PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
October 28, 2011

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011

OR

o 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 X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	X		Accelerated filer
Non-accelerated filer		(Do not check if a smaller reporting company)	Smaller reporting company

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

The registrant had 37,330,450 common shares, par value $0.01 per share, outstanding as of October 14, 2011.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Balance Sheets
($ in thousands, except share data)

	(Unaudited) September 30, 2011	December 31, 2010
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost - $2,351,803 and $2,889,502, respectively)	$2,496,649	$2,865,827
Fixed maturity trading securities at fair value (amortized cost - $151,539 and $174,631, respectively)	160,676	182,146
Short-term investments	538,887	176,648
Total investments	3,196,212	3,224,621
Cash and cash equivalents	1,127,305	987,877
Accrued investment income	32,682	31,288
Reinsurance premiums receivable	152,633	162,682
Reinsurance recoverable on ceded losses and loss adjustment expenses	41,599	13,973
Prepaid reinsurance premiums	15,426	4,461
Funds held by ceding companies	91,886	84,078
Deferred acquisition costs	31,417	36,584
Deferred tax assets	31,670	47,777
Other assets	27,165	20,972
Total assets	$4,747,995	$4,614,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$2,468,987	$2,217,378
Unearned premiums	141,814	154,975
Debt obligations	250,000	250,000
Commissions payable	56,413	59,388
Other liabilities	103,869	37,117
Total liabilities	$3,021,083	$2,718,858
Shareholders' Equity		
Common shares, $0.01 par value, 200,000,000 shares authorized, 37,330,450 and 37,757,926 shares issued and outstanding, respectively	$373	$377
Additional paid-in capital	373,790	453,619
Accumulated other comprehensive income (loss)	126,838	(24,488)
Retained earnings	1,225,911	1,465,947
Total shareholders' equity	$1,726,912	$1,895,455
Total liabilities and shareholders' equity	$4,747,995	$4,614,313

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)
For the Three and Nine Months Ended September 30, 2011 and 2010
($ in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue:				
Net premiums earned	$ 166,813	$ 183,404	$ 522,130	$ 595,014
Net investment income	29,762	31,078	96,105	103,955
Net realized gains (losses) on investments	7,498	44,351	3,216	99,297
Total other-than-temporary impairment losses	(8,315)	(6,624)	(7,815)	(17,485)
Portion of impairment losses recognized in accumulated other comprehensive income (loss)	3,864	2,576	191	(8,075)
Net impairment losses on investments	(4,451)	(4,048)	(7,624)	(25,560)
Other income (expense)	(198)	(171)	838	(42)
Total revenue	199,424	254,614	614,665	772,664
Expenses:				
Net losses and loss adjustment expenses	201,453	79,094	680,405	315,137
Net acquisition expenses	30,208	32,517	98,273	113,934
Net changes in fair value of derivatives	4,546	4,154	5,294	6,499
Operating expenses	14,755	20,004	49,011	61,905
Net foreign currency exchange losses (gains)	(982)	235	(179)	(1,061)
Interest expense	4,769	4,763	14,302	14,232
Total expenses	254,749	140,767	847,106	510,646
Income (loss) before income taxes	(55,325)	113,847	(232,441)	262,018
Income tax expense (benefit)	(1,790)	20,185	(1,313)	28,796
Net income (loss)	$ (53,535)	$ 93,662	$ (231,128)	$ 233,222
Earnings (loss) per common share:				
Basic earnings (loss) per common share	$ (1.43)	$ 2.31	$ (6.18)	$ 5.42
Diluted earnings (loss) per common share	$ (1.43)	$ 2.13	$ (6.18)	$ 5.04
Comprehensive income (loss):				
Net income (loss)	$ (53,535)	$ 93,662	$ (231,128)	$ 233,222
Other comprehensive income – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	86,804	45,895	151,326	128,600
Comprehensive income (loss)	$ 33,269	$ 139,557	$ (79,802)	$ 361,822
Shareholder dividends:				
Common shareholder dividends declared	$ 2,975	$ 3,246	$ 8,908	$ 10,301
Dividends declared per common share	$ 0.08	$ 0.08	$ 0.24	$ 0.24

