February 16, 2012

# Navigators Reports Fourth Quarter Earnings

NEW YORK, Feb. 16, 2012 (GLOBE NEWSWIRE) -- **The Navigators Group, Inc.** (Nasdaq:NAVG) reported net income of $10.1 million, or $0.70 per diluted share, for the three months ended December 31, 2011 compared to net income of $17.3 million, or $1.07 per diluted share, for the comparable period in 2010. Operating earnings were $5.8 million, or $0.41 per diluted share for the fourth quarter of 2011 compared to $4.7 million, or $0.29 per diluted share, for the comparable period in 2010.

For the twelve months ended December 31, 2011, the Company reported net income of $25.6 million, or $1.69 per diluted share, compared to $69.6 million, or $4.24 per diluted share, for the comparable period in 2010. Operating earnings were $19.1 million, or $1.26 per diluted share for the twelve months ended December 31, 2011 compared to $43.4 million, or $2.65 per diluted share, for the comparable period in 2010.

Gross written premiums and net written premiums for the three months ended December 31, 2011 were $277.9 million and $202.0 million, respectively, an increase of 20.9% and 42.4% from the comparable period in 2010. Gross written premiums and net written premiums for the twelve months ended December 31, 2011 were $1,108.2 million and $753.8 million, respectively, an increase of 12.3% and 15.3% from the comparable period in 2010.

The combined loss and expense ratio for the three and twelve months ended December 31, 2011 were 102.5% and 104.7%, respectively, compared to 106.3% and 100.7% for the comparable periods in 2010.

Stan Galanski, President and Chief Executive Officer, commented, "Our property casualty business had a solid fourth quarter, as the energy, casualty and treaty reinsurance units each produced profitable underwriting results and double digit premium growth. Following the major energy losses that impacted the industry in early 2011, rates and terms have improved and we have increased our capacity in response. We are achieving positive pricing in many product lines. The notable exception is Directors & Officers liability, which continued to generate underwriting losses as we re-position the portfolio for future profits." He continued, "As a global leader in marine insurance, it comes as no surprise that we participated on hull and liability policies triggered by the grounding of the Costa Concordia. Although this has been characterized as one of the largest losses in the history of marine insurance and it is difficult to predict the ultimate liability losses that may arise from this incident, based upon current industry loss estimates, we expect the pre-tax impact in the first quarter of 2012 to be less than $6 million, net of reinsurance and reinstatement premiums."

Stockholders' equity was $803.4 million, or $57.57 per share, as of December 31, 2011 compared to $829.4 million, or $52.68 per share, as of December 31, 2010. During the three and twelve months ended December 31, 2011, the Company repurchased 376,911 and 1,979,107 shares, respectively, of its common stock for an aggregate purchase price of $17.2 million and $90.9 million pursuant to its share repurchase program. The share repurchase program authorized by the Parent Company's Board of Directors expired December 31, 2011.

Net investment income for the three and twelve months ended December 31, 2011 was $12.4 million and $63.5 million, which was a decrease of 30.9% and 11.4% from the comparable periods in 2010. The annualized pre-tax investment yield, excluding net realized gains and losses and net other-than-temporary impairment losses recognized in earnings, was 2.3% and 3.0% for the three and twelve months ended December 31, 2011, compared to 3.4% and 3.5% for the comparable periods in 2010. The effective tax rate on net investment income was 23.6% and 27.6% for the three and twelve months ended December 31, 2011, compared to 28.1% and 27.0% for the comparable periods in 2010.

The Company's investment portfolio mainly consists of fixed income securities with an average quality rating of "AA/Aa" as defined by Standard & Poor's and Moody's, respectively, and an average effective duration of 3.6 years as of December 31, 2011. As of December 31, 2011, net unrealized gains within our investment portfolio were $93.6 million, an increase of $44.6 million compared to December 31, 2010. There were $6.6 million and $10.0 million of net realized gains and other-than-temporary impairment losses recognized in earnings for the three and twelve months ended December 31, 2011.

Consolidated cash flow from operations for the three and twelve months ended December 31, 2011 was $32.0 million and $118.3 million respectively, compared to $4.1 million and $118.2 million for the comparable periods in 2010.

The Company will hold a conference call on Friday, February 17, 2012 starting at 8:30 a.m. ET to discuss the 2011 fourth quarter results. The call will be available via live webcast on Navigators' website (www.navg.com).

To participate by telephone, the domestic dial-in number is (800) 850-2903 and the international dial-in is (224) 357-2399. Participants may connect to the webcast at:

http://investor.shareholder.com/navg/eventdetail.cfm?eventid=108125

Operating earnings, or net income excluding after-tax net realized gains (losses) and net other-than-temporary impairment losses recognized in earnings, is a non-GAAP financial measure that is a common performance measurement for insurance companies. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

The Navigators Group, Inc. is an international specialty insurance holding company with insurance company operations, underwriting management companies, and operations at Lloyd's of London. Headquartered in New York, Navigators has offices in major insurance centers in the United States, the United Kingdom and Continental Europe.

