

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
November 01, 2007

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-31341

Platinum Underwriters Holdings, Ltd.
(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0416483
(I.R.S. Employer Identification
No.)

The Belvedere Building
69 Pitts Bay Road
Pembroke, Bermuda
(Address of principal executive
offices)

HM 08
(Zip Code)

(441) 295-7195
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated

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filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	X	Accelerated filer	Non-accelerated filer
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X_

As of October 19, 2007, there were outstanding 57,213,377 common shares, par value \$0.01 per share, of the registrant.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Platinum Underwriters Holdings, Ltd. and Subsidiaries

Consolidated Balance Sheets

(\$ in thousands, except share data)

	(Unaudited)	
	September 30, 2007	December 31, 2006
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost – \$3,472,488 and \$3,276,970, respectively)	\$ 3,425,874	\$ 3,226,354
Fixed maturity trading securities at fair value (amortized cost – \$169,437 and \$110,845, respectively)	166,579	108,291
Preferred stocks (cost – \$11,246 and \$11,246, respectively)	9,667	10,772
Other invested asset	–	4,745
Short-term investments	33,602	27,123
Total investments	3,635,722	3,377,285
Cash and cash equivalents	771,530	851,652
Accrued investment income	33,917	32,682
Reinsurance premiums receivable	299,295	377,183
Reinsurance recoverable on ceded losses and loss adjustment expenses	34,243	57,956
Prepaid reinsurance premiums	9,097	9,680
Funds held by ceding companies	165,495	238,499
Deferred acquisition costs	82,602	82,610
Income tax recoverable	7,991	7,515
Deferred tax assets	42,551	38,577
Other assets	117,737	19,928
Total assets	\$ 5,200,180	\$ 5,093,567
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 2,363,274	\$ 2,368,482
Unearned premiums	358,915	349,792
Reinsurance deposit liabilities	5,614	4,009
Debt obligations	292,840	292,840
Ceded premiums payable	1,528	17,597
Commissions payable	105,725	140,835
Deferred tax liabilities	–	4,234
Other liabilities	68,598	57,717
Total liabilities	3,196,494	3,235,506
Shareholders' Equity		
Preferred shares, \$.01 par value, 25,000,000 shares authorized, 5,750,000 shares issued and outstanding	57	57
Common shares, \$.01 par value, 200,000,000 shares authorized, 57,210,877 and 59,671,959 shares issued and outstanding, respectively	572	597
Additional paid-in capital	1,458,721	1,545,979

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Accumulated other comprehensive loss	(44,111)	(44,289)
Retained earnings	588,447	355,717
Total shareholders' equity	2,003,686	1,858,061
Total liabilities and shareholders' equity	\$ 5,200,180	\$ 5,093,567

See accompanying Notes to the Condensed Consolidated Financial Statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

For the Three and Nine Months Ended September 30, 2007 and 2006

(\$ in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue:				
Net premiums earned	\$ 290,310	339,609	871,076	\$ 1,020,975
Net investment income	54,283	48,302	160,666	137,165
Net realized gains (losses) on investments	(864)	(57)	(2,521)	22
Other income (expense)	(659)	1,714	(3,645)	(1,927)
Total revenue	343,070	389,568	1,025,576	1,156,235
Expenses:				
Net losses and loss adjustment expenses	163,923	191,428	510,267	585,666
Net acquisition expenses	51,445	74,994	156,392	220,285
Operating expenses	28,161	25,348	77,475	71,728
Net foreign currency exchange (gains) losses	(1,429)	228	(2,887)	(461)
Interest expense	5,457	5,452	16,368	16,352
Total expenses	247,557	297,450	757,615	893,570
Income before income tax expense	95,513	92,118	267,961	262,665
Income tax expense	4,210	7,195	13,175	18,958
Net income	91,303	84,923	254,786	243,707
Preferred dividends	2,602	2,602	7,806	7,780
Net income attributable to common shareholders	\$ 88,701	82,321	246,980	\$ 235,927
Earnings per share:				
Basic earnings per share	\$ 1.50	1.38	4.15	\$ 3.98
Diluted earnings per share	\$ 1.37	1.28	3.79	\$ 3.68
Comprehensive income:				
Net income	\$ 91,303	84,923	254,786	\$ 243,707
Other comprehensive income (loss):				
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	23,718	53,893	853	(6,002)
Cumulative translation adjustments	1	48	(675)	223
Comprehensive income	\$ 115,022	138,864	254,964	\$ 237,928
Shareholder dividends:				

