

Omega Insurance Holdings Limited

Interim results for the six months ended 30 June 2008

Highlights

Financial

- Profit before tax up 20% to US\$24.5 million (H1 2007: \$20.4 million)
- Profit after tax up 34% to US\$21.8 million (H1 2007: \$16.3 million)
- Basic earnings per share up 36% to US\$0.15 per share (H1 2007: \$0.11)
- Premium income up 7% to US\$185.9 million (H1 2007: \$173.1 million)
- Combined ratio of 84% (H1 2007: 82%)
- Effective tax rate 11% (H1 2007: 20%)
- Interim dividend of US10.3 cents per share (2007: US7.7 cents per share)

Operational

- Syndicate 958 continuing 28 year record of unbroken underwriting profit
- Loss ratios reflect limited involvement in 2008 industry losses
- Omega US commenced underwriting and is now eligible to write surplus lines business in 37 states
- Core underwriting classes remain at satisfactory margins
- AM Best "A-" (Excellent) rating for Omega Specialty reaffirmed
- AM Best "A" (Excellent) rating for Syndicate 958 reaffirmed
- Outlook positive for the full year 2008 and beyond despite challenging market conditions

Richard Tolliday, Chief Executive of Omega, commented "We are extremely pleased with our first-half results and our continuing profit growth. We have only modest exposure to the market losses to date in 2008 and are delivering a very strong set of underwriting results. We believe our multiple operating platforms across Bermuda, Lloyd's, the US and Europe, together with the

quality of our underwriting and risk management will continue to deliver strong performance into the future."

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Overview

Our results for the first half of 2008 are excellent. They are strong results with growth in both profit and premium income. Profit before tax of \$24.5 million is up 20% on the prior half-year (H1 2007: \$20.4 million). Profit after tax of \$21.8 million is up 34% (H1 2007: \$16.3 million), reflecting an aggregate effective tax rate of 11% (H1 2007: 20%). The largest component of the Group's profit is from the capital deployed in support of the Group's underwriting. For the first half of 2008 the contribution from underwriting was \$16.5 million (H1 2007: \$12.3 million), reflecting a claims ratio of 62.4%.

Gross written premium for the period was \$185.9 million, an increase of 7% over 2007 (H1 2007: \$173.1 million). This increase has been achieved by the selective growth of premium in the newer operating platforms in Bermuda and the United States. Overall, Omega Specialty, our Bermudian insurance company, contributed a profit of \$21.1 million, an increase of 28% over 2007 (H1 2007: \$16.5 million) on gross written premiums of \$179.3 million (H1 2007: \$165.7 million). Syndicate 958's written premium income for 2008 is expected to reduce by at least 10% on 2007 as we exercise increased selection in our underwriting of those areas of the Syndicate's account which show weakening margins. This should be offset by continuing growth in our newer platforms.

Gross earned premium increased 41% to \$115.8 million (H1 2007: \$81.9 million) and net earned premium increased by 52% to \$101.4 million (H1 2007: \$66.8 million).

The combined ratio for the first half of 2008 is a very satisfactory 83.7% (H1 2007: 81.6%). This is particularly pleasing given the loss activity in 2008 from tornadoes and flooding in the South and Midwest of the US. These predominantly non-metropolitan areas are core to Omega's business and in 2008 have seen an exceptional frequency and, in the case of the flooding, an exceptional scale of loss. Omega has longstanding relationships in its catastrophe reinsurance account with many Midwestern regional insurance companies. That said, at this stage we have, in fact, received only limited notifications of claims in both the reinsurance and insurance accounts. Nonetheless we have incorporated what we believe to be a prudent provision against these losses within our IBNR of \$8 million. A provision of this size remains within the expected, non-attribitional loading budgeted in our full year plans but does indicate that, depending upon the loss activity in the second half of 2008, the loss ratios for 2008 may ultimately be somewhat higher than those for 2006 and 2007 when there was a marked absence of attritional losses.

The first quarter of 2008 is reported to be the worst on record for large individual losses which collectively contributed claims of over \$6 billion. The second quarter also saw a number of large losses. Due to the consistent focus of Omega's account on small to medium sized risks, our involvement in these large risk losses has been minimal.

Early analysis of the incurred damage from Hurricane Gustav, which made landfall in Louisiana on 1 September 2008, leads us to conclude that the Syndicate and the Group will incur only modest levels of claims. This is largely reflective of our having reduced gross onshore aggregate exposures in states such as Louisiana and Alabama by almost half since 2005, due mostly to prices, terms and legislation which we find unattractive.

Our expense ratio of 21.3% (H1 2007: 28.2%) reflects a continued focus and challenge on administrative expenditure. The ratio also reflects profit commissions received from reinsurers, which are accounted for as a negative expense, in line with accounting best practice. Treating them as a return of reinsurance premium, which is how they are considered internally, would improve the loss ratio by 2.7% to 59.7% and deteriorate the expense ratio by 3.4% to 24.7%.

Omega US is now eligible to write surplus lines insurance in 37 states and is prudently growing its premium income.