The Navigators Group, Inc. logo is available at http://www.globenewswire.com/newsroom/prs/?pkgid=7778

This press release may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Whenever used in this release, the words "estimate", "expect", "believe" or similar expressions are intended to identify such forward-looking statements. Forward-looking statements are derived from information that we currently have and assumptions that we make. We cannot assure that results that we anticipate will be achieved, since results may differ materially because of known and unknown risks and uncertainties that we face. Please refer to Navigators' most recent reports on Forms 10-K and 10-Q and its other filings with the Securities and Exchange Commission for a description of Navigators' business and the important factors that may affect that business. Navigators undertakes no obligation to publicly update or revise any forward-looking statement.

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Financial Highlights**

**($ in thousands, except per share data)**

| | Three Months Ended December 31, | | | Twelve Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| **Results of Operations** | **2011** | **2010** | **Change** | **2011** | **2010** | **Change** |
| **Gross written premiums** | **$ 277,901** | **$ 229,850** | **20.9%** | **$ 1,108,216** | **$ 987,201** | **12.3%** |
| **Net written premiums** | **202,002** | **141,809** | **42.4%** | **753,798** | **653,938** | **15.3%** |
| **Revenues:** | | | | | | |
| Net earned premiums | 191,757 | 166,158 | 15.4% | 691,645 | 659,931 | 4.8% |
| Net investment income | 12,428 | 17,998 | -30.9% | 63,500 | 71,662 | -11.4% |
| Total other-than-temporary impairment losses | (1,280) | (448) | NM | (3,617) | (2,222) | NM |
| Portion of loss recognized in other comprehensive income (before tax) | 691 | 273 | 153.1% | 1,632 | 1,142 | 42.9% |
| Net other-than-temporary impairment losses recognized in earnings | (589) | (175) | NM | (1,985) | (1,080) | NM |
| Net realized gains (losses) | 7,141 | 19,665 | -63.7% | 11,996 | 41,319 | -71.0% |
| Other income | 586 | 2,205 | -73.4% | 1,229 | 5,143 | -76.1% |
| **Total revenues** | **211,323** | **205,851** | **2.7%** | **766,385** | **776,975** | **-1.4%** |
| **Expenses:** | | | | | | |
| Net losses and loss adjustment expenses | 136,104 | 110,022 | 23.7% | 476,997 | 421,155 | 13.3% |
| Commission expenses | 30,273 | 32,935 | -8.1% | 110,437 | 109,113 | 1.2% |
| Other operating expenses | 30,688 | 35,919 | -14.6% | 138,029 | 139,700 | -1.2% |
| Interest expense | 2,048 | 2,045 | 0.1% | 8,188 | 8,178 | 0.1% |
| **Total expenses** | **199,113** | **180,921** | **10.1%** | **733,651** | **678,146** | **8.2%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Income before income taxes** | **12,210** | **24,930** | **-51.0%** | **32,734** | **98,829** | **-66.9%** |
| **Income tax expense (benefit)** | **2,122** | **7,592** | **-72.0%** | **7,137** | **29,251** | **-75.6%** |
| **Net income (loss)** | **$ 10,088** | **$ 17,338** | **-41.8%** | **$ 25,597** | **$ 69,578** | **-63.2%** |
| **Per Share Data** | | | | | | |
| **Net income per common share:** | | | | | | |
| **Basic** | **$ 0.71** | **$ 1.10** | **-35.5%** | **$ 1.71** | **$ 4.33** | **-60.5%** |
| **Diluted** | **$ 0.70** | **$ 1.07** | **-34.6%** | **$ 1.69** | **$ 4.24** | **-60.2%** |
| **Average common shares outstanding:** | | | | | | |
| **Basic** | **14,199,491** | **15,751,048** | | **14,980,429** | **16,064,770** | |
| **Diluted** | **14,380,161** | **16,159,486** | | **15,183,285** | **16,415,266** | |
| **Underwriting Ratios** | | | | | | |
| Loss Ratio | 71.0% | 66.2% | | 69.0% | 63.8% | |
| Expense Ratio | 31.5% | 40.1% | | 35.7% | 36.9% | |
| **Combined Ratio** | **102.5%** | **106.3%** | | **104.7%** | **100.7%** | |