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Preferred dividends declared	\$	2,602	2,602	7,806	\$	7,216
Preferred dividends declared per share		0.45	0.45	1.36		1.26
Common dividends declared		4,639	4,767	14,250		14,254
Common dividends declared per share	\$	0.08	0.08	0.24	\$	0.24

See accompanying Notes to the Condensed Consolidated Financial Statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the Nine Months Ended September 30, 2007 and 2006

(\$ in thousands)

	2007	2006
Preferred shares:		
Balances at beginning and end of periods	\$ 57	\$ 57
Common shares:		
Balances at beginning of period	597	590
Exercise of share options	10	5
Issuance of restricted shares	–	1
Purchase of common shares	(35)	–
Balances at end of period	572	596
Additional paid-in-capital:		
Balances at beginning of period	1,545,979	1,527,316
Exercise of common share options	22,629	12,224
Share based compensation	6,102	5,155
Purchase of common shares	(116,938)	–
Tax benefit of share options	949	–
Transfer of unearned common share grant compensation	–	(2,467)
Balances at end of period	1,458,721	1,542,228
Unearned common share grant compensation:		
Balances at beginning of period	–	(2,467)
Transfer of unearned common share grant compensation	–	2,467
Balances at end of period	–	–
Accumulated other comprehensive loss:		
Balances at beginning of period	(44,289)	(40,718)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred tax	853	(6,002)
Net change in cumulative translation adjustments	(675)	223
Balances at end of period	(44,111)	(46,497)
Retained earnings:		
Balances at beginning of period	355,717	55,471
Net income	254,786	243,707
Preferred share dividends	(7,806)	(7,780)
Common share dividends	(14,250)	(14,254)
Balances at end of period	588,447	277,144
Total shareholders' equity	\$ 2,003,686	\$ 1,773,528

See accompanying Notes to the Condensed Consolidated Financial Statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2007 and 2006
(\$ in thousands)

	2007	2006
Operating Activities:		
Net income	\$ 254,786	\$ 243,707
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	9,580	12,298
Net realized (gains) losses on investments	2,521	(22)
Net foreign currency exchange gains	(2,887)	(461)
Share based compensation	6,102	5,155
Deferred income tax expense	(9,960)	(2,446)
Trading securities activities	(45,124)	(15,019)
Changes in assets and liabilities:		
Increase in accrued investment income	(1,235)	(1,126)
Decrease in reinsurance premiums receivable	81,568	182,397
Decrease in funds held by ceding companies	73,004	42,270
Decrease in deferred acquisition costs	8	40,605
Increase in net unpaid losses and loss adjustment expenses	6,627	35,723
Increase (decrease) in net unearned premiums	9,706	(115,220)
Increase (decrease) in reinsurance deposit liabilities	1,605	(2,045)
Increase (decrease) in ceded premiums payable	(16,069)	10,066
Decrease in commissions payable	(35,110)	(42,982)
Net changes in other assets and liabilities	7,758	66,521
Other net	935	577
Net cash provided by operating activities	343,815	459,998
Investing Activities:		
Proceeds from sale of available-for-sale fixed maturity securities	84,816	195,899
Proceeds from maturity or paydown of available-for-sale fixed maturity securities	840,229	184,609
Acquisition of available-for-sale fixed maturity securities	(1,231,479)	(847,276)
Proceeds from sale of other invested asset	4,745	—
Net change in short-term investments	(5,859)	(31,412)
Net cash used in investing activities	(307,548)	(498,180)
Financing Activities:		
Dividends paid to preferred shareholders	(7,806)	(7,216)
Dividends paid to common shareholders	(14,250)	(14,254)
Proceeds from exercise of share options	22,640	12,229
Purchase of common shares	(116,973)	—
Net cash used in financing activities	(116,389)	(9,241)
Net increase (decrease) in cash and cash equivalents	(80,122)	(47,423)
Cash and cash equivalents at beginning of period	851,652	820,746
Cash and cash equivalents at end of period	\$ 771,530	\$ 773,323
Supplemental disclosures of cash flow information:		
Income taxes paid (recovered)	\$ 21,470	\$ (3,342)
Interest paid	\$ 16,110	\$ 16,109