Investment income was \$6.6 million for the period (H1 2007: \$6.6 million). This equates to an annualised yield of 3.6% down from 4.5% for H1 2007 as a result of the weakened financial markets. As previously indicated, this is marginally ahead of US treasury yields, reflecting the continuing conservatism of our portfolio. We would expect a similar performance versus treasury yields for the full year.

Dividend

In view of the strong first half results and positive outlook, the Board is pleased to be able to declare an interim dividend of US 10.3 cents per share. This represents a distribution of approximately 70% of the Group's profit after tax for the first half of 2008.

The Board has previously stated its intention to manage capital actively and to distribute a substantial proportion of profits in the form of dividends. The Board's current expectation is that the final dividend for 2008 will equate to a similar percentage distribution of the profits for the second half of the year.

Going forward for 2009 and beyond, in assessing the appropriate level of each distribution, the Board will always have regard for the overall financial requirements of the Group and the opportunities for profitable deployment of its resources at that time.

The interim dividend of US 10.3 cents per share will be payable on 18 November 2008 to those shareholders on the register at 24 October 2008. The dividend is payable in US dollars but those shareholders wishing to receive it in pounds sterling may elect to do so. Details are available on the Company's website www.omegauw.com. Dividends paid in pounds sterling will be converted at the rate prevailing on 24 October 2008.

The following sections cover the performance of each of the main business segments:-

Bermuda Reinsurance

Omega Specialty derives its premium income from the following sources:

	June 2008 US\$'000	June 2007 US\$'000
Reinsurance of third party insurance companies	36,248	8,134
Quota share of Syndicate 958	80,482	97,319
Quota share of Omega Dedicated	61,323	60,259

Quota share of Omega US	1,252	-
	<u>179,305</u>	<u>165,712</u>

Omega Specialty's portfolio of reinsurance of third party insurers is developing and is expected to have a similar profile as that for Syndicate 958. We continue to be pleased with Omega Specialty's success in securing shares on its targeted business. At half year, the book stood at \$36 million, compared with \$8 million at the same point in 2007. Omega Specialty also underwrites quota share arrangements of Syndicate 958, namely:

	<u>2008 Year of Account</u>	<u>2007 Year of Account</u>	<u>2006 Year of Account</u>
Syndicate 958 Whole Account Quota Share	20.0%	17.5%	10.0%
Syndicate 958 'Qualifying' Quota Share	-	10.0%	-

In addition to the above, there is in place:

- a reinsurance of Omega Dedicated through which Omega Specialty assumed the risk of the majority of the share of Syndicate 958's capacity owned by the Group; and
- a 50% whole account quota share reinsurance of Omega US.

In 2007 the quota share arrangements with the Syndicate exceeded 20% to accommodate the establishment by Syndicate 958 of a team to underwrite the marine energy account in early 2007 when the capital provision for the Syndicate had already been finalised for the year. Omega Specialty underwrote an additional quota share reinsurance known as a "qualifying" quota share. In 2008 the energy account was incorporated into the main capacity projections and the Syndicate quota share increased to 20%, with the qualifying quota share not renewed for 2008. The reduction in income to Omega Specialty from the non-renewal of the qualifying quota share has been fully offset however by the growth in the income from its reinsurance of third party insurance companies.

Syndicate 958

The Group's performance is linked to that of Syndicate 958 in two ways: through Omega Specialty's reinsurance of the Syndicate and Omega Dedicated, and through the fee and profit commission income that Omega earns from the management and performance of the Syndicate.

The Syndicate 958 participation figures on the segmental analysis (Note) represent only Omega's share of the syndicate through Omega Dedicated. For the 2008 year of account, this share is 16.42% (2007: 16.42%). The capacity of Syndicate 958 for the 2008 year of account is £250 million.

The profit forecasts for the Syndicate's open years of account have been reviewed as part of the half year process and are as set out in the table below. The forecasts are stated after standard personal expenses and are expressed as a percentage of the Syndicate capacity.

Year of account	Capacity £ millions	Forecasts	Previous Forecasts
2006	249	14% to 19%	14% to 19%
2007	274	12.5% to 17.5%	7.5% to 17.5%

The Syndicate is therefore forecasting to continue its 28 year track record of unbroken underwriting profits.

Omega US

We are very pleased with the pace of operational establishment of Omega US, the Group's surplus lines insurance carrier based in Chicago and licensed in Delaware, which commenced underwriting in the first quarter of 2008. The company is now eligible to write surplus lines insurance in 37 states (compared with 27 states at the time of our AGM in May 2008), including many of the states most important to the development of its planned account. Applications are pending in other states and, in due course, Omega US intends to have surplus lines eligibility in all of the remaining states.

Premium income for 2008 is expected to be in the region of \$20 million. Whilst this figure is less than originally anticipated for the full year, reflecting principally some operational delays in a number of the company's key agents in implementing necessary changes to their systems and processes and some states being slower than anticipated in their approval of Omega US, we have been very encouraged by the levels of support and commitment demonstrated and delivered by the agents. The month on month growth in the premium income flow is now at a level in line with our original expectations.