| **Balance Sheet Data** | **Dec. 31, 2011** | **Sept. 30, 2011** | | **Dec. 31, 2011** | **Dec. 31, 2010** | |
|---|---|---|---|---|---|---|
| **Stockholders' equity** | **$ 803,435** | **$ 799,455** | **0.5%** | **$ 803,435** | **$ 829,354** | **-3.1%** |
| **Book value per share** | **$ 57.57** | **$ 55.82** | **3.1%** | **$ 57.57** | **$ 52.68** | **9.3%** |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**($ in thousands, except share data)**

| | **December 31, 2011** | **December 31, 2010** |
|---|---|---|
| **ASSETS** | | |
| **Investments and cash:** | | |
| Fixed maturities, available-for-sale, at fair value (amortized cost: 2011, $1,816,710; 2010, $1,855,598) | $ 1,888,069 | $ 1,882,245 |
| Equity securities, available-for-sale, at fair value (cost: 2011, $73,567; 2010, $64,793) | 95,849 | 87,258 |
| Short-term investments, at cost which approximates fair value | 122,220 | 153,057 |
| Cash | 127,360 | 31,768 |
| **Total investments and cash** | **2,233,498** | **2,154,328** |
| Premiums receivable | 255,725 | 188,368 |
| Prepaid reinsurance premiums | 164,162 | 156,869 |
| Reinsurance recoverable on paid losses | 43,791 | 56,658 |
| Reinsurance recoverable on unpaid losses and loss adjustment expenses | 845,445 | 843,296 |
| Deferred policy acquisition costs | 63,984 | 55,201 |

| | | |
|---|---|---|
| Accrued investment income | 14,492 | 15,590 |
| Goodwill and other intangible assets | 6,869 | 6,925 |
| Current income tax receivable, net | 15,391 | 1,054 |
| Deferred income tax, net | -- | 15,141 |
| Other assets | 26,650 | 38,029 |
| **Total assets** | **$ 3,670,007** | **$ 3,531,459** |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | | |
|---|---|---|
| **Liabilities:** | | |
| Reserves for losses and loss adjustment expenses | $ 2,082,679 | $ 1,985,838 |
| Unearned premiums | 532,628 | 463,515 |
| Reinsurance balances payable | 108,699 | 105,904 |
| Senior notes | 114,276 | 114,138 |
| Deferred income tax, net | 6,291 | -- |
| Accounts payable and other liabilities | 21,999 | 32,710 |
| **Total liabilities** | **2,866,572** | **2,702,105** |
| **Stockholders' equity:** | | |
| Preferred stock, $.10 par value, authorized 1,000,000 shares, none issued | -- | -- |
| Common stock, $.10 par value, authorized 50,000,000 shares, issued 17,467,615 shares for 2011 and 17,274,440 shares for 2010 | 1,746 | 1,728 |
| Additional paid-in capital | 322,133 | 312,588 |
| Treasury stock, at cost (3,511,380 shares for 2011 and 1,532,273 shares for 2010) | (155,801) | (64,935) |
| Retained earnings | 565,109 | 539,512 |
| Accumulated other comprehensive income | 70,248 | 40,461 |
| **Total stockholders' equity** | **803,435** | **829,354** |
| **Total liabilities and stockholders' equity** | **$ 3,670,007** | **$ 3,531,459** |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Comparative Premium Data**

**($ in thousands)**

| **Gross Written Premiums:** | **Three Months** | | | **Twelve Months** | | |
|---|---|---|---|---|---|---|
| Insurance Companies: | **2011** | **2010** | **Change** | **2011** | **2010** | **Change** |
| Marine | $ 52,688 | $ 50,925 | 3% | $ 228,500 | $ 223,061 | 2% |
| Property Casualty | 121,293 | 70,157 | 73% | 445,287 | 312,651 | 42% |
| Professional Liability | 29,720 | 32,601 | -9% | 114,632 | 129,793 | -12% |
| | 203,701 | 153,683 | 33% | 788,419 | 665,505 | 18% |
| Lloyd's Operations: | | | | | | |
| Marine | 39,977 | 48,965 | -18% | 167,562 | 182,723 | -8% |
| Property Casualty | 24,032 | 18,031 | 33% | 115,138 | 94,799 | 21% |
| Professional Liability | 10,191 | 9,171 | 11% | 37,097 | 44,174 | -16% |
| | 74,200 | 76,167 | -3% | 319,797 | 321,696 | -1% |
| **Total** | **$ 277,901** | **$ 229,850** | 21% | **$1,108,216** | **$ 987,201** | 12% |