See accompanying Notes to the Condensed Consolidated Financial Statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2007 and 2006

1. Basis of Presentation

Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") is a Bermuda holding company organized in 2002. We provide property and marine, casualty and finite risk reinsurance coverages, through reinsurance intermediaries, to a diverse clientele of insurers and select reinsurers on a worldwide basis. Platinum Holdings and its subsidiaries (collectively, the "Company") operate through two licensed reinsurance subsidiaries: Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda") and Platinum Underwriters Reinsurance, Inc. ("Platinum US"). Through December 31, 2006 we also underwrote business through Platinum Re (UK) Limited ("Platinum UK"), our other licensed reinsurance subsidiary. In 2007 Platinum UK ceased underwriting reinsurance business.

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of Platinum Holdings and its consolidated subsidiaries, including Platinum Bermuda, Platinum US, Platinum UK, Platinum Underwriters Finance, Inc. ("Platinum Finance"), Platinum Regency Holdings ("Platinum Regency"), Platinum Administrative Services, Inc. and Platinum UK Services Company Limited. The terms "we", "us", and "our" also refer to Platinum Holdings and its consolidated subsidiaries, unless the context otherwise indicates. All material inter-company transactions have been eliminated in preparing these condensed consolidated financial statements. The condensed consolidated financial statements included in this report as of and for the three and nine months ended September 30, 2007 and 2006 are unaudited and include adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2006.

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. The results of operations for any interim period are not necessarily indicative of results for the full year.

Recently Effective Accounting Standards

In February 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Instruments, an Amendment of FASB Statements No. 133 and 140" ("SFAS 155"). SFAS 155 requires that investments in securitized financial instruments, such as mortgage-backed and asset-backed securities, be evaluated to identify whether they are freestanding investments or hybrid financial instruments containing an embedded derivative that requires bifurcation. Subsequent to the issuance of SFAS 155, the FASB issued additional guidance in the form of Implementation Issue B40. Implementation Issue B40 provides a narrow scope exception for certain securitized interests in prepayable financial assets, subject to certain criteria. Securitized financial instruments with the potential for prepayment are evaluated under SFAS 155 and related guidance, possibly resulting in the bifurcation of an embedded derivative. The embedded derivative is recorded at fair value, with unrealized gains and losses included in other income (expense) and the related deferred income tax included in income tax expense. SFAS 155 and related guidance is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring for the Company after December 31, 2006. We do not have any securities with embedded derivatives that require bifurcation under SFAS 155.

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48") on January 1, 2007. FIN 48 prescribes a recognition threshold

and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 did not have any effect on our results of operations or financial condition. We did not have any unrecognized tax benefits as of January 1, 2007 or September 30, 2007.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). This statement defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements in accordance with generally accepted accounting principles. SFAS 157 clarifies that fair value is a market-based measurement, not an entity-specific measurement, focuses on how to measure fair value and establishes a three-level hierarchy for both measurement and disclosure purposes. Under SFAS 157, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact, if any, of the adoption of SFAS 157 on our financial condition and results of operations.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits an entity to irrevocably elect fair value on a contract-by-contract basis as the initial and subsequent measurement attribute for many financial assets and liabilities and certain other items. Most provisions of SFAS 159 are elective. Entities electing the fair value measurement attribute of SFAS 159 would be required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating which financial assets and liabilities, if any, that we would elect to account for using the fair value measurement attribute of SFAS 159 and the impact, if any, on our financial condition and results of operations.

2. Investments

Investments classified as available-for-sale are carried at fair value as of the balance sheet date. Net change in unrealized investment gains and losses on available-for-sale securities, net of deferred taxes, for the nine months ended September 30, 2007 and 2006 were as follows (\$ in thousands):

	2007	2006
Available-for-sale securities	\$ 2,894	\$ (5,782)
Less - deferred taxes	(2,041)	(220)
Net change in unrealized investment gains and losses	\$ 853	\$ (6,002)