Underwriting Agency

Omega's other main business segment is Omega Underwriting Agents which receives income from Syndicate 958 by way of a managing agent's fee and profit commission. Profit commission is payable to the Agency upon the closure of the underwriting year. Omega recognises commission in line with the underlying earnings of the Syndicate in accordance with industry best practice.

	June 2008 \$'000	June 2007 \$'000
Managing Agent Income		
Profit Commission recognised in the period	7,380	6,550
Agency fees	2,944	2,911
Expenses net of income	(1,086)	(1,628)
	<u>9,238</u>	<u>7,833</u>

Investment Income

We have remained extremely cautious with our investment selection, prioritising preservation of capital over seeking enhanced returns in a very challenging environment. Throughout the market turbulence, in order to minimise risk and limit short-term volatility, we have maintained a strategy of holding only high quality, highly diversified senior corporate debt, US treasuries and cash.

As a result, our portfolio is wholly cash and fixed income based. We hold no asset backed securities and the biggest element of the portfolio is the US treasuries. Whilst even in a portfolio of this nature there has been some volatility through this unsettled period in the capital markets,

overall we have seen an annualised investment return of 3.6% in the period. Given the composition of the portfolio we continue to forecast an investment return reflecting US Government bond short duration yields for our full year result.

In terms of exposures, both the Syndicate and corporate portfolios are highly diversified, with the greatest corporate bond counterparty exposure representing just 1.6% of the portfolio.

The Group's consistent policy has been to hold no equities, no derivatives, no mortgage/asset backed securities. The Group eliminated its exposure to Government agencies in its corporate funds, in December 2007. The Group's exposure to government agencies is limited to just \$9m through its participation in the Syndicate.

The funds can best be analysed as follows:

	Funds US\$'000	Average Return %
Syndicate funds	100,688	1.74
Other corporate including US	63,658	0.75
Corporate funds supporting underwriting in Bermuda	200,263	2.11
	<u>364,609</u>	<u>1.78</u>

The proportion of the Syndicate applicable to the Group result is 16%. Based on this share, investments at 30 June 2008 can be analysed as follows:

Asset Type	Group Share of Syndicate US\$m	Corporate Assets US\$m	Total Group US\$m
Government Securities	62	117	179
Government Agencies	9	-	9
Municipal	1	-	1
Corporate Debt	8	51	59
Asset Backed Securities	-	-	-
Cash Deposits	9	74	83
Money Market Funds	2	22	24
Deposits with Credit Institutions	10	-	10
Total invested assets	<u>101</u>	<u>264</u>	<u>365</u>

Taxation

The half year results have an effective tax rate of 11% down from 20% for the equivalent period in 2007. This reflects the impact of the first reporting period for which the new corporate structure had been in place for the entirety of the period. The effective tax rate for the full year 2008 is expected to be below 10% as the relative proportion of underwriting profit to profit

commission is greater in the second half than is earned in the first. As profit commission is taxed at UK rates, we expect to see effective tax rates higher in H1 than H2.

Risks and uncertainties

The nature of our risks and uncertainties remain materially the same as at year end, and are laid out in some detail in the year end 2007 report and accounts (pages 42 to 50).

To summarise, by far our greatest risk remains that of insurance underwriting. We have already suggested that premium rates are under pressure; however, Omega's prudent approach has historically led to less volatility than seen elsewhere in the market. Obviously, as we are now in the US wind season, there is always a level of uncertainty around the full year results. That said, Omega has maintained its approach of diversified business lines, focus on smaller, regional insurance companies and smaller insureds, combined with extensive reinsurance to reduce potential volatility.

Omega has retained the quality of its reinsurance coverage and monitors closely our counterparties.

Market risk is normally much less significant than insurance risk; however, given the continuing volatility in the capital markets, the possibility of a write-down on a particular bond or asset in this market remains a risk. However our investment managers operate a fixed income only portfolio, subject to rigorous restrictions. As our first half results have demonstrated our focus on treasuries and well diversified, high grade corporate debt has afforded us considerable protection against market volatility.

The credit crunch and economic turbulence has resulted (as described) in shifts in investment income as yields have swung round. Our credit risk is managed, however, by considering our individual holdings and by understanding and reviewing asset quality in conjunction with our advisors. In December for instance, the Board exited Freddie Mac & Fannie Mae bonds after a detailed review of the asset. Neither the Group nor the Syndicate insure any significant mortgage, investment management or bank businesses and, therefore, we believe our exposure to claims as a result of sub-prime to be very limited with a reserve of below \$1 million.

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. These have recognised the need for new underwriting IT systems to be implemented. To this end, the Group is well advanced in its project to install a new common underwriting system across the group. Strength and depth of management and technical talent across the group is also a core focus, in particular to support the development and growth in our newer underwriting platforms. Over the past 12 months there have been key hires in the US and Bermuda and recruitment is ongoing.

Market conditions and outlook

We have made a strong start to 2008 and market conditions have been very much as we expected. However, as always, the outcome of the full year will be dependent upon any major loss activity that may occur in the second half of the year.