| Net Written Premiums: | Three Months | | | Twelve Months | | |
|---|---|---|---|---|---|---|
| Insurance Companies: | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Marine | $ 40,442 | $ 27,357 | 48% | $ 170,642 | $ 151,059 | 13% |
| Property Casualty | 91,780 | 41,171 | 123% | 293,758 | 197,845 | 48% |
| Professional Liability | 20,933 | 20,170 | 4% | 77,991 | 80,451 | -3% |
| | 153,155 | 88,698 | 73% | 542,391 | 429,355 | 26% |
| Lloyd's Operations: | | | | | | |
| Marine | 34,844 | 38,135 | -9% | 137,206 | 149,340 | -8% |
| Property Casualty | 8,885 | 11,000 | -19% | 56,249 | 54,049 | 4% |
| Professional Liability | 5,118 | 3,976 | 29% | 17,952 | 21,194 | -15% |
| | 48,847 | 53,111 | -8% | 211,407 | 224,583 | -6% |
| **Total** | **$ 202,002** | **$ 141,809** | 42% | **$ 753,798** | **$ 653,938** | 15% |

| Net Earned Premiums: | Three Months | | | Twelve Months | | |
|---|---|---|---|---|---|---|
| Insurance Companies: | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Marine | $ 44,631 | $ 33,107 | 35% | $ 169,018 | $ 155,846 | 8% |
| Property Casualty | 74,426 | 48,513 | 53% | 231,297 | 200,741 | 15% |
| Professional Liability | 20,267 | 23,397 | -13% | 72,148 | 82,264 | -12% |
| | 139,324 | 105,017 | 33% | 472,463 | 438,851 | 8% |
| Lloyd's Operations: | | | | | | |
| Marine | 36,437 | 40,684 | -10% | 145,659 | 149,225 | -2% |
| Property Casualty | 11,798 | 14,972 | -21% | 55,903 | 49,852 | 12% |
| Professional Liability | 4,198 | 5,485 | -23% | 17,620 | 22,003 | -20% |
| | 52,433 | 61,141 | -14% | 219,182 | 221,080 | -1% |
| **Total** | **$ 191,757** | **$ 166,158** | 15% | **$ 691,645** | **$ 659,931** | 5% |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Segment Information**

**Three Months Ended**

**December 31, 2011**

**($ in thousands)**

| | Insurance Companies | Lloyd's Operations | Corporate [1] | Total |
|---|---|---|---|---|
| **Gross written premiums** | **$ 203,701** | **$ 74,200** | **$ --** | **$ 277,901** |
| **Net written premiums** | **153,155** | **48,847** | **--** | **202,002** |
| Net earned premiums | 139,324 | 52,433 | -- | 191,757 |
| Net losses and loss adjustment expenses | (112,743) | (23,361) | -- | (136,104) |
| Commission expenses | (18,909) | (11,939) | 575 | (30,273) |
| Other operating expenses | (22,467) | (8,221) | -- | (30,688) |
| Other income (expense) | 1,084 | 77 | (575) | 586 |
| **Underwriting profit (loss)** | **(13,711)** | **8,989** | -- | **(4,722)** |
| Net investment income | 10,155 | 2,222 | 51 | 12,428 |
| Net realized gains (losses) | 6,487 | 55 | 10 | 6,552 |
| Interest expense | -- | -- | (2,048) | (2,048) |

| | | | | |
|---|---|---|---|---|
| Income (loss) before income taxes | 2,931 | 11,266 | (1,987) | 12,210 |
| Income tax expense (benefit) | (953) | 3,770 | (695) | 2,122 |
| **Net income (loss)** | **$ 3,884** | **$ 7,496** | **$ (1,292)** | **$ 10,088** |
| Losses and loss adjustment expenses ratio | 80.9% | 44.6% | | 71.0% |
| Commission expense ratio | 13.6% | 22.8% | | 15.8% |
| Other operating expense ratio (2) | 15.3% | 15.5% | | 15.7% |
| **Combined ratio** | **109.8%** | **82.9%** | | **102.5%** |

(1) The Corporate segment includes intercompany eliminations.

(2) The Other operating expense ratio includes Other income (expense).

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Segment Information**

**Three Months Ended**

**December 31, 2010**

**($ in thousands)**

| | Insurance Companies | Lloyd's Operations | Corporate (1) | Total |
|---|---|---|---|---|
| **Gross written premiums** | **$ 153,683** | **$ 76,167** | **$ --** | **$ 229,850** |
| **Net written premiums** | **88,698** | **53,111** | **--** | **141,809** |
| Net earned premiums | 105,017 | 61,141 | -- | 166,158 |
| Net losses and loss adjustment expenses | (74,549) | (35,473) | -- | (110,022) |
| Commission expenses | (15,771) | (17,164) | -- | (32,935) |
| Other operating expenses | (26,973) | (8,951) | -- | (35,924) |
| Other income (expense) | 1,409 | 801 | -- | 2,210 |
| **Underwriting profit (loss)** | **(10,867)** | **354** | **--** | **(10,513)** |
| Net investment income | 15,752 | 2,107 | 139 | 17,998 |
| Net realized gains (losses) | 15,917 | 2,945 | 628 | 19,490 |
| Interest expense | -- | -- | (2,045) | (2,045) |
| Income (loss) before income taxes | 20,802 | 5,406 | (1,278) | 24,930 |
| Income tax expense (benefit) | 6,053 | 1,986 | (447) | 7,592 |
| **Net income (loss)** | **$ 14,749** | **$ 3,420** | **$ (831)** | **$ 17,338** |
| Losses and loss adjustment expenses ratio | 71.0% | 58.0% | | 66.2% |
| Commission expense ratio | 15.0% | 28.1% | | 19.8% |
| Other operating expense ratio (2) | 24.3% | 13.3% | | 20.3% |
| **Combined ratio** | **110.3%** | **99.4%** | | **106.3%** |