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2011 and 2010
($ in thousands)

	2011	2010
Common shares:		
Balances at beginning of period	$ 377	$ 459
Exercise of common share options	-	10
Issuance of common shares	-	1
Settlement of equity awards	4	3
Repurchase of common shares	(8)	(80)
Balances at end of period	373	393
Additional paid-in capital:		
Balances at beginning of period	453,619	883,425
Exercise of common share options	1,222	29,552
Issuance of common shares	2	4
Share based compensation	3,127	10,607
Settlement of equity awards	(2,763)	(966)
Repurchase of common shares	(33,899)	(304,528)
Purchase of common share options	(47,900)	-
Income tax benefit from share based compensation	382	1,018
Balances at end of period	373,790	619,112
Accumulated other comprehensive income (loss):		
Balances at beginning of period	(24,488)	(70,005)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes:		
Change in unrealized gains and losses	151,012	122,691
Non-credit component of impairment losses	314	5,909
Balances at end of period	126,838	58,595
Retained earnings:		
Balances at beginning of period	1,465,947	1,263,852
Net income (loss)	(231,128)	233,222
Common share dividends	(8,908)	(10,301)
Balances at end of period	1,225,911	1,486,773
Total shareholders' equity	$ 1,726,912	$ 2,164,873

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2011 and 2010
($ in thousands)

	2011	2010
Operating Activities:		
Net income (loss)	$(231,128)	$233,222
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	3,031	9,468
Net realized gains on investments	(3,216)	(99,297)
Net impairment losses on investments	7,624	25,560
Net foreign currency exchange gains	(179)	(1,061)
Share-based compensation	3,127	10,607
Deferred income tax expense (benefit)	(1,088)	4,729
Fixed maturity trading securities activities, net	251	(28,985)
Changes in assets and liabilities:		
(Increase) decrease in accrued investment income	(1,601)	2,459
Decrease in reinsurance premiums receivable	11,092	94,328
(Increase) decrease in funds held by ceding companies	(8,529)	1,977
Decrease in deferred acquisition costs	5,157	611
Increase (decrease) in net unpaid losses and loss adjustment expenses	222,717	(150,517)
(Decrease) increase in net unearned premiums	(24,334)	3,558
Decrease in commissions payable	(3,042)	(32,106)
Changes in other assets and liabilities	58,264	(11,782)
Net cash provided by (used in) operating activities	38,146	62,771
Investing Activities:		
Proceeds from sale of fixed maturity available-for-sale securities	466,759	3,096,113
Proceeds from sale of fixed maturity trading securities	20,413	-
Proceeds from sale of preferred stocks	-	5,176
Proceeds from sale of short-term investments	27,995	17,110
Proceeds from maturity or paydown of fixed maturity available-for-sale securities	100,264	193,101
Proceeds from maturity of fixed maturity trading securities	5,000	-
Proceeds from maturity of short-term investments	234,946	293,325
Proceeds from sale of investment-related derivatives	3,094	-
Acquisition of fixed maturity available-for-sale securities	(35,783)	(2,114,820)
Acquisition of short-term investments	(630,203)	(450,156)
Acquisition of investment-related derivatives	(9,548)	-
Net cash provided by (used in) investing activities	182,937	1,039,849
Financing Activities:		
Dividends paid to common shareholders	(8,908)	(10,301)
Repurchase of common shares	(33,907)	(304,608)
Purchase of common share options	(47,900)	-
Proceeds from exercise of common share options	1,223	29,562
Net cash provided by (used in) financing activities	(89,492)	(285,347)
Effect of foreign currency exchange rate changes on cash	7,837	(1,431)