In the reinsurance account, most areas of the US continue to offer attractive margins, albeit there have been some reductions from the peak rates of 2006. The exception to this is California where we have reduced exposure, because we consider the earthquake catastrophe exposure to be

underpriced. International (non-US) reinsurance continues, with the exception of the UK, to be very competitive and we already have much reduced exposures on this business. However, our Cologne operation continues to receive good flow of submissions and, whilst it is currently employing a highly selective approach, is well placed to respond to the eventual upturn in non-US reinsurance.

Our property insurance account is weighted heavily towards the US and we continue to see attractive margins in the business. Pressure on rates and conditions is most prevalent on the larger commercial and industrial risks whereas Omega's portfolio is of small to medium sized insureds where rates and conditions are less subject to competitive pressures. We have continued to see good opportunities and margins in the marine energy account in 2008, though we do anticipate reducing exposures in this class in response to growing competition into 2009.

Omega is not immune from the weakening in the insurance market but the bias of our account is in those areas where competition is less marked. In addition our Bermuda and US platforms are growing by successfully attracting business of the sort Omega has always underwritten and at satisfactory margins. Nonetheless we are applying increased selection in our underwriting and bringing to bear the skills and disciplines that have been the key to our successful past management of the insurance cycles.

With 37 states already licensed we expect Omega US to continue growing rapidly through the second half of the year and throughout 2009 and beyond.

In relation to investment income, given the current market volatilities, we are not anticipating a major improvement in US treasury yields and hence, our investment return in the short term.

The insurance market and the world's financial markets currently combine to present a challenging backdrop. However, we continue to deliver exceptional underwriting results and the execution of the strategic development of our multiple platforms in Bermuda, London, Cologne and Chicago. Our positioning and the skill and track record of our underwriting teams give us every confidence that we will continue to generate strong future performance for our shareholders.

Richard Tolliday
Chief Executive Officer
8 September 2008

Condensed Consolidated income statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 US\$'000	Six months ended 30 June 2007 US\$'000	Year ended 31 December 2007 US\$'000
Income				
Gross premiums written		185,901	173,125	242,857
Outward reinsurance premiums		(37,466)	(32,598)	(46,543)
Net premiums written		148,435	140,527	196,314
Change in gross provision for unearned premiums		(70,088)	(91,261)	(39,975)
Reinsurers share of change in the provision for unearned premiums		23,056	17,507	5,207
Net earned premium		101,403	66,773	161,546
Investment return		6,614	6,566	17,972
Other income	5	10,745	10,188	30,269
Net revenue		118,762	83,527	209,787
Expenses				
Insurance claims		(65,375)	(37,097)	(84,252)
Insurance claims recoverable from reinsurers		2,096	1,423	5,383
Net insurance claims	6	(63,279)	(35,674)	(78,869)
Net acquisition costs		(19,524)	(16,350)	(44,954)
Other underwriting operating expenses		(2,098)	(2,452)	(4,321)
Other corporate expenses		(9,022)	(8,085)	(21,376)
Finance costs		(362)	(521)	(791)
Total expenses		(94,285)	(63,082)	(150,311)
Profit before tax		24,477	20,445	59,476
Income tax	7	(2,698)	(4,183)	(8,940)

Total recognised profit for the period		21,779		16,262		50,536
Earnings per share – basic	9	US\$0.15		US\$0.11		US\$0.34
Earnings per share – diluted	9	US\$0.14		US\$0.11		US\$0.33

On 8 September the board approved a dividend of US 10.3 cents per share.

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	30 June 2008 US\$'000	30 June 2007 US\$'000	31 December 2007 US\$'000
ASSETS				
Cash and cash equivalents	10	82,651	95,522	82,063
Financial investments	11	281,958	238,196	273,864
Reinsurance assets		177,496	176,858	117,214
Insurance receivables		68,226	35,742	18,553
Deferred acquisition costs		27,319	25,706	17,585
Prepayments and accrued income		34,673	14,482	25,080
Other debtors		7,681	11,272	16,691
Deferred tax assets		2,768	1,565	2,438
Property and equipment		494	245	479
Intangible assets	12	1,914	149	149
Total assets		685,180	599,737	554,116

EQUITY					
Called up share capital		14,766	14,758	14,758	
Share premium account		147,918	147,694	147,694	
Contributed surplus		100,000	100,000	100,000	
Own shares		-	(49)	(49)	
Foreign exchange reserve		1,496	1,704	1,593	
Profit and loss account		44,642	19,538	44,606	
Total equity and reserves		308,822	283,645	308,602	
LIABILITIES					
Insurance contracts	13	305,346	239,341	193,000	
Trade and other payables		66,886	66,792	44,454	
Current income tax liabilities		3,312	9,242	7,245	
Deferred tax liabilities		814	717	815	
Total liabilities		376,358	316,092	245,514	
Total liabilities and equity		685,180	599,737	544,116	
Net assets per share		US\$2.10	US\$1.92	US\$2.09	
Net tangible assets per share		US\$2.09	US\$1.92	US\$2.09	

