underwriting Agents US\$'000 | Other group activities US\$'000 | Total US\$'000 |
|--|---|---|--------------------------------|---------------------------------------|------------------------------------|-------------------|
| Gross premiums written | 166,651 | 62,987 | 36,173 | - | - | 265,811 |
| Gross premiums earned | 175,035 | 57,274 | 24,665 | - | - | 256,974 |
| Premiums ceded to reinsurers | (34,902) | (23,267) | (3,346) | - | - | (61,515) |
| Net earned premium | 140,133 | 34,007 | 21,319 | - | - | 195,459 |
| Investment return | 6,526 | 2,466 | 1,416 | - | 5,915 | 16,323 |
| Income from management of Lloyd's Syndicate | - | - | - | 15,885 | - | 15,885 |
| Other income | - | - | - | 506 | - | 506 |
| Net revenue | 146,659 | 36,473 | 22,735 | 16,391 | 5,915 | 228,173 |
| Expenses | | | | | | |
| Insurance claims | (85,133) | (7,119) | (18,177) | - | - | (110,429) |
| Insurance claims recoverable from reinsurers | 11,269 | - | 2,849 | - | - | 14,118 |
| Net insurance claims | (73,864) | (7,119) | (15,328) | - | - | (96,311) |
| Net acquisition costs | (41,074) | (8,134) | (6,629) | - | - | (55,837) |
| Other underwriting operating expenses | (3,240) | (1,527) | (2,082) | - | - | (6,849) |
| Other corporate expenses | (11,464) | (2,374) | (2,692) | (1,726) | (3,695) | (21,951) |
| Foreign exchange gains / (losses) | - | - | - | - | (171) | (171) |
| Total expenses | (129,642) | (19,154) | (26,731) | (1,726) | (3,866) | (181,119) |
| Profit/(loss) before tax | 17,017 | 17,319 | (3,996) | 14,665 | 2,049 | 47,054 |
| Claims ratio | 52.7% | 20.9% | 71.9% | | | 49.3% |
| Net acquisition cost ratio | 29.3% | 23.9% | 31.1% | | | 28.6% |
| Other underwriting expense ratio | 2.3% | 4.5% | 9.8% | | | 3.5% |
| Corporate expense ratio | 8.2% | 7.0% | 12.6% | | | 11.2% |
| Combined ratio | 84.3% | 49.3% | 112.8% | | | 81.4% |

ii) Gross written premium class analysis

For the six months ended 30 June 2010:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Total US\$'000 |
|---|---|---|--------------------------------|-------------------|
| Non-marine property insurance | 31,233 | 203 | 12,631 | 44,067 |
| Property catastrophe treaty reinsurance | 49,798 | 50,614 | - | 100,412 |
| Property per risk treaty reinsurance | 8,885 | 3,713 | - | 12,598 |
| Professional indemnity insurance | 4,726 | - | - | 4,726 |
| Motor insurance and reinsurance | 16,847 | - | 58 | 16,905 |
| Marine insurance and reinsurance | 29,939 | 283 | - | 30,222 |
| Liability insurance and reinsurance | 16,136 | - | 10,115 | 26,251 |
| Other | 7,215 | 1,720 | - | 8,935 |
| Gross premiums written | 164,779 | 56,533 | 22,804 | 244,116 |

For the six months ended 30 June 2009:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Total US\$'000 |
|---|---|---|--------------------------------|-------------------|
| Non-marine property insurance | 13,028 | 3,647 | 9,066 | 25,741 |
| Property catastrophe treaty reinsurance | 46,121 | 41,682 | - | 87,803 |
| Property per risk treaty reinsurance | 9,464 | 4,168 | - | 13,632 |
| Professional indemnity insurance | 5,914 | - | - | 5,914 |
| Motor insurance and reinsurance | 9,463 | - | - | 9,463 |
| Marine insurance and reinsurance | 17,160 | 521 | - | 17,681 |
| Liability insurance and reinsurance | 10,049 | - | 8,040 | 18,089 |
| Other | 7,098 | 2,084 | - | 9,182 |
| Gross premiums written | 118,297 | 52,102 | 17,106 | 187,505 |

For the year ended 31 December 2009:

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Total US\$'000 |
|---|---|---|--------------------------------|-------------------|
| Non-marine property insurance | 34,789 | 4,357 | 20,079 | 59,225 |
| Property catastrophe treaty reinsurance | 50,336 | 46,453 | - | 96,789 |
| Property per risk treaty reinsurance | 13,141 | 5,318 | - | 18,459 |
| Professional indemnity insurance | 9,312 | - | - | 9,312 |
| Motor insurance and reinsurance | 11,915 | - | 34 | 11,949 |
| Marine insurance and reinsurance | 21,962 | 645 | - | 22,607 |
| Liability insurance and reinsurance | 17,628 | - | 16,060 | 33,688 |
| Other | 7,568 | 6,214 | - | 13,782 |
| Gross premiums written | 166,651 | 62,987 | 36,173 | 265,811 |

iii) Total assets by segment

| | Group participation on and reinsurance of Syndicate 958 US\$'000 | Omega Specialty (other reinsurance) US\$'000 | Omega US Insurance US\$'000 | Omega Underwriting Agents US\$'000 | Other group activities US\$'000 | Total US\$'000 |
|----------------------------------|---|---|--------------------------------|---------------------------------------|------------------------------------|-------------------|
| Total assets at 30 June 2010 | 715,313 | 129,174 | 103,570 | 10,678 | 28,559 | 987,294 |
| Total assets at 30 June 2009 | 666,554 | 124,877 | 75,556 | 20,955 | 26,262 | 914,204 |
| Total assets at 31 December 2009 | 544,496 | 128,513 | 129,201 | 27,894 | 20,774 | 850,878 |

3. INVESTMENT RETURN

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|--|---|---|---|
| Financial investments at fair value through income - interest income | 7,461 | 6,205 | 12,861 |
| Cash and cash equivalents - interest income | 32 | 208 | 87 |
| Net realised gains on investments | 589 | (9) | (198) |
| Net unrealised gains on investments | 909 | (2,241) | (2,854) |
| Derivative fair value gains | 97 | 6,788 | 6,427 |
| | 9,088 | 10,951 | 16,323 |

Derivative fair value gains in the period of \$97K relate to gains on foreign exchange forward contracts entered into by Syndicate 958. These contracts expire on 31 December 2010.

4. INCOME FROM MANAGEMENT OF LLOYD'S SYNDICATE

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---------------------------------|---|---|---|
| Profit commission | (5,806) | 5,144 | 11,514 |
| Management fees | 1,093 | 1,816 | 2,599 |
| Management charges to Syndicate | 739 | 783 | 1,772 |
| | (3,974) | 7,743 | 15,885 |

Accrued profit commission income due to the Group has reduced in the first half of 2010 resulting in negative profit commission income as a result of claims experience in Syndicate 958.

5. NET ACQUISITION COSTS

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---|---|---|---|
| Net expenses in relation to the acquisition of business | 40,086 | 34,819 | 57,521 |
| Movement of deferred acquisition costs | (15,413) | (10,284) | (1,684) |
| | 24,673 | 24,535 | 55,837 |

6. OTHER UNDERWRITING AND CORPORATE EXPENSES

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|--|---|---|---|
| Staff costs | | | |
| Staff costs including group share of Syndicate 958 at 2009 share of Syndicate 958 | 5,880 | 5,404 | 13,088 |
| Increase in staff costs arising from increased group share of Syndicate 958 | 481 | - | - |
| Total staff costs | 6,361 | 5,404 | 13,088 |
| General corporate expenses | | | |
| General corporate expenses including group share of Syndicate 958 at 2009 share of Syndicate | 7,235 | 5,573 | 12,111 |
| Increase in general corporate expenses arising from increased group share of Syndicate 958 | 545 | - | - |
| Total general corporate expenses | 7,780 | 5,573 | 12,111 |
| Non-recurring expenses | 2,248 | 2,232 | 3,601 |
| | 16,389 | 13,209 | 28,800 |
| These amounts have been allocated as follows: | | | |
| Other underwriting corporate expenses | 5,031 | 2,929 | 6,849 |
| Other corporate expenses - non-recurring | 2,248 | 2,232 | 3,601 |
| Other corporate expenses - other | 9,110 | 8,048 | 18,350 |
| | 16,389 | 13,209 | 28,800 |