Net increase (decrease) in cash and cash equivalents	139,428	815,842
Cash and cash equivalents at beginning of period	987,877	682,784
Cash and cash equivalents at end of period	$1,127,305	$1,498,626
Supplemental disclosures of cash flow information:		
Income taxes paid	$749	$21,837
Interest paid	$9,375	$9,375

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2011 and 2010

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Consolidation

Platinum Underwriters Holdings, Ltd. (“Platinum Holdings”) is a holding company that is domiciled in Bermuda and was organized in 2002. Through our reinsurance subsidiaries, we provide property and marine, casualty and finite risk reinsurance coverages to a diverse clientele of insurers and select reinsurers on a worldwide basis.

Platinum Holdings and its consolidated subsidiaries (collectively, the “Company”) includes Platinum Holdings, Platinum Underwriters Bermuda, Ltd. (“Platinum Bermuda”), Platinum Underwriters Reinsurance, Inc. (“Platinum US”), 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" refer to the Company, unless the context otherwise indicates.

Platinum Regency is an intermediate holding company based in Ireland and a wholly owned subsidiary of Platinum Holdings. Platinum Finance is a U.S. based intermediate holding company and a wholly owned subsidiary of Platinum Regency. We operate through two licensed reinsurance subsidiaries, Platinum Bermuda, a Bermuda reinsurance company, and Platinum US, a U.S. reinsurance company. Platinum Bermuda is a wholly owned subsidiary of Platinum Holdings and Platinum US is a wholly owned subsidiary of Platinum Finance. Platinum Administrative Services, Inc. and Platinum UK Services Company Limited are subsidiaries that provide administrative support services to the Company.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. All material inter-company transactions and accounts have been eliminated in preparing these consolidated financial statements. The consolidated financial statements included in this report as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 are unaudited and include adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These 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, 2010.

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 as of 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 major estimates used in the preparation of the Company's consolidated financial statements, and therefore considered to be critical accounting estimates, include premiums written and earned, unpaid losses and loss adjustment expenses (“LAE”), reinsurance recoverable, valuation of investments and income taxes. In addition, estimates are used to evaluate risk transfer for assumed and ceded reinsurance transactions. Results of changes in estimates are reflected in results of operations in the period in which the change is made. The results of operations for any interim period are not necessarily indicative of results for the full year.

Certain prior period amounts have been reclassified in the consolidated statement of cash flows to conform to the 2011 presentation.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2011-05, “Presentation of Comprehensive Income” (“ASU 2011-05”). ASU 2011-05 requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Under the continuous statement approach, the statement would include the components and total of net income, the components and total of other comprehensive income and the total of comprehensive income. Under the two statement approach, the first statement would include the components and total of net income and the second statement would include the components and total of other comprehensive income and the total of comprehensive income. ASU 2011-05 does not change the items that must be reported in other comprehensive income. ASU 2011-05 is effective retrospectively for interim and annual periods beginning after December 15, 2011, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2011-05 on our financial statements.

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it already is required and permitted under U.S. GAAP or International Financial Reporting Standards (“IFRS”). For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. ASU 2011-04 is effective on a prospective basis for interim and annual periods beginning after December 15, 2011, with early adoption not permitted. In the period of adoption, a reporting entity will be required to disclose a change, if any, in valuation technique and related inputs that result from applying ASU 2011-04 and to quantify the total effect, if practicable. We are currently evaluating the impact of the adoption of ASU 2011-04 on our financial position, results of operations and disclosures.