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2008

	Share capital	Share premium	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2008	14,758	147,694	100,000	(49)	1,593	44,606	308,602
Currency translation differences	-	-	-	-	(97)	-	(97)
Tax on items taken directly to or transferred from equity	-	-	-	-	-	210	210
Total income and expense for the period recognised directly in equity	-	-	-	-	(97)	210	113
Profit for the period	-	-	-	-	-	21,779	21,779
Total income and expense for the period	-	-	-	-	(97)	21,989	21,892
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	8	224	-	-	-	-	232

Share based payments	-	-	-	-	-	2,152	2,152
Dividends	-	-	-	-	-	(24,056)	(24,056)
Balance at 30 June 2008	14,766	147,918	100,000	-	1,496	44,642	308,822

Six months ended 30 June 2007

	Share capital	Share Premium	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2007	14,736	247,641	-	(98)	1,162	1,960	265,401
Currency translation differences	-	-	-	-	542	-	542
Tax on items taken directly to or transferred from equity	-	-	-	-	-	469	469
Total income and expense for the period recognised directly in equity	-	-	-	-	542	469	1,011
Profit for the period	-	-	-	-	-	16,262	16,262
Total income and expense for the period	-	-	-	-	542	16,731	17,273
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	22	576	-	-	-	-	598
Share based payments	-	-	-	-	-	896	896
Conversion of share premium	-	(100,000)	100,000	-	-	-	-
Reorganisation and listing costs	-	(523)	-	-	-	-	(523)
Balance at 30 June 2007	14,758	147,694	100,000	(49)	1,704	19,538	283,645

Condensed Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share capital	Share premium	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2007	14,736	247,641	-	(98)	1,162	1,960	265,401
Currency translation differences	-	-	-	-	431	-	431
Tax on items taken directly to or transferred from equity	-	-	-	-	-	360	360
Total income and expense for the year	-	-	-	-	-	360	360

recognised directly in equity	-	-	-	-	431	360	791
Profit for the year	-	-	-	-	-	50,536	50,536
Total income and expense for the year	-	-	-	-	431	50,896	51,327
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	22	576	-	-	-	-	598
Share based payments	-	-	-	-	-	3,125	3,125
Dividends	-	-	-	-	-	(11,326)	(11,326)
Conversion of share premium	-	(100,000)	100,000	-	-	-	-
Reorganisation and listing costs	-	(523)	-	-	-	-	(523)
Balance at 31 December 2007	14,758	147,694	100,000	(49)	1,593	44,606	308,602

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 US\$'000	Six months ended 30 June 2007 US\$'000	Year ended 31 December 2007 US\$'000
Cash flows from operating activity				
Cash generated from operations	14	41,832	29,568	68,561
Interest paid		(946)	-	(279)
Income tax paid		(6,768)	(1,308)	(8,896)
Net cash inflows from operating activities		34,118	28,260	59,386
Cash flows from investing activities				
Net purchase of investments		(8,240)	(14,874)	(48,951)
Purchase of property and equipment		(75)	(64)	(332)
Purchase of intangible assets		(1,765)	-	-
Net cash (outflows) from investing activities		(10,080)	(14,938)	(49,283)
Cash flows from financing activities				
Equity dividends paid		(24,056)	-	(11,326)
Issue of share capital		232	598	598
Reorganisation and listing costs		-	(523)	(523)
Net cash (outflows)/inflows from financing activities		(23,824)	75	(11,251)
Net increase / (decrease) in cash and cash equivalents		214	13,397	(1,148)
Cash and cash equivalents at start of period		82,063	81,348	81,348
Foreign exchange currency movements		374	777	1,863
Cash and cash equivalents at end of period		82,651	95,522	82,063

Notes to the interim financial statements

1. Basis of Preparation

The interim condensed consolidated financial statements for the period ended 30 June 2008 and 30 June 2007 are unaudited but have been subject to a review by the independent auditors and have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting", as adopted by the European Union.

The statutory accounts for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use by the European Union ('EU') and issued by the International Accounting Standards board, have been reported on by the Group's auditors, Ernst & Young LLP. The independent auditors' report on the statutory accounts for the year ended 31 December 2007 was not qualified. The comparative figures provided for the 12 months ended 31 December 2007 are based on the Group's statutory accounts.

2. Accounting policies

The interim condensed 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 complied with in the annual financial statements.

Intangible assets - Software development

The Group has incurred costs in relation to development of software and has adopted the following accounting policy:

Computer software development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets, and are amortised using the straight line method over their useful lives, not exceeding a period of three years. Amortisation commences when the asset is available for use.

Computer software development costs are subject to an annual impairment review. The amount of any impairment is recognised directly in the income statement.

IFRIC 11 - IFRS 2 "Group and treasury share transactions"

In the current financial year, the Group will adopt IFRIC 11 - IFRS 2 "Group and treasury share transactions". The adoption of this interpretation does not have any effect on the financial position or performance of the Group.

3. 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 US windstorms which are largely concentrated in the second half of the year.

Therefore it is not possible to use the results in the first half of the year as an indicator of the results for the full year as a whole.