Non-recurring items included above are the following:

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---|---|---|---|
| Legal costs arising from shareholder demands for change to the Board | 3,242 | - | 840 |
| Accrued payments in lieu of notice for Richard Tolliday | 852 | - | - |
| Credit arising on share options due to the forfeiture of Richard Tolliday's share options | (1,846) | - | - |
| Costs associated with the Main Market listing | - | 2,232 | 2,410 |
| Accrued payments in lieu of notice for John Robinson | - | - | 603 |
| Legal costs associated with the departure of John Robinson | - | - | 848 |
| Credit arising on share options due to the forfeiture of John Robinson's share options | - | - | (1,100) |
| | 2,248 | 2,232 | 3,601 |

7. INCOME TAX

Tax expense

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---|---|---|---|
| Current tax: | | | |
| Income tax on (losses)/profits taxable under UK jurisdiction | (1,224) | 3,093 | 3,458 |
| Profits taxed under other jurisdictions | 3 | 12 | 28 |
| Adjustments in respect of prior periods | - | - | (228) |
| Total current tax (credit)/charge | (1,221) | 3,105 | 3,258 |
| Deferred tax (credit)/charge: | | | |
| Origination and reversal of temporary differences | (751) | (783) | 182 |
| Total deferred tax | (751) | (783) | 182 |
| Total tax(credit)/charge on (loss)/profit on ordinary activities | (1,972) | 2,322 | 3,440 |

8. EARNINGS PER SHARE

Earnings per share are based on the result for the period and the weighted average number of shares in issue during the period. For the diluted earnings per share the weighted average number of shares in issue is adjusted to reflect the dilutive effect of the future exercise of share options.

| | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Loss/(profit) for the period in US\$'000 | (32,265) | 20,579 | 43,614 |
| Weighted average number of shares in issue | 243,479,862 | 226,059,137 | 234,836,792 |
| Dilutive average number of shares in issue | 248,171,730 | 235,827,916 | 245,420,666 |
| Earnings per share: | | | |
| Basic (US cents) | (13.3) | 9.1 | 18.6 |
| Diluted (US cents) | (13.3) | 8.7 | 17.8 |

9. DIVIDENDS

Amounts recognised as distributions to equity shareholders in the period:

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---|---|---|---|
| 2009 special interim dividend of US 1.0 cent per common share | - | 1,478 | 1,478 |
| 2009 second dividend of US 6.0 cents per common share | - | - | 14,608 |
| 2009 final dividend of US 6.5 cents per common share | 15,826 | - | - |
| | 15,826 | 1,478 | 16,086 |

10. NET INSURANCE CLAIMS

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|--|---|---|---|
| Claims paid | 55,400 | 57,442 | 116,398 |
| Reinsurers' share of claims paid | (5,078) | (8,377) | (11,861) |
| Net claims paid | 50,322 | 49,065 | 104,537 |
| Movement in insurance liabilities | 71,530 | (2,994) | (5,969) |
| Reinsurers' share of movement in insurance liabilities | (16,185) | 779 | (2,257) |
| Net movement in insurance liabilities | 55,345 | (2,215) | (8,226) |
| Net insurance claims | 105,667 | 46,850 | 96,311 |

During the period the Group incurred claims in relation to the Chilean earthquake, the explosion of the Deepwater Horizon oil rig and the Aban Pearl submersible totalling \$49.8 million gross of reinsurance, \$34.5 million net of reinsurance and \$29.4 million after expected reinstatement premiums.

Estimates of the ultimate cost of claims incurred prior to 31 December 2009 have increased by \$14.8 million gross of reinsurance and \$12.4 million net of reinsurance.

11. CASH AND CASH EQUIVALENTS

| | 30 June 2010 US\$'000 | 30 June 2009 US\$'000 | 31 December 2009 US\$'000 |
|--------------------------|--------------------------|--------------------------|---------------------------------|
| Cash at bank and in hand | 32,557 | 48,491 | 18,801 |
| Short term bank deposits | 12,070 | 34,098 | 19,118 |
| | 44,627 | 82,589 | 37,919 |

Included in cash and cash equivalents are amounts totalling \$22,707K (30 June 2009: \$42,633K; 31 December 2009: \$18,791K) not available for use by the Group which are held within the Lloyd's Syndicate, as Funds at Lloyd's or to collateralise insurance balances with Syndicate 958. Of these, \$11,431K (30 June 2009: \$25,516K; 31 December 2009: \$10,900K) is held to support Letters of Credit.