In October 2010, the FASB issued ASU No. 2010-26, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts” (“ASU 2010-26”). ASU 2010-26 modifies the types of costs that may be deferred, allowing insurance companies to only defer costs directly related to successful acquisition of new or renewal contracts. These costs include incremental direct costs of successful contracts, the portion of employees’ salaries and benefits related to time spent on acquisition activities for successful contracts and other costs incurred in the acquisition of contracts. Additional disclosure of the type of acquisition costs capitalized is also required. ASU 2010-26 is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company’s annual period. We have evaluated the guidance and do not expect it to have an impact on our financial position, results of operations and disclosures.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

2. Investments

Available-for-sale Securities

The following table sets forth our fixed maturity available-for-sale securities as of September 30, 2011 and December 31, 2010 ($ in thousands):

		Included in Accumulated Other Comprehensive Income (Loss)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit portion of OTTI (1)
September 30, 2011:					
U.S. Government	$4,719	$379	$-	$5,098	$-
U.S. Government agencies	100,000	343	-	100,343	-
Municipal bonds	1,511,672	143,543	153	1,655,062	-
Non-U.S. governments	59,971	2,286	722	61,535	-
Corporate bonds	313,407	19,398	839	331,966	-
Commercial mortgage-backed securities	191,198	9,379	4,131	196,446	-
Residential mortgage-backed securities	144,846	3,174	23,594	124,426	20,157
Asset-backed securities	25,990	625	4,842	21,773	4,438
Total fixed maturity available-for-sale securities	$2,351,803	$179,127	$34,281	$2,496,649	$24,595
December 31, 2010:					
U.S. Government	$408,843	$267	$17,807	$391,303	$-
U.S. Government agencies	100,000	547	-	100,547	-
Municipal bonds	1,540,701	25,591	28,860	1,537,432	-
Non-U.S. governments	74,990	1,859	543	76,306	-
Corporate bonds	349,370	18,589	1,059	366,900	-
Commercial mortgage-backed securities	195,050	9,656	1,393	203,313	43
Residential mortgage-backed securities	192,345	3,601	29,488	166,458	15,794
Asset-backed securities	28,203	289	4,924	23,568	4,644
Total fixed maturity available-for-sale securities	$2,889,502	$60,399	$84,074	$2,865,827	$20,481

(1) The non-credit portion of other-than-temporary impairments ("OTTI") represents the amount of unrealized losses on impaired securities that were not realized in earnings as of the reporting date. These unrealized losses are included in gross unrealized losses as of September 30, 2011 and December 31, 2010.

Our available-for-sale securities are U.S. dollar denominated securities. U.S. Government agencies consist of securities issued by financial institutions under the Temporary Liquidity Guarantee Program guaranteed by the Federal Deposit Insurance Corporation. Non-U.S. governments consist primarily of securities issued by governments and financial institutions that are explicitly guaranteed by the respective government.

Trading Securities

The following table sets forth the fair value of our fixed maturity trading securities as of September 30, 2011 and December 31, 2010 ($ in thousands):

	September 30, 2011	December 31, 2010
Non-U.S. dollar denominated securities:		
Non-U.S. governments	$145,047	$140,089
U.S. Government agencies	15,629	15,903
Corporate bonds	-	68
Insurance-linked securities	-	26,086
Total fixed maturity trading securities	$160,676	$182,146

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

We elected to record our investments in insurance-linked securities at fair value. We use insurance-linked securities to actively manage our exposure to catastrophe loss. We believe that the various risk elements of insurance-linked securities are more appropriately accounted for in accordance with the fair value option attributes of FASB Accounting Standards Codification 825, "Financial Instruments" ("ASC 825"). The mark-to-market adjustments on securities recognized under ASC 825 contributed $0.1 million of net realized gains on investments and $1.2 million of net realized losses on investments for the three and nine months ended September 30, 2011, respectively, and contributed $0.3 million and $0.5 million of net realized gains on investments for the three and nine months ended September 30, 2010, respectively.

At acquisition, we determine our trading intent in the near term of our trading securities accounted for in accordance with ASC 825. If we do not intend to sell these securities in the near term, the purchases and sales are included in investing activities in our consolidated statements of cash flows, otherwise they are included in operating activities. For the nine months ended September 30, 2011, we had proceeds from sales and maturities of $20.4 million and $5.0 million, respectively, and no purchases of trading securities accounted for in accordance with ASC 825 that were included in investing activities on the statements of cash flows. For the nine months ended September 30, 2010, we had no purchases or sales of trading securities accounted for in accordance with ASC 825.