4. Segmental information

Six months ended 30 June 2008

	Syndicate 958 participation	Bermuda reinsurance	US underwriting business	Lloyd's underwriting agency	Other	Eliminations	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Written premium class analysis							
Non-marine property insurance	13,722	32,521	1,516	-	-	(13,450)	34,309
Property catastrophe treaty reinsurance	18,319	69,379	-	-	-	(16,837)	70,861
Property per risk treaty reinsurance	4,650	9,692	-	-	-	(4,280)	10,062
Professional indemnity insurance	2,910	6,675	-	-	-	(2,692)	6,893
Motor insurance and reinsurance	4,978	9,881	13	-	-	(4,591)	10,281
Marine insurance and reinsurance	15,413	30,594	-	-	-	(14,199)	31,808
Liability insurance and reinsurance	4,862	11,852	1,038	-	-	(5,012)	12,740
Other	3,314	8,711	-	-	-	(3,078)	8,947
Gross premiums written	68,168	179,305	2,567	-	-	(64,139)	185,901
Gross premiums earned	44,104	112,264	507	-	-	(41,062)	115,813
Premiums ceded to reinsurers	(40,908)	(14,279)	(285)	-	-	41,062	(14,410)
Net earned premium	3,196	97,985	222	-	-	-	101,403
Investment return	147	5,902	209	116	254	(14)	6,614
Other income	944	(944)	-	11,125	396	(776)	10,745
Net revenue	4,287	102,943	431	11,241	650	(790)	118,762
Expenses							
Insurance claims	(25,104)	(62,745)	(573)	-	-	23,047	(65,375)
Insurance claims recoverable from reinsurers	23,429	1,370	344	-	-	(23,047)	2,096
Net insurance claims	(1,675)	(61,375)	(229)	-	-	-	(63,279)
Net acquisition costs	(691)	(18,788)	(45)	-	-	-	(19,524)
Other underwriting operating expenses	(183)	(1,722)	(193)	-	-	-	(2,098)
Depreciation	-	-	-	(35)	(42)	-	(77)
Share option charge	-	-	-	-	(2,152)	-	(2,152)
Other corporate expenses	-	-	-	(1,852)	(5,717)	776	(6,793)
Finance costs	-	-	-	-	(376)	14	(362)
Total expenses	(2,549)	(81,885)	(467)	(1,887)	(8,287)	790	(94,285)
Profit before tax	1,738	21,058	(36)	9,354	(7,637)	-	24,477
Claims ratio	52.4%	62.6%	103.2%				62.4%
Expense ratio	27.3%	20.9%	107.2%				21.3%
Combined ratio	79.7%	83.5%	210.4%				83.7%

4. Segmental information (continued)

Six months ended 30 June 2007

	Syndicate 958 participation	Bermuda reinsurance	US underwriting business	Lloyd's underwriting agency	Other	Eliminations	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Written premium class analysis							
Non-marine property insurance	14,149	34,128	-	-	-	(12,663)	35,614
Property catastrophe treaty reinsurance	18,628	50,300	-	-	-	(16,479)	52,449
Property per risk treaty reinsurance	3,723	9,881	-	-	-	(3,292)	10,312
Professional indemnity insurance	3,279	7,130	-	-	-	(2,910)	7,499
Motor insurance and reinsurance	5,506	12,384	-	-	-	(4,941)	12,949
Marine insurance and reinsurance	13,066	30,092	-	-	-	(11,626)	31,532
Liability insurance and reinsurance	4,817	11,596	-	-	-	(4,314)	12,099
Other	4,504	10,201	-	-	-	(4,034)	10,671
Gross premiums written	67,672	165,712	-	-	-	(60,259)	173,125
Gross premiums earned	39,177	77,297	-	-	-	(34,610)	81,864
Premiums ceded to reinsurers	(36,641)	(13,060)	-	-	-	34,610	(15,091)
Net earned premium	2,536	64,237	-	-	-	-	66,773
Investment return	179	4,632	554	118	1,083	-	6,566
Other income	-	-	-	10,125	63	-	10,188
Net revenue	2,715	68,869	554	10,243	1,146	-	83,527
Expenses							
Insurance claims	(15,396)	(35,967)	-	-	-	14,266	(37,097)
Insurance claims recoverable from reinsurers	14,047	1,642	-	-	-	(14,266)	1,423
Net insurance claims	(1,349)	(34,325)	-	-	-	-	(35,674)
Net acquisition costs	(503)	(15,847)	-	-	-	-	(16,350)
Other underwriting operating expenses	(219)	(2,233)	-	-	-	-	(2,452)
Depreciation	-	-	-	(32)	-	-	(32)
Share option charge	-	-	-	-	(896)	-	(896)
Other corporate expenses	-	-	-	(2,260)	(4,897)	-	(7,157)
Finance costs	-	-	-	-	(521)	-	(521)
Total expenses	(2,071)	(52,405)	-	(2,292)	(6,314)	-	(63,082)
Profit before tax	644	16,464	554	7,951	(5,168)	-	20,445
Claims ratio	53.2%	53.4%	-	-	-	-	53.4%
Expense ratio	28.5%	28.2%	-	-	-	-	28.2%