12. FINANCIAL INVESTMENTS

The Group's financial investments are summarised by categories as follows:

| | 30 June 2010 US\$'000 | 30 June 2009 US\$'000 | 31 December 2009 US\$'000 |
|---|--------------------------|--------------------------|---------------------------------|
| Financial investments at fair value through income | | | |
| Debt securities and other fixed income securities | 546,854 | 432,425 | 517,432 |
| Money market deposits | 22,923 | 104,584 | 47,496 |
| Funds held in overseas deposits | 7,346 | 7,391 | 7,348 |
| Derivative financial investments | 113 | 877 | - |
| | <u>577,236</u> | <u>545,277</u> | <u>572,276</u> |

The Syndicate entered into foreign exchange forward contracts in order to manage the currency risk on the 2009 year of account. The fair value of these contracts as at 30 June 2010 was \$113K generating a gain of \$97K as set out in note 3.

| | 30 June 2010 US\$'000 | 30 June 2009 US\$'000 | 31 December 2009 US\$'000 |
|--|--------------------------|--------------------------|---------------------------------|
| Group financial investments including investments held by Group companies and the Group's share of Syndicate investments: | | | |
| Group investments | 499,970 | 459,728 | 490,804 |
| Syndicate investments | 77,266 | 85,549 | 81,472 |
| | <u>577,236</u> | <u>545,277</u> | <u>572,276</u> |

Syndicate investments are held in trust funds and are not available to the Group until distribution of profits to members on a year of account basis.

Of the amounts included in Group investments \$106,811K (30 June 2009: \$70,735K; 31 December 2009: \$96,594K) are not available for use by the Group as they are held to collateralise insurance balances with Syndicate 958, held as Funds at Lloyd's and Regulatory Deposits.

13. INTANGIBLE ASSETS

| | Syndicate Participating Rights US\$'000 | Capitalised Software Development Costs US\$'000 | Total US\$'000 |
|-----------------------|--|---|-------------------|
| Cost | | | |
| At 1 January 2009 | 149 | 2,166 | 2,315 |
| Additions | - | 803 | 803 |
| At 30 June 2009 | 149 | 2,969 | 3,118 |
| Additions | 39,337 | 554 | 39,891 |
| At 31 December 2009 | 39,486 | 3,523 | 43,009 |
| Additions | - | 448 | 448 |
| At 30 June 2010 | 39,486 | 3,971 | 43,457 |
| Amortisation | | | |
| At 1 January 2009 | - | - | - |
| Charge for period | - | - | - |
| At 30 June 2009 | - | - | - |
| Charge for period | - | 31 | 31 |
| At 31 December 2009 | - | 31 | 31 |
| Charge for period | - | 12 | 12 |
| At 30 June 2010 | - | 43 | 43 |
| Net Book Value | | | |
| At 1 January 2009 | 149 | 2,166 | 2,315 |
| At 30 June 2009 | 149 | 2,969 | 3,118 |
| At 31 December 2009 | 39,486 | 3,492 | 42,978 |
| At 30 June 2010 | 39,486 | 3,928 | 43,414 |

Syndicate Participating Rights (syndicate capacity) entitle the Group to participate in the underwriting activities of Syndicate 958.

Of the total capitalised software development costs, \$3,568K relates to the cost of development of a new underwriting system. At 30 June 2010 no amortisation had been charged for the underwriting system, as it is not yet available for use.