Short-term Investments

The following table sets forth the fair value of our short-term investments as of September 30, 2011 and December 31, 2010 ($ in thousands):

	September 30, 2011	December 31, 2010
U.S. dollar denominated securities:		
U.S. Government	$345,358	$130,054
U.S. Government agencies	80,372	-
Time deposits	-	250
Non-U.S. dollar denominated securities:		
Non-U.S. governments	113,157	46,344
Total short-term investments	$538,887	$176,648

Our U.S. dollar denominated short-term investments are accounted for as available-for-sale and our non-U.S. dollar denominated short-term investments are accounted for in accordance with the fair value option attributes of ASC 825. The mark-to-market adjustments on short-term investments recognized under ASC 825 contributed $0.1 million of mark-to-market adjustments to net realized gains on investments for both the three and nine months ended September 30, 2011, and no mark-to-market adjustments for the three and nine months ended September 30, 2010, respectively.

For the nine months ended September 30, 2011, we had proceeds from maturities of $93.6 million, purchases of $165.5 million and no proceeds from sales of non-U.S. dollar denominated short-term investments accounted for in accordance with ASC 825 that were included in investing activities on the statements of cash flows. For the nine months ended September 30, 2010, we had no proceeds from sales and maturities and no purchases of short-term investments accounted for in accordance with ASC 825.

Other-Than-Temporary Impairments

We analyze the creditworthiness of our municipal bond and corporate bond portfolios by reviewing various performance metrics of the issuer, including financial condition, credit ratings and other public information. We determined that none of our municipal bonds and corporate bonds were other-than-temporarily impaired for the three and nine months ended September 30, 2011 and 2010. As of September 30, 2011, the single largest unrealized loss within our municipal bond portfolio was $0.1 million related to a security with an amortized cost of $3.1 million. As of September 30, 2011, the single largest unrealized loss within our corporate bond portfolio was $0.8 million related to a security with an amortized cost of $6.3 million.

We analyze our commercial mortgage-backed securities ("CMBS") on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, debt-service-coverage ratios and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded no net impairment losses related to CMBS for the three months ended September 30, 2011 and 2010. We recorded no net impairment losses related to CMBS for the nine months ended September 30, 2011 and net impairment losses related to CMBS of $7.7 million for the nine months ended September 30, 2010. As of September 30, 2011, the single largest unrealized loss within our CMBS portfolio was $1.4 million related to a security with an amortized cost of $10.0 million.

Residential mortgage-backed securities ("RMBS") include U.S. Government agency RMBS and non-agency RMBS. Securities with underlying sub-prime mortgages as collateral are included in asset-backed securities ("ABS"). We analyze our non-agency RMBS and sub-prime ABS on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, prepayment speeds and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded net impairment losses related to non-agency RMBS of $3.9 million and $2.9 million for the three months ended September 30, 2011 and 2010, respectively, and $6.3 million and $5.6 million for the nine months ended September 30, 2011 and 2010, respectively. As of September 30, 2011, the single largest unrealized loss within our RMBS portfolio was $4.8 million related to a non-agency RMBS security with an amortized cost of $5.8 million.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

We also recorded net impairment losses related to sub-prime ABS of $0.6 million and $1.1 million for the three months ended September 30, 2011 and 2010, respectively, and $1.3 million and $12.2 million for the nine months ended September 30, 2011 and 2010, respectively. As of September 30, 2011, the single largest unrealized loss within our sub-prime ABS portfolio was $3.8 million related to a security with an amortized cost of $6.5 million.