Combined ratio	81.7%	81.6%	-	81.6%
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4. Segmental information (continued)

Year ended 31 December 2007

	Syndicate 958 participation	Bermuda reinsurance	US underwriting business	Lloyd's underwriting agency	Other	Eliminations	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Written premium class analysis							
Non-marine property insurance	23,199	57,353	-	-	-	(20,775)	59,777
Property catastrophe treaty reinsurance	21,163	61,771	-	-	-	(19,215)	63,719
Property per risk treaty reinsurance	5,533	14,217	-	-	-	(4,837)	14,913
Professional indemnity insurance	6,460	14,795	-	-	-	(5,729)	15,526
Motor insurance and reinsurance	6,312	14,297	-	-	-	(5,777)	14,832
Marine insurance and reinsurance	17,572	41,260	-	-	-	(15,885)	42,947
Liability insurance and reinsurance	7,605	18,258	-	-	-	(6,761)	19,102
Other	4,750	11,448	-	-	-	(4,157)	12,041
Gross premiums written	92,594	233,399	-	-	-	(83,136)	242,857
Gross premiums earned	86,237	193,754	-	-	-	(77,109)	202,882
Premiums ceded to reinsurers	(80,731)	(37,464)	(250)	-	-	77,109	(41,336)
Net earned premium	5,506	156,290	(250)	-	-	-	161,546
Investment return	511	14,155	1,486	359	1,634	(173)	17,972
Other income	845	(845)	-	30,169	501	(401)	30,269
Net revenue	6,862	169,600	1,236	30,528	2,135	(574)	209,787
Expenses							
Insurance claims	(36,401)	(79,666)	-	-	-	31,815	(84,252)
Insurance claims recoverable from reinsurers	33,627	3,571	-	-	-	(31,815)	5,383
Net insurance claims	(2,774)	(76,095)	-	-	-	-	(78,869)
Net acquisition costs	(1,459)	(43,495)	-	-	-	-	(44,954)
Other underwriting operating expenses	(298)	(4,023)	-	-	-	-	(4,321)
Depreciation	-	-	-	(73)	(6)	-	(79)
Share option charge	-	-	-	-	(3,125)	-	(3,125)
Other corporate expenses	-	-	-	(5,092)	(13,481)	401	(18,172)
Finance costs	-	-	-	-	(964)	173	(791)
Total expenses	(4,531)	(123,613)	-	(5,165)	(17,576)	574	(150,311)
Profit before tax	2,331	45,987	1,236	25,363	(15,441)	-	59,476
Claims ratio	50.4%	48.7%	-	48.8%			

Expense ratio	31.9%	30.4%	-	30.5%
Combined ratio	82.3%	79.1%	-	79.3%

5. Other income

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000
Profit commission	7,380	6,550	24,811
Fees	2,548	2,911	3,656
Management charges to Syndicate	661	615	1,676
Miscellaneous	156	112	126
Total other income	<u>10,745</u>	<u>10,188</u>	<u>30,269</u>

During 2007 the Group reviewed the method of estimation of the recognition of profit commission in the Managing Agency, moving the approach in line with industry practice. The profit commission is, therefore, accrued in line with the recognition of the underlying earnings of the Syndicate for that underwriting year. This resulted in additional profit commission recognised in the second half of 2007 of \$10,600,000, which would have been recognised in later years under the old method.

6. Net insurance claims

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000
Claims paid	32,284	19,466	49,947
Reinsurers' share of claims paid	(4,432)	(9,600)	(19,157)
Net claims paid	<u>27,852</u>	<u>9,866</u>	<u>30,790</u>
Movement in insurance liabilities	33,091	17,631	34,305
Reinsurers' share of movement in insurance liabilities	2,336	8,177	13,774
Net movement in insurance liabilities	<u>35,427</u>	<u>25,808</u>	<u>48,079</u>
Net insurance claims	<u>63,279</u>	<u>35,674</u>	<u>78,869</u>

7. Income tax

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000
Current tax:			

Income tax on profits taxable under UK jurisdiction	2,824	8,837	14,958
Profits taxed under other jurisdictions	37	20	52
Adjustment in respect of prior periods	14	-	(561)
Total current tax	<u>2,875</u>	<u>8,857</u>	<u>14,449</u>
Deferred tax (credit)/charge:			
Origination and reversal of temporary differences	(177)	(4,674)	(5,624)
Changes in tax rates	-	-	21
Other adjustments in respect of prior years	-	-	94
Total deferred tax	<u>(177)</u>	<u>(4,674)</u>	<u>(5,509)</u>
Total tax charged to income statement	<u>2,698</u>	<u>4,183</u>	<u>8,940</u>

In addition to the above deferred tax of \$210,000 (30 June 2007: \$469,000; 31 December 2007: \$360,000) has been credited directly to retained earnings in relation to share options.