Gross unrealized gains and losses on available-for-sale securities as of September 30, 2007 were \$5,621,000 and \$53,814,000, respectively. As of September 30, 2007 there were a total of 556 issues in an unrealized loss position in our investment portfolio, with the single largest unrealized loss being \$1,797,000. Corporate, mortgage-backed and asset-backed securities represent our largest categories within our available-for-sale portfolio and consequently accounted for the greatest amount of our overall unrealized loss as of September 30, 2007. Investment holdings within our corporate portfolio were diversified across approximately 30 industry sectors, ranging from aerospace to telecommunications, and within each sector across many individual issuers and issues. As of September 30, 2007 there were 245 corporate issues in an unrealized loss position, with the single largest unrealized loss being \$929,000. Investment holdings within the mortgage-backed and asset-backed portfolio were diversified across a number of sub-categories. As of September 30, 2007 there were 249 issues within the mortgage-backed and asset-backed portfolio in an unrealized loss position, with the single largest unrealized loss being \$1,797,000. Overall, our unrealized loss position as of September 30, 2007 was primarily the result of interest rate increases that impacted all investment categories.

The unrealized losses on securities classified as available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2007, were as follows (\$ in thousands):

	Fair Value	Unrealized Loss
Less than twelve months:		
U.S. Government	\$ 7,419	\$ 148
Corporate bonds	578,231	4,874
Mortgage-backed and asset-backed securities	445,858	9,215
Municipal bonds	6,496	58
Foreign governments and states	11,784	75

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Total	1,049,788	14,370
Twelve months or more:		
U.S. Government	\$ 36,393	\$ 964
Corporate bonds	714,104	16,511
Mortgage-backed and asset-backed securities	579,562	18,344
Municipal bonds	169,365	1,789
Foreign governments and states	22,917	257
Preferred stocks	9,667	1,579
Total	1,532,008	39,444

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

	Fair Value	Unrealized Loss
Total of securities with unrealized losses:		
U.S. Government	43,812	1,112
Corporate bonds	1,292,335	21,385
Mortgage-backed and asset-backed securities	1,025,420	27,559
Municipal bonds	175,861	1,847
Foreign governments and states	34,701	332
Preferred stocks	9,667	1,579
Total	\$ 2,581,796	\$ 53,814

We routinely review our available-for-sale investments to determine whether unrealized losses represent temporary changes in fair value or were the result of "other-than-temporary impairments." The process of determining whether a security is other than temporarily impaired is subjective and involves analyzing many factors. These factors include but are not limited to: the overall financial condition of the issuer, the length and magnitude of an unrealized loss, specific credit events, the collateral structure and credit support that may be applicable to asset and mortgage-backed securities. We also consider our ability and intent to hold a security for a sufficient period of time for the value to recover the unrealized loss, which is based, in part, on current and anticipated future positive net cash flows from operations that generate sufficient liquidity in order to meet our obligations. If we determine that an unrealized loss on a security is other than temporary, we write down the carrying value of the security and record a realized loss in the consolidated statement of operations. We recorded a charge of \$809,000 relating to other-than-temporary impairments which was included within net realized losses on investments in the consolidated statement of operations.

As of December 31, 2006, other invested asset represented an investment in Inter-Ocean Holdings Ltd., a privately held reinsurance company. During the first quarter of 2007 we sold this investment at its carrying value, resulting in no gain or loss.

3. Earnings Per Share

The following is a calculation of the basic and diluted earnings per common share for the three and nine months ended September 30, 2007 and 2006 (in thousands, except per share data):

	Net Income	Weighted Average Common Shares Outstanding	Earnings Per Common Share
Three Months Ended September 30, 2007:			
Basic earnings per share:			
Net income attributable to common shareholders	\$ 88,701	58,946	\$ 1.50
Effect of dilutive securities:			
Common share options, restricted common shares and common share units	–	2,711	
Conversion of preferred shares	–	5,053	
Preferred share dividends	2,602	–	
Adjusted net income for diluted earnings per share	\$ 91,303	66,710	\$ 1.37

Three Months Ended September 30, 2006:

Basic earnings per share:

Net income attributable to common shareholders	\$	82,321	59,537	\$	1.38
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Effect of dilutive securities:

Common share options, restricted common shares and common share units					
-----------------------------------------------------------------------	--	--	--	--	--

	-	1,233
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Conversion of preferred shares					
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	-	5,750
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Preferred share dividends		2,602			-
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Adjusted net income for diluted earnings per share	\$	84,923	66,520	\$	1.28
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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