The following table sets forth a summary of the cumulative credit losses recognized on our fixed maturity available-for-sale securities for the nine months ended September 30, 2011 and 2010 ($ in thousands):

	2011	2010
Beginning balance, January 1	$48,845	$18,695
Credit losses on securities not previously impaired	1,529	9,936
Additional credit losses on securities previously impaired	6,095	15,624
Reduction for paydowns and securities sold	(6,061)	-
Reduction for increases in cash flows expected to be collected	(420)	(325)
Ending balance, September 30	$49,988	$43,930

As of September 30, 2011, total cumulative credit losses related to CMBS, non-agency RMBS and sub-prime ABS. The cumulative credit losses we recorded on CMBS of $4.9 million were on four securities issued from 2006 to 2007. As of September 30, 2011, 9.0% of the mortgage pools backing these securities were 90 days or more past due and 0.3% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 17.7%. The cumulative credit losses we recorded on non-agency RMBS and sub-prime ABS of $45.1 million were on twenty-nine securities issued from 2004 to 2007. As of September 30, 2011, 18.2% of the mortgage pools backing these securities were 90 days or more past due and 4.8% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 8.0%.

Unrealized Gains and Losses

The following table sets forth the net changes in unrealized gains and losses on our available-for-sale securities for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross change in unrealized investment gains and losses	$91,559	$51,753	$168,521	$152,537
Less: deferred tax	(4,755)	(5,858)	(17,195)	(23,937)
Net change in unrealized investment gains and losses	$86,804	$45,895	$151,326	$128,600

The following table sets forth our gross unrealized losses on fixed maturity 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, 2011 and December 31, 2010 ($ in thousands):

	September 30, 2011		December 31, 2010	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

Less than twelve months:				
U.S. Government	$-	$-	$388,087	$17,807
Municipal bonds	9,063	86	670,592	28,773
Non-U.S. governments	-	-	4,455	543
Corporate bonds	8,766	837	37,334	1,059
Commercial mortgage-backed securities	25,850	2,176	-	-
Residential mortgage-backed securities	27,440	1,531	17,103	431
Asset-backed securities	1,366	52	-	-
Total	$72,485	$4,682	$1,117,571	$48,613

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

	September 30, 2011		December 31, 2010	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Twelve months or more:				
U.S. Government	$-	$-	$-	$-
Municipal bonds	2,991	67	2,032	87
Non-U.S. governments	4,276	722	-	-
Corporate bonds	1,996	2	-	-
Commercial mortgage-backed securities	5,752	1,955	22,016	1,393
Residential mortgage-backed securities	45,932	22,063	56,297	29,057
Asset-backed securities	17,784	4,790	21,816	4,924
Total	$78,731	$29,599	$102,161	$35,461
Total unrealized losses:				
U.S. Government	$-	$-	$388,087	$17,807
Municipal bonds	12,054	153	672,624	28,860
Non-U.S. governments	4,276	722	4,455	543
Corporate bonds	10,762	839	37,334	1,059
Commercial mortgage-backed securities	31,602	4,131	22,016	1,393
Residential mortgage-backed securities	73,372	23,594	73,400	29,488
Asset-backed securities	19,150	4,842	21,816	4,924
Total	$151,216	$34,281	$1,219,732	$84,074

The fair values of fixed maturity available-for-sale securities included in the table above relate only to securities in an unrealized loss position as of the reporting date.

We believe that the gross unrealized losses in our available-for-sale portfolio represent temporary declines in fair value. We believe that the unrealized losses are not necessarily predictive of ultimate performance and that the provisions we have made for net impairment losses are adequate. However, economic conditions may deteriorate more than expected and may adversely affect the expected cash flows of our securities, which in turn may lead to impairment losses being recorded in future periods. Conversely, economic conditions may improve more than expected and favorably increase the expected cash flows of our impaired securities, which would be earned through net investment income over the remaining life of the security.