14. SHARE CAPITAL

| | 30 June 2010 Number 000's | 30 June 2010 US\$ US\$'000 | 30 June 2009 Number 000's | 30 June 2009 US\$ US\$'000 | 31 December 2009 Number 000's | 31 December 2009 US\$ US\$'000 |
|--------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|--|---|
| Authorised: | | | | | | |
| Common shares of US\$0.10 each | 10,000,000 | 1,000,000 | 10,000,000 | 1,000,000 | 10,000,000 | 1,000,000 |
| Alloted and fully paid | | | | | | |
| Common shares of US\$0.10 each | 243,480 | 24,348 | 241,670 | 24,167 | 243,480 | 24,348 |

Movement in year relevant to equity shareholders in Omega Group

| | Number 000's | Par Value US\$'000 |
|-------------------------------------|-----------------|-----------------------|
| Common shares of US\$0.10 | | |
| Shares in issue at 1 January 2009 | 147,662 | 14,766 |
| Issues of new shares | 94,008 | 9,401 |
| Share in issue at 30 June 2009 | 241,670 | 24,167 |
| Issue of new shares | 1,810 | 181 |
| Shares in issue at 31 December 2009 | 243,480 | 24,348 |
| Issue of new shares | - | - |
| Shares in issue at 30 June 2010 | 243,480 | 24,348 |

15. INSURANCE CONTRACT ASSETS AND LIABILITIES

At 30 June 2010

| | Insurance liabilities US\$'000 | Reinsurance assets US\$'000 | Net US\$'000 |
|--|--------------------------------------|-----------------------------------|-----------------|
| Provision for claims reported | 152,041 | (14,833) | 137,208 |
| Provision for claims incurred but not reported | 124,787 | (33,009) | 91,778 |
| | 276,828 | (47,842) | 228,986 |
| Provision for unearned premium | 189,581 | (39,459) | 150,122 |
| | 466,409 | (87,301) | 379,108 |

At 30 June 2009

| | Insurance liabilities US\$'000 | Reinsurance assets US\$'000 | Net US\$'000 |
|--|--------------------------------------|-----------------------------------|-----------------|
| Provision for claims reported | 131,294 | (17,850) | 113,444 |
| Provision for claims incurred but not reported | 82,837 | (11,009) | 71,828 |
| | 214,131 | (28,859) | 185,272 |
| Provision for unearned premium | 157,195 | (39,378) | 117,817 |
| | 371,326 | (68,237) | 303,089 |

At 31 December 2009

| | Insurance liabilities US\$'000 | Reinsurance assets US\$'000 | Net US\$'000 |
|--|--------------------------------------|-----------------------------------|-----------------|
| Provision for claims reported | 127,810 | (15,762) | 112,048 |
| Provision for claims incurred but not reported | 83,545 | (16,277) | 67,268 |
| | 211,355 | (32,039) | 179,316 |

| | | | |
|--------------------------------|---------|----------|---------|
| Provision for unearned premium | 93,554 | (21,444) | 72,110 |
| | 304,909 | (53,483) | 251,426 |

16. EFFECTS OF FOREIGN EXCHANGE

The exchange rates used in translating foreign currency amounts in the preparation of these accounts are:

| | 30 June 2010 | | 30 June 2009 | | 31 December 2009 | |
|------------------------------|--------------|-----------------|--------------|-----------------|------------------|---------------|
| | Average rate | Period end rate | Average rate | Period end rate | Average rate | Year end rate |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| £1 sterling is equivalent to | 1.53 | 1.50 | 1.50 | 1.65 | 1.57 | 1.61 |
| Euro 1 is equivalent to | 1.33 | 1.23 | 1.34 | 1.41 | 1.40 | 1.42 |
| Can \$1 is equivalent to | 0.97 | 0.94 | 0.83 | 0.86 | 0.88 | 0.95 |