	Net Income	Weighted Average Common Shares Outstanding	Earnings Per Common Share
Nine Months Ended September 30, 2007:			
Basic earnings per share:			
Net income attributable to common shareholders	\$ 246,980	59,572	\$ 4.15
Effect of dilutive securities:			
Common share options, restricted common shares and common share units	–	2,499	
Conversion of preferred shares	–	5,223	
Preferred share dividends	7,806	–	
Adjusted net income for diluted earnings per share	\$ 254,786	67,294	\$ 3.79
Nine Months Ended September 30, 2006:			
Basic earnings per share:			
Net income attributable to common shareholders	\$ 235,927	59,287	\$ 3.98
Effect of dilutive securities:			
Common share options, restricted common shares and common share units	–	1,236	
Conversion of preferred shares	–	5,750	
Preferred share dividends	7,780	–	
Adjusted net income for diluted earnings per share	\$ 243,707	66,273	\$ 3.68

4. Operating Segment Information

We conduct our worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. The Property and Marine operating segment includes principally property and marine reinsurance coverages that are written in the United States and international markets. This operating segment includes property reinsurance, crop reinsurance and marine and aviation reinsurance. The Property and Marine operating segment includes reinsurance contracts that are either catastrophe excess-of-loss, per-risk excess-of-loss or proportional contracts. The Casualty operating segment includes principally reinsurance contracts that cover umbrella liability, general and product liability, professional liability, workers' compensation, casualty clash, automobile liability, surety, trade credit, political risk and accident and health. The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. In exchange for contractual features that limit our downside risk, reinsurance contracts that we classify as finite risk provide the potential for significant profit commission to the ceding company. The classes of risks underwritten through finite risk contracts are generally consistent with the classes covered by traditional products. The finite risk contracts that we underwrite generally provide prospective protection, meaning coverage is provided for losses that are incurred after inception of the contract, as contrasted with retrospective coverage, which covers losses that are incurred prior to inception of the contract. The three main categories of finite risk contracts are quota share, multi-year excess-of-loss and whole account aggregate stop loss.

In managing our operating segments, we use measures such as underwriting income and underwriting ratios to evaluate segment performance. We do not allocate by segment our assets or certain income and expenses such as

investment income, interest expense and certain corporate expenses. Total underwriting income is reconciled to income before income tax expense. The measures we use in evaluating our operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the operating segments, together with a reconciliation of total underwriting income to income before income tax expense, for the three and nine months ended September 30, 2007 and 2006 (\$ in thousands):

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

	Property and Marine	Casualty	Finite Risk	Total
Three months ended September 30, 2007:				
Net premiums written	\$ 142,549	141,214	8,369	\$ 292,132
Net premiums earned	128,380	153,938	7,992	290,310
Net losses and LAE	43,396	110,365	10,162	163,923
Net acquisition expenses	18,549	33,403	(507)	51,445
Other underwriting expenses	12,086	8,304	367	20,757
Segment underwriting income (loss)	\$ 54,349	1,866	(2,030)	54,185
Net investment income				54,283
Net realized losses on investments				(864)
Net foreign currency exchange gains				1,429
Other expense				(659)
Corporate expenses not allocated to segments				(7,404)
Interest expense				(5,457)
Income before income tax expense				\$ 95,513
Ratios:				
Net loss and LAE	33.8%	71.7%	127.2%	56.5%
Net acquisition expense	14.4%	21.7%	(6.3%)	17.7%
Other underwriting expense	9.4%	5.4%	4.6%	7.1%
Combined	57.6%	98.8%	125.5%	81.3%
Three months ended September 30, 2006:				
Net premiums written	\$ 83,018	202,302	12,680	\$ 298,000
Net premiums earned	97,686	214,427	27,496	339,609
Net losses and LAE	17,181	149,698	24,549	191,428
Net acquisition expenses	14,895	54,503	5,596	74,994
Other underwriting expenses	8,608	9,464	1,991	20,063
Segment underwriting income (loss)	\$ 57,002	762	(4,640)	53,124
Net investment income				48,302
Net realized gains on investments				(57)
Net foreign currency exchange gains				(228)
Other expense				1,714
Corporate expenses not allocated to segments				(5,285)
Interest expense				(5,452)
Income before income tax expense				\$ 92,118
Ratios:				
Net loss and LAE	17.6%	69.8%	89.3%	56.4%
Acquisition expense	15.2%	25.4%	20.4%	22.1%