(1) The Corporate segment includes intercompany eliminations.

(2) The Other operating expense ratio includes Other income (expense).

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Segment Information**

**Twelve Months Ended**

**December 31, 2011**

**($ in thousands)**

| | Insurance Companies | Lloyd's Operations | Corporate [1] | Total |
|---|---|---|---|---|
| **Gross written premiums** | **$ 788,419** | **$ 319,797** | **$ --** | **$1,108,216** |
| **Net written premiums** | **542,391** | **211,407** | -- | **753,798** |
| Net earned premiums | 472,463 | 219,182 | -- | 691,645 |
| Net losses and loss adjustment expenses | (341,625) | (135,372) | -- | (476,997) |
| Commission expenses | (64,165) | (48,341) | 2,069 | (110,437) |
| Other operating expenses | (101,517) | (36,512) | -- | (138,029) |
| Other income (expense) | 3,955 | (657) | (2,069) | 1,229 |
| **Underwriting profit (loss)** | **(30,889)** | **(1,700)** | -- | **(32,589)** |
| Net investment income | 54,164 | 8,955 | 381 | 63,500 |
| Net realized gains (losses) | 12,151 | (2,354) | 214 | 10,011 |
| Interest expense | -- | -- | (8,188) | (8,188) |
| Income (loss) before income taxes | 35,426 | 4,901 | (7,593) | 32,734 |
| Income tax expense (benefit) | 8,271 | 1,523 | (2,657) | 7,137 |
| **Net income (loss)** | **$ 27,155** | **$ 3,378** | **$ (4,936)** | **$ 25,597** |
| Losses and loss adjustment expenses ratio | 72.3% | 61.8% | | 69.0% |
| Commission expense ratio | 13.6% | 22.1% | | 16.0% |
| Other operating expense ratio [2] | 20.6% | 16.9% | | 19.7% |
| **Combined ratio** | **106.5%** | **100.8%** | | **104.7%** |

(1) The Corporate segment includes intercompany eliminations.

(2) The Other operating expense ratio includes Other income (expense).

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Segment Information**

**Twelve Months Ended**

**December 31, 2010**

**($ in thousands)**

| | Insurance Companies | Lloyd's Operations | Corporate [1] | Total |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **Gross written premiums** | **$ 665,505** | **$ 321,696** | **$ --** | **$ 987,201** |
| **Net written premiums** | **429,355** | **224,583** | **--** | **653,938** |
| | | | | |
| Net earned premiums | 438,851 | 221,080 | -- | 659,931 |
| Net losses and loss adjustment expenses | (280,120) | (141,035) | -- | (421,155) |
| Commission expenses | (59,122) | (49,991) | -- | (109,113) |
| Other operating expenses | (106,631) | (33,112) | -- | (139,743) |
| Other income (expense) | 1,698 | 3,488 | -- | 5,186 |
| | | | | |
| **Underwriting profit** | **(5,324)** | **430** | **--** | **(4,894)** |
| | | | | |
| Net investment income | 62,792 | 8,286 | 584 | 71,662 |
| Net realized gains (losses) | 36,057 | 3,323 | 859 | 40,239 |
| Interest expense | -- | -- | (8,178) | (8,178) |
| | | | | |
| Income (loss) before income taxes | 93,525 | 12,039 | (6,735) | 98,829 |
| | | | | |
| Income tax expense (benefit) | 27,219 | 4,389 | (2,357) | 29,251 |
| **Net income (loss)** | **$ 66,306** | **$ 7,650** | **$ (4,378)** | **$ 69,578** |
| | | | | |
| Losses and loss adjustment expenses ratio | 63.8% | 63.8% | | 63.8% |
| Commission expense ratio | 13.5% | 22.6% | | 16.5% |
| Other operating expense ratio (2) | 23.9% | 13.4% | | 20.4% |
| **Combined ratio** | **101.2%** | **99.8%** | | **100.7%** |

(1) The Corporate segment includes intercompany eliminations.