Net Investment Income

The following table sets forth our net investment income for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fixed maturity securities	$28,399	$31,274	$92,811	$105,054
Short-term investments and cash and cash equivalents	2,012	510	5,592	1,097
Funds held	406	449	1,019	1,367

Subtotal	30,817	32,233	99,422	107,518
Less: investment expenses	1,055	1,155	3,317	3,563
Net investment income	$29,762	$31,078	$96,105	$103,955

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

Net Realized Gains and Losses on Investments

The following table sets forth our net realized gains and losses on investments for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross realized gains on the sale of investments	$3,892	$44,088	$8,313	$103,050
Gross realized losses on the sale of investments	(2)	(1,647)	(6,899)	(8,007)
Net realized gains (losses) on the sale of investments	3,890	42,441	1,414	95,043
Mark-to-market adjustments on trading securities	3,608	1,910	1,802	4,254
Net realized gains (losses) on investments	$7,498	$44,351	$3,216	$99,297

Maturities

The actual maturities of our fixed maturity available-for-sale and trading securities could differ from stated maturities due to call or prepayment provisions. The following table sets forth the amortized cost and fair value of our fixed maturity available-for-sale and trading securities by stated maturity as of September 30, 2011 ($ in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$192,814	$194,000
Due from one to five years	529,851	560,022
Due from five to ten years	562,638	605,658
Due in ten or more years	856,005	955,000
Mortgage-backed and asset-backed securities	362,034	342,645
Total	$2,503,342	$2,657,325

3. Fair Value Measurements

The fair values of our financial assets and liabilities are determined primarily through the use of observable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from external independent sources. Unobservable inputs reflect management's assumptions about what market participants' assumptions would be in pricing the asset or liability based on the best information available. We classify our financial assets and liabilities in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. This classification requires judgment in assessing the market and pricing methodologies for a particular security. The fair value hierarchy is comprised of the following three levels:

Level 1: Valuations are based on unadjusted quoted prices in active markets for identical financial assets or liabilities;

Level 2: Valuations of financial assets and liabilities are based on prices obtained from independent pricing vendors, index providers or broker-dealers using observable inputs; and

Level 3:	Valuations are based on unobservable inputs for assets and liabilities where there is little or no market activity. Management's assumptions and/or internal valuation pricing models may be used to determine the fair value of financial assets or liabilities.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

The following table presents the fair value measurement levels for all financial assets and liabilities which the Company has recorded at fair value as of September 30, 2011 and December 31, 2010 ($ in thousands):

		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
September 30, 2011:				
Financial assets:				
Investments:				
U.S. Government	$5,098	$5,098	$-	$-
U.S. Government agencies	115,972	-	115,972	-
Municipal bonds	1,655,062	-	1,655,062	-
Non-U.S. governments	206,582	55,171	151,411	-
Corporate bonds	331,966	-	331,966	-
Commercial mortgage-backed securities	196,446	-	196,446	-
Residential mortgage-backed securities	124,426	-	124,426	-
Asset-backed securities	21,773	-	21,277	496
Short-term investments	538,887	-	538,887	-
Derivative instruments	3,850	3,850	-	-
Total	$3,200,062	$64,119	$3,135,447	$496
Financial liabilities:				
Derivative instrument	-	-	-	-
Total	$-	$-	$-	$-
December 31, 2010:				
Financial assets:				
Investments:				
U.S. Government	$391,303	$391,303	$-	$-
U.S. Government agencies	116,450	-	116,450	-
Municipal bonds	1,537,432	-	1,537,432	-
Non-U.S. governments	216,395	57,643	158,752	-
Corporate bonds	366,968	-	366,968	-
Commercial mortgage-backed securities	203,313	-	203,313	-
Residential mortgage-backed securities	166,458	-	164,009	2,449
Asset-backed securities	23,568	-	22,499	1,069
Insurance-linked securities	26,086	-	26,086	-
Short-term investments	176,648	-	176,648	-
Total	$3,224,621	$448,946	$2,772,157	$3,518
Financial liabilities:				
Derivative instrument	4,871	-	-	4,871
Total	$4,871	$-	$-	$4,871