8. Dividends

Amounts recognised as distributions to equity shareholders in the period:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000
2007 interim dividend of US 7.7cents per common share	-	-	11,326
2007 second dividend of US 16.3cents per common share	<u>24,056</u>	<u>-</u>	<u>-</u>

In 2007 the share trust waived its rights to dividends over 490,308 shares.

The directors proposed an interim dividend of US 10.3 cents per common share, amounting to US\$15,209,000.

9. Earnings per share

Earnings per share are based on the profit attributable to shareholders 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.

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Profit for the period in US\$'000	21,779	16,262	50,536
Weighted average number of shares in issue	147,325,517	146,626,728	146,860,622
Dilutive average number of shares in issue	156,879,831	150,904,756	152,503,304
Earnings per share:			
Basic (US\$)	0.15	0.11	0.34
Diluted (US\$)	<u>0.14</u>	<u>0.11</u>	<u>0.33</u>

10. Cash and Cash Equivalents

	As at 30 June 2008 US\$'000	As at 30 June 2007 US\$'000	As at 31 December 2007 US\$'000
Cash at bank and in hand	22,813	27,908	22,514
Short term bank deposits	59,838	67,614	59,549
Total cash and cash equivalents	<u>82,651</u>	<u>95,522</u>	<u>82,063</u>

Included in cash and cash equivalents are amounts totalling \$57,152,000 (30 June 2007: \$16,683,000; 31 December 2007: \$59,398,000) not available for use by the Group which are held within the Lloyd's syndicate or as Funds at Lloyd's.

11. Financial Investments

	As at 30 June 2008 US\$'000	As at 30 June 2007 US\$'000	As at 31 December 2007 US\$'000
Financial Investments at fair value through income			
Debt securities and other fixed income securities	247,798	126,346	194,195
Deposit with credit institutions	27,691	111,850	74,831
Funds held in overseas deposits	6,469	-	4,838
	<u>281,958</u>	<u>238,196</u>	<u>273,864</u>
Financial investments include investments held by Group companies and the Group's share of Syndicate assets:			
Group investments	192,086	188,414	197,497
Syndicate investments	89,872	49,782	76,367
	<u>281,958</u>	<u>238,196</u>	<u>273,864</u>

Of the amounts included in Group investments US\$39,914,000 (30 June 2007: \$84,816,000; 31 December 2007: \$38,331,000) are not available for use by the Group as they are held to support a facility, provided to Syndicate 958.

12. Intangible assets

	Syndicate Participation rights US\$'000	Software Development US\$'000	Total US\$'000
Cost			
At 1 January 2008	149	-	149
Additions	-	1,765	1,765
At 30 June 2008	<u>149</u>	<u>1,765</u>	<u>1,914</u>
Net Book Value			
At 30 June 2007	<u>149</u>	<u>-</u>	<u>149</u>

At 31 December 2007	149	-	149
At 30 June 2008	149	1,765	1,914

13. Insurance Contracts

	As at 30 June 2008 US\$'000	As at 30 June 2007 US\$'000	As at 31 December 2007 US\$'000
Unearned premium	143,692	134,304	73,607
Loss reserve	161,654	105,037	119,393
Total insurance contracts	<u>305,346</u>	<u>239,341</u>	<u>193,000</u>

There is no material impact from changes in the estimate of reserves reported in the Group's 2007 Consolidated Financial Statements.

14. Cash generated from operations

	Six months ended 30 June 2008 US\$'000	Six months ended 30 June 2007 US\$'000	Year ended 31 December 2007 US\$'000
Profit before taxation	24,477	20,445	59,476
Adjustments for non cash items			
- Depreciation of tangible assets	77	32	79
- Realised and unrealised gains and losses	146	(36)	(1,627)
- Charge in relation to financing	362	521	791
- Foreign exchange adjustments	(471)	(177)	(1,438)
- Charge in relation to share option awards	2,152	896	3,125
Changes in operating assets and liabilities			
- (Increase) in deferred acquisition costs	(9,734)	(17,136)	(9,015)
- (Increase) in reinsurance assets	(60,282)	(115,392)	(55,748)
- (Increase) in insurance receivables	(49,673)	(20,054)	(2,865)
- (Increase) in prepayments and accrued income	(9,593)	(8,490)	(19,088)
- Decrease/(increase) in other debtors	9,009	5,022	(396)
- Increase in insurance contracts	112,346	136,186	89,845
- Increase in trade and other payables	23,016	27,751	5,422
Cash generated from operations	<u>41,832</u>	<u>29,568</u>	<u>68,561</u>

15. Related Party Transactions

Aggregate gains made by directors on exercise of share options in the period were US\$307,000 (30 June 2007 and 31 December 2007: US\$691,000).

Other transactions with related parties during the period are consistent in nature and scope with those disclosed in note 33 of the Group's 2007 Consolidated Financial Statements.

16. 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 web-site (www.omegaww.com).

INDEPENDENT REVIEW REPORT TO OMEGA INSURANCE HOLDINGS LIMITED

Introduction

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 2008 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 16. 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 ISRE 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 International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the company 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 Standards 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 2008 is

not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

London

8 September 2008