(2) The Other operating expense ratio includes Other income (expense).

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Underwriting Results**

**($ in thousands)**

| | **Three Months Ended December 31, 2011** | | | | | | |
|---|---|---|---|---|---|---|---|
| Insurance Companies: | **Net Earned Premiums** | **Losses and LAE Incurred** | **Underwriting Expenses** | **Underwriting Profit (Loss)** | **Loss Ratio** | **Expense Ratio** | **Combined Ratio** |
| Marine | $ 44,631 | $ 28,321 | $ 13,537 | $ 2,773 | 63.5% | 30.3% | 93.8% |
| Property Casualty | 74,426 | 41,297 | 20,227 | 12,902 | 55.5% | 27.2% | 82.7% |
| Professional Liability | 20,267 | 43,125 | 6,528 | (29,386) | 212.8% | 32.2% | 245.0% |
| | 139,324 | 112,743 | 40,292 | (13,711) | 80.9% | 28.9% | 109.8% |
| Lloyd's Operations | 52,433 | 23,361 | 20,083 | 8,989 | 44.6% | 38.3% | 82.9% |
| **Total** | **$ 191,757** | **$ 136,104** | **$ 60,375** | **$ (4,722)** | **71.0%** | **31.5%** | **102.5%** |

| | **Three Months Ended December 31, 2010** | | | | | | |
|---|---|---|---|---|---|---|---|
| Insurance Companies: | **Net Earned Premiums** | **Losses and LAE Incurred** | **Underwriting Expenses** | **Underwriting Profit (Loss)** | **Loss Ratio** | **Expense Ratio** | **Combined Ratio** |
| Marine | $ 33,107 | $ 22,668 | $ 13,526 | $ (3,087) | 68.5% | 40.8% | 109.3% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Property Casualty | 48,513 | 21,265 | 19,182 | 8,066 | 43.8% | 39.6% | 83.4% |
| Professional Liability | 23,397 | 30,616 | 8,627 | (15,846) | 130.9% | 36.8% | 167.7% |
| | 105,017 | 74,549 | 41,335 | (10,867) | 71.0% | 39.3% | 110.3% |
| Lloyd's Operations | 61,141 | 35,473 | 25,314 | 354 | 58.0% | 41.4% | 99.4% |
| **Total** | **$ 166,158** | **$ 110,022** | **$ 66,649** | **$ (10,513)** | **66.2%** | **40.1%** | **106.3%** |

| | Amounts | | Loss Ratio | |
|---|---|---|---|---|
| **Net Incurred Loss Activity** | **Dec. 31,** | **Dec. 31** | **Dec. 31,** | **Dec. 31,** |
| **For the Three Months Ended:** | **2011** | **2010** | **2011** | **2010** |
| Insurance Companies: | | | | |
| Loss and LAE payments | $ 70,377 | $ 70,855 | 50.5% | 67.5% |
| Change in reserves | 42,366 | 3,694 | 30.4% | 3.5% |
| Net incurred loss and LAE | 112,743 | 74,549 | 80.9% | 71.0% |
| Lloyd's Operations: | | | | |
| Loss and LAE payments | 29,656 | 33,147 | 56.6% | 54.2% |
| Change in reserves | (6,295) | 2,326 | -12.0% | 3.8% |
| Net incurred loss and LAE | 23,361 | 35,473 | 44.6% | 58.0% |
| Total | | | | |
| Loss and LAE payments | 100,033 | 104,002 | 52.2% | 62.6% |
| Change in reserves | 36,071 | 6,020 | 18.8% | 3.6% |
| **Net incurred loss and LAE** | **$ 136,104** | **$ 110,022** | **71.0%** | **66.2%** |

| **Impact of Prior Years Reserves** | Amounts | | Loss Ratio Impact | |
|---|---|---|---|---|
| **Favorable / (Unfavorable) Development** | **Dec. 31,** | **Dec. 31,** | **Dec. 31,** | **Dec. 31,** |
| **For the Three Months Ended:** | **2011** | **2010** | **2011** | **2010** |
| Insurance Companies | $ (13,161) | $ (199) | -9.4% | -0.2% |
| Lloyd's Operations | 13,651 | 3,346 | 26.0% | 5.5% |
| Total | **$ 490** | **$ 3,147** | **0.3%** | **1.9%** |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Underwriting Results**