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Other underwriting expense	8.8%	4.4%	7.2%	5.9%
Combined	41.6%	99.6%	116.9%	84.4%

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

	Property and Marine	Casualty	Finite Risk	Total
Nine Months Ended September 30, 2007:				
Net premiums written	\$ 399,429	455,945	23,398	\$ 878,772
Net premiums earned	373,226	471,802	26,048	871,076
Net losses and LAE	149,265	340,740	20,262	510,267
Net acquisition expenses	50,748	105,499	145	156,392
Other underwriting expenses	32,696	21,463	1,994	56,153
Segment underwriting income	\$ 140,517	4,100	3,647	148,264
Net investment income				160,666
Net realized losses on investments				(2,521)
Net foreign currency exchange gains				2,887
Other expense				(3,645)
Corporate expenses not allocated to segments				(21,322)
Interest expense				(16,368)
Income before income tax expense				\$ 267,961
Ratios:				
Net loss and LAE	40.0%	72.2%	77.8%	58.6%
Net acquisition expense	13.6%	22.4%	0.6%	18.0%
Other underwriting expense	8.8%	4.5%	7.7%	6.4%
Combined	62.4%	99.1%	86.1%	83.0%
Nine Months Ended September 30, 2006:				
Net premiums written	\$ 333,906	583,950	(16,816)	\$ 901,040
Net premiums earned	342,322	573,168	105,485	1,020,975
Net losses and LAE	104,876	394,087	86,703	585,666
Net acquisition expenses	55,783	141,025	23,477	220,285
Other underwriting expenses	27,642	23,487	3,935	55,064
Segment underwriting income (loss)	\$ 154,021	14,569	(8,630)	159,960
Net investment income				137,165
Net realized gains on investments				22
Net foreign currency exchange gains				461
Other expense				(1,927)
Corporate expenses not allocated to segments				(16,664)
Interest expense				(16,352)
Income before income tax expense				\$ 262,665
Ratios:				
Net loss and LAE	30.6%	68.8%	82.2%	57.4%
Net acquisition expense	16.3%	24.6%	22.3%	21.6%
Other underwriting expense	8.1%	4.1%	3.7%	5.4%
Combined	55.0%	97.5%	108.2%	84.4%

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

5. Income Taxes

We provide for income tax expense based upon income reported in the condensed consolidated financial statements and the provisions of currently enacted tax laws. Platinum Holdings and Platinum Bermuda are incorporated in Bermuda. Under current Bermuda law, they are not taxed on any Bermuda income or capital gains and they have received an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings or Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 28, 2016. We also have subsidiaries in the United States, United Kingdom and Ireland that are subject to the tax laws thereof. The income tax returns of our U.S. based subsidiaries that remain open to examination are for calendar years 2003 and forward.

A reconciliation of expected income tax expense, computed by applying a 35% income tax rate to income before income taxes, to actual income tax expense for the nine months ended September 30, 2007 and 2006 was as follows (\$ in thousands):

	2007	2006
Expected income tax expense at 35%	\$ 93,786	\$ 91,933
Effect of foreign income subject to tax at rates other than 35%	(82,931)	(71,726)
Tax exempt investment income	(1,112)	(1,281)
Other, net	3,432	32
Income tax expense	\$ 13,175	\$ 18,958

6. Condensed Consolidating Financial Information

Platinum Finance is a U.S. based intermediate holding company and a wholly owned subsidiary of Platinum Regency. The outstanding Series B 7.5% Notes, due June 1, 2017, issued by Platinum Finance are fully and unconditionally guaranteed by Platinum Holdings. The outstanding Series B 6.371% Remarketed Senior Guaranteed Notes, due November 16, 2007, issued by Platinum Finance are also fully and unconditionally guaranteed by Platinum Holdings.