17. CASH GENERATED FROM OPERATIONS

| | 6 months ended 30 June 2010 US\$'000 | 6 months ended 30 June 2009 US\$'000 | Year ended 31 December 2009 US\$'000 |
|---|---|---|---|
| (Loss)/ profit before taxation | (34,237) | 22,901 | 47,054 |
| Adjustments for non-cash items or items recognized within the cashflow statement: | | | |
| - Depreciation of tangible assets | 193 | 69 | 226 |
| - Amortisation of intangible assets | 12 | - | 31 |
| - Realised and unrealised (gains)/losses | (1,595) | 1,372 | (3,375) |
| - Interest expense | 27 | 23 | 58 |
| - Foreign exchange adjustments | (1,746) | 1,746 | 171 |
| - Charge in relation to share option awards | (1,249) | 1,460 | 902 |
| Changes in operating assets and liabilities | | | |
| - (Increase) in financial investments | (3,365) | (210,015) | (232,267) |
| - (Increase) in deferred acquisition costs | (15,413) | (10,284) | (1,684) |
| - (Increase)/decrease in reinsurance assets | (81,239) | (46,774) | 9,237 |
| - (Increase) in insurance receivables | (47,609) | (37,828) | (13,070) |
| - Decrease in prepayments and accrued income | 4,631 | 2,005 | 14,977 |
| - Decrease/(increase) in other debtors | 17,184 | 15,831 | (323) |
| - Increase in insurance liabilities | 161,500 | 75,525 | 9,108 |
| - Increase in trade and other payables | 26,708 | 279 | (5,621) |
| Cash generated from operations | 23,802 | (183,690) | (174,576) |

18. RELATED PARTY TRANSACTIONS

For the purposes of International Accounting Standard 24 "Related party disclosures", key managers are defined as the Board of Directors.

Nicholas Warren, one of the Non-executive Directors of the Company until his departure from the board on 12 March 2010, was employed as a Senior Vice President with International Advisory Services Ltd. This company provides general accounting, administration and information technology services to the Group. This company also provided rented office space to the Group until 18 September 2009. \$226K was charged to the Group in respect of these services during the first six months of 2010 (30 June 2009: \$213K, 31 December 2009: \$604K).

Ernest Morrison, David Cooper and Jonathan Betts, three of the Non-executive Directors of the Company are employees of Cox Hallett Wilkinson, who have been engaged to provide legal advice in relation to Bermudian legal matters. No fees were incurred in respect of such services up to 30 June 2010.

As explained in note 19, share options were issued to Richard Pexton, Group Chief Executive Officer, in the period.

Other transactions with related parties during the period are consistent in nature and scope with those disclosed in note 33 of the Group's 2009 Consolidated Financial Statements.

19. SHARE OPTIONS ISSUED TO KEY MANAGEMENT

On 19 May 2010 the Company granted an option over 2,500,000 common shares to Richard Pexton under the Omega Insurance Holdings Limited 2006 Long-Term Incentive Plan (the "LTIP"). In accordance with the rules of the LTIP, an award was granted by way of option over 2,500,000 common shares on 19 May 2010 at a price of £1.02 per common share (the closing share price on the preceding dealing day). The option may be exercised in three years' time, subject to Mr. Pexton's continued employment with the Company.

In addition the Company has undertaken to grant further options under the LTIP over 2,500,000 common shares to Mr. Pexton on 19 May 2011 and 18 May 2012, subject to Mr. Pexton's being employed by the Company and not under notice on the relevant date of grant. The exercise price of the options will be the prevailing market value of a common share at such date. In the event of a takeover of the Company prior to 19 May 2011, the Company will grant an option to Mr. Pexton over the remaining 5,000,000 common shares, at the exercise price applied to the May 2010 grant. If a takeover occurs between 19 May 2011 and 18 May 2012, the Company will grant an option over the remaining 2,500,000 common shares at an exercise price equal to that applied to the May 2011 grant. These options will all be exercisable in the period from the third to the tenth anniversary of the date of grant.

20. CONTINGENT LIABILITIES

Richard Tolliday ceased to be the Chief Executive Officer of the Group in the Period. Mr Tolliday's contract incorporates a clause entitling him to certain payments with a total value of \$5.2m in the case of a change in control of the Group and his subsequent departure from the Group. The Group believes that no such change in control has occurred and based on legal advice received does not believe that this amount will be payable. Accordingly no provision for this number has been made in these accounts.

21. POST BALANCE SHEET DATE EVENTS

There have been no material post balance sheet date events.

22. SEASONALITY OF OPERATIONS

The Omega Group underwrites a wide range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to the US and Gulf of Mexico windstorms which are largely concentrated in the second half of the year.

23. INTERIM REPORT

Copies of this interim statement are available from the Company's registered office at Clarendon House, Church Street, Hamilton HM11, Bermuda, and on the Company's website (www.omegaw.com).

Independent review report by Ernst & Young LLP to Omega Insurance Holdings Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of IFRS based operating profit, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related notes 1 to 23. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

27 August 2010