**($ in thousands)**

| | Twelve Months Ended December 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| Insurance Companies: | **Net Earned Premiums** | **Losses and LAE Incurred** | **Underwriting Expenses** | **Underwriting Profit (Loss)** | **Loss Ratio** | **Expense Ratio** | **Combined Ratio** |
| Marine | $ 169,018 | $ 111,209 | $ 57,471 | $ 338 | 65.8% | 34.0% | 99.8% |
| Property Casualty | 231,297 | 151,934 | 77,889 | 1,474 | 65.7% | 33.7% | 99.4% |
| Professional Liability | 72,148 | 78,482 | 26,367 | (32,701) | 108.8% | 36.5% | 145.3% |
| | 472,463 | 341,625 | 161,727 | (30,889) | 72.3% | 34.2% | 106.5% |
| Lloyd's Operations | 219,182 | 135,372 | 85,510 | (1,700) | 61.8% | 39.0% | 100.8% |
| **Total** | **$ 691,645** | **$ 476,997** | **$ 247,237** | **$ (32,589)** | **69.0%** | **35.7%** | **104.7%** |

| | Twelve Months Ended December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| Insurance Companies: | Net Earned Premiums | Losses and LAE Incurred | Underwriting Expenses | Underwriting Profit (Loss) | Loss Ratio | Expense Ratio | Combined Ratio |
| Marine | $ 155,846 | $ 100,579 | $ 56,092 | $ (825) | 64.5% | 36.0% | 100.5% |
| Property Casualty | 200,741 | 110,902 | 77,040 | 12,799 | 55.2% | 38.4% | 93.6% |
| Professional Liability | 82,264 | 68,639 | 30,923 | (17,298) | 83.4% | 37.6% | 121.0% |
| | 438,851 | 280,120 | 164,055 | (5,324) | 63.8% | 37.4% | 101.2% |
| Lloyd's Operations | 221,080 | 141,035 | 79,615 | 430 | 63.8% | 36.0% | 99.8% |
| **Total** | **$ 659,931** | **$ 421,155** | **$ 243,670** | **$ (4,894)** | **63.8%** | **36.9%** | **100.7%** |

| | Amounts | | Loss Ratio | |
|---|---|---|---|---|
| **Net Incurred Loss Activity For the Twelve Months Ended:** | **Dec. 31, 2011** | **Dec. 31, 2010** | **Dec. 31, 2011** | **Dec. 31, 2010** |
| Insurance Companies: | | | | |
| Loss and LAE payments | $ 277,823 | $ 278,969 | 58.8% | 63.5% |
| Change in reserves | 63,802 | 1,151 | 13.5% | 0.3% |
| Net incurred loss and LAE | 341,625 | 280,120 | 72.3% | 63.8% |
| Lloyd's Operations: | | | | |
| Loss and LAE payments | 104,482 | 112,578 | 47.7% | 50.9% |
| Change in reserves | 30,890 | 28,457 | 14.1% | 12.9% |
| Net incurred loss and LAE | 135,372 | 141,035 | 61.8% | 63.8% |
| Total | | | | |
| Loss and LAE payments | 382,305 | 391,547 | 55.3% | 59.3% |
| Change in reserves | 94,692 | 29,608 | 13.7% | 4.5% |
| **Net incurred loss and LAE** | **$ 476,997** | **$ 421,155** | **69.0%** | **63.8%** |

| **Impact of Prior Years Reserves Favorable / (Unfavorable) Development For the Twelve Months Ended:** | Amounts | | Loss Ratio Impact | |
|---|---|---|---|---|
| | **Dec. 31, 2011** | **Dec. 31, 2010** | **Dec. 31, 2011** | **Dec. 31, 2010** |
| Insurance Companies | $ (12,102) | $ 5,455 | -2.6% | 1.2% |
| Lloyd's Operations | 9,957 | 8,347 | 4.5% | 3.8% |
| Total | **$ (2,145)** | **$ 13,802** | **-0.3%** | **2.1%** |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Net Loss Data**

**($ in thousands)**

| **Net Loss Reserves, December 31, 2011:** | Case Reserves | IBNR Reserves | Total |
|---|---|---|---|
| Insurance Companies: | | | |
| Marine | $ 127,912 | $ 121,875 | $ 249,787 |

| | | | |
|---|---|---|---|
| Property Casualty | 185,822 | 296,177 | 481,999 |
| Professional Liability | 56,953 | 83,490 | 140,443 |
| Total Insurance Companies | 370,687 | 501,542 | 872,229 |
| Lloyd's Operations: | | | |
| Marine | 117,448 | 123,136 | 240,584 |
| Property Casualty | 37,877 | 25,846 | 63,723 |
| Professional Liability | 13,580 | 47,118 | 60,698 |
| Total Lloyd's Operations | 168,905 | 196,100 | 365,005 |
| **Total Net Loss Reserves** | **$ 539,592** | **$ 697,642** | **$ 1,237,234** |