The payment of dividends from our regulated reinsurance subsidiaries is limited by applicable laws and statutory requirements of the jurisdictions in which the subsidiaries operate, including Bermuda, the United States and the United Kingdom. Based on the regulatory restrictions of the applicable jurisdictions, the maximum amount available for payment of dividends or other distributions by the reinsurance subsidiary of Platinum Finance in 2007 without prior regulatory approval is estimated to be approximately \$13,000,000. The maximum amount available for payment of dividends or other distributions by the reinsurance subsidiaries of Platinum Holdings in 2007, including the reinsurance subsidiary of Platinum Finance, without prior regulatory approval is estimated to be approximately \$307,000,000.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

The tables below present condensed consolidating financial information of Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of September 30, 2007 and December 31, 2006 and for the three and nine months ended September 30, 2007 and 2006 (\$ in thousands):

Condensed Consolidating Balance Sheet September 30, 2007	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	\$ -	9,119	3,626,603	-	\$ 3,635,722
Investment in subsidiaries	1,859,429	501,753	287,157	(2,648,339)	-
Cash and cash equivalents	138,753	42,227	590,550	-	771,530
Reinsurance assets	-	-	590,732	-	590,732
Other assets	12,351	7,285	182,560	-	202,196
Total assets	\$ 2,010,533	560,384	5,277,602	(2,648,339)	\$ 5,200,180
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	\$ -	-	2,835,056	-	\$ 2,835,056
Debt obligations	-	292,840	-	-	292,840
Other liabilities	6,847	7,403	54,348	-	68,598
Total liabilities	6,847	300,243	2,889,404	-	3,196,494
Shareholders' Equity					
Preferred shares	57	-	-	-	57
Common shares	572	-	6,250	(6,250)	572
Additional paid-in capital	1,458,721	193,152	1,896,356	(2,089,508)	1,458,721
Accumulated other comprehensive loss	(44,111)	(7,325)	(51,218)	58,543	(44,111)
Retained earnings	588,447	74,314	536,810	(611,124)	588,447
Total shareholders' equity	2,003,686	260,141	2,388,198	(2,648,339)	2,003,686
Total liabilities and shareholders' equity	\$ 2,010,533	560,384	5,277,602	(2,648,339)	\$ 5,200,180

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

Condensed Consolidating Balance Sheet December 31, 2006	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	\$ –	11,342	3,365,943	–	\$ 3,377,285
Investment in subsidiaries	1,749,762	475,194	402,098	(2,627,054)	–
Cash and cash equivalents	106,039	39,294	706,319	–	851,652
Reinsurance assets	–	–	765,928	–	765,928
Income tax recoverable	–	(1,418)	8,933	–	7,515
Other assets	9,296	3,792	78,099	–	91,187
Total assets	\$ 1,865,097	528,204	5,327,320	(2,627,054)	\$ 5,093,567
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	\$ –	–	2,880,715	–	\$ 2,880,715
Debt obligations	–	292,840	–	–	292,840
Other liabilities	7,036	2,024	52,891	–	61,951
Total liabilities	7,036	294,864	2,933,606	–	3,235,506
Shareholders' Equity					
Preferred shares	57	–	–	–	57
Common shares	597	–	6,250	(6,250)	597
Additional paid-in capital	1,545,979	192,203	2,051,468	(2,243,671)	1,545,979
Accumulated other comprehensive loss	(44,289)	(9,071)	(55,012)	64,083	(44,289)
Retained earnings	355,717	50,208	391,008	(441,216)	355,717
Total shareholders' equity	1,858,061	233,340	2,393,714	(2,627,054)	1,858,061
Total liabilities and shareholders' equity	\$ 1,865,097	528,204	5,327,320	(2,627,054)	\$ 5,093,567

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2007 and 2006

Consolidating Statement of Operations For the Three Months Ended September 30, 2007	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	\$ —	—	290,310	—	\$ 290,310
Net investment income	2,526	644	51,113	—	54,283
Net realized losses on investments	—	—	(864)	—	(864)
Other income (expense), net	2,623	—	(3,282)	—	(659)
Total revenue	5,149	644	337,277	—	343,070
Expenses:					
Net losses and loss adjustment expenses	—	—	163,923	—	163,923
Net acquisition expenses	—	—	51,445	—	51,445
Operating expenses	7,256	105	20,800	—	28,161
Net foreign currency exchange gains	—	—	(1,429)	—	(1,429)
Interest expense	—	5,457	—	—	5,457
Total expenses	7,256				