| **Net Loss Reserves, December 31, 2010:** | **Case Reserves** | **IBNR Reserves** | **Total** |
|---|---|---|---|
| Insurance Companies: | | | |
| Marine | $ 107,147 | $ 109,361 | $ 216,508 |
| Property Casualty | 158,740 | 308,613 | 467,353 |
| Professional Liability | 46,096 | 78,469 | 124,565 |
| Total Insurance Companies | 311,983 | 496,443 | 808,426 |
| Lloyd's Operations: | | | |
| Marine | 111,914 | 112,708 | 224,622 |
| Property Casualty | 30,327 | 29,792 | 60,119 |
| Professional Liability | 9,904 | 39,471 | 49,375 |
| Total Lloyd's Operations | 152,145 | 181,971 | 334,116 |
| **Total Net Loss Reserves** | **$ 464,128** | **$ 678,414** | **$ 1,142,542** |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Investment Data**

**December 31, 2011**

As of December 31, 2011, the average quality of the investment portfolio as rated by S&P and Moody's was AA/Aa with an average duration of 3.6 years. The Company does not own any collateralized debt obligations (CDO's), collateralized loan obligations (CLO's) or asset backed commercial paper.

As of December 31, 2011, the Company owned two asset-backed securities approximating $0.8 million with subprime mortgage exposures. The securities have an effective maturity of 1.7 years. In addition, the Company owned a total of seven collateralized mortgage obligations and asset-backed securities approximating $1.9 million classified as Alt-A which is a credit category between prime and subprime. They have an effective maturity of 5.7 years. Such subprime and Alt-A categories are as defined by S&P. The Company is receiving principal and/or interest payments on all these securities and believes such amounts are fully collectible.

The following table sets forth our cash and investments as of December 31, 2011:

| **December 31, 2011** | **Value** | **Gross Gains** | **Gross (Losses)** | **Cost or Cost** | **OTTI in OCI** |
|---|---|---|---|---|---|
| | | ($ in thousands) | | | |
| Fixed maturities: | | | | | |
| U.S. Government Treasury bonds, agency bonds and foreign government bonds | $ 336,070 | $ 8,979 | $ (383) | $ 327,474 | $ -- |

| | | | | | |
|---|---|---|---|---|---|
| States, municipalities and political subdivisions | 410,836 | 28,887 | (108) | 382,057 | -- |
| Mortgage- and asset-backed securities: | | | | | |
| Agency mortgage-backed securities | 395,860 | 17,321 | (3) | 378,542 | -- |
| Residential mortgage obligations | 23,148 | 8 | (2,848) | 25,988 | (1,682) |
| Asset-backed securities | 48,934 | 695 | (75) | 48,314 | -- |
| Commercial mortgage-backed securities | 216,034 | 10,508 | (593) | 206,119 | -- |
| Subtotal | 683,976 | 28,532 | (3,519) | 658,963 | (1,682) |
| Corporate bonds | 457,187 | 15,743 | (6,772) | 448,216 | -- |
| Total fixed maturities | 1,888,069 | 82,141 | (10,782) | 1,816,710 | (1,682) |
| Equity securities - common stocks | 95,849 | 23,240 | (958) | 73,567 | -- |
| Short-term investments | 122,220 | -- | -- | 122,220 | -- |
| Cash | 127,360 | -- | -- | 127,360 | -- |
| Total | $ 2,233,498 | $ 105,381 | $ (11,740) | $ 2,139,857 | $ (1,682) |

**THE NAVIGATORS GROUP, INC. AND SUBSIDIARIES**

**Investment Data**

**December 31, 2011**

**($ in thousands)**

The following tables set forth our agency mortgage-backed securities and residential mortgage obligations, categorized by those issued by GNMA, FNMA and FHLMC and the quality category (prime, Alt-A and subprime) for all other such investments at December 31, 2011:

| **Agency mortgage-backed securities:** | **Fair Value** | **Gross Unrealized Gains** | **Gross Unrealized (Losses)** | **Cost or Amortized Cost** |
|---|---|---|---|---|
| GNMA | $ 124,612 | $ 7,113 | $ -- | $ 117,499 |
| FNMA | 191,197 | 8,072 | (3) | 183,128 |
| FHLMC | 80,051 | 2,136 | -- | 77,915 |
| Total | $ 395,860 | $ 17,321 | $ (3) | $ 378,542 |

| **Residential mortgage obligations:** | **Fair Value** | **Gross Unrealized Gains** | **Gross Unrealized (Losses)** | **Cost or Amortized Cost** |
|---|---|---|---|---|
| Prime | $ 12,831 | $ 8 | $ (2,279) | $ 15,102 |
| Alt-A | 1,926 | -- | (527) | 2,453 |
| Subprime | -- | -- | -- | -- |
| Non-US RMBS | 8,391 | -- | (42) | 8,433 |
| Total | $ 23,148 | $ 8 | $ (2,848) | $ 25,988 |

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