Our financial assets and liabilities recorded at fair value include fixed maturity securities, short-term investments and derivative instruments. The fair values of our fixed maturity securities and short-term investments are generally based on prices obtained from independent pricing vendors, index providers or broker-dealers using observable inputs. Fixed maturity securities are generally valued using the market approach. The inputs used to determine the fair value of our financial assets and liabilities are as follows:

U.S. Government	The fair values of U.S. Government securities were based on quoted prices in active markets for identical assets. The fair value measurements were classified as Level 1.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

U.S Government agencies	Our U.S. Government agencies portfolio consisted of securities issued by financial institutions guaranteed by the Federal Deposit Insurance Corporation. The observable inputs used to price these securities may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements were classified as Level 2.
Municipal bonds	The fair values of municipal bonds were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and economic indicators. The fair value measurements were classified as Level 2.
Non-U.S. governments	Our non-U.S. government bond portfolio consisted of securities issued primarily by governments, provinces, agencies and supranationals as well as debt issued by financial institutions that is guaranteed by a non-U.S. government. The fair values of non-U.S. government securities were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements were classified as Level 1 or Level 2.
Corporate bonds	The observable inputs used to price corporate issues may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and industry and economic indicators. The fair value measurements were classified as Level 2.
Commercial mortgage-backed securities	The fair values of CMBS were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2.
Residential mortgage-backed securities	Our RMBS portfolio was comprised of securities issued by U.S. Government agencies and by non-agency institutions. The observable inputs used to price U.S. Government agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, loan level information and prepayment speeds. The observable inputs used to price non-agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2 or Level 3.

Asset-backed securities	The fair values of ABS were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, type of collateral, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2 or Level 3.
Insurance-linked securities	The fair values of insurance-linked securities were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and specific catastrophic events. The fair value measurements were classified as Level 2.
Short-term investments	Short-term investments were carried at fair value based on observable inputs or carried at amortized cost which approximates fair value. The fair value measurements were classified as Level 2.
Derivative instruments	Our derivative instruments were comprised of interest rate options, commodity options and other derivative instruments. The fair values of our interest rate options and commodity options were based on quoted prices in active markets for identical assets and were classified as Level 1. The fair value of our other derivative instrument was determined by management primarily using unobservable inputs through the application of our own assumptions and internal valuation pricing models. Unobservable inputs used in the internal valuation pricing model included the unpaid contract premiums, probability of losses triggered under the covered perils for first and second events, the remaining time to the end of the annual contract period and the seasonality of risks. The valuation was based on the use of significant unobservable inputs and therefore the fair value measurement was classified as Level 3. See Note 4 for additional disclosure on our derivative instruments.

The following table reconciles the beginning and ending balance for our Level 3 financial assets and liabilities measured at fair value using significant unobservable inputs for the nine months ended September 30, 2011 and 2010 ($ in thousands):

	2011	2010
Beginning balance, January 1	$(1,353)	$(4,677)
Purchases	-	-
Issuances	-	-
Settlements	7,388	6,993
Sales, maturities and paydowns	(229)	-
Total net realized gains included in earnings	-	-
Total increase (decrease) in fair value of the derivative instrument included in earnings	(2,518)	(6,499)
Total net unrealized gains (losses) included in comprehensive income (loss)	1,075	-
Transfers in and/or out of Level 3	(3,867)	-
Ending balance, September 30	$496	$(4,183)
	$(2,518)	$(6,499)

Total increase (decrease) in fair value of the financial assets and liabilities included in earnings for the period	

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

We transferred $1.4 million of sub-prime ABS from Level 3 to Level 2 on June 30, 2011. We transferred $3.0 million of non-agency RMBS from Level 3 to Level 2 and $0.5 million of sub-prime ABS from Level 2 to Level 3 on September 30, 2011. The transfers were due to the sufficiency of evidence collected to validate the fair values we obtained from broker-dealers. There were no transfers from Level 1 during the nine months ended September 30, 2011 and there were no transfers between Levels 1, 2 or 3 during the nine months ended September 30, 2010.

The carrying amounts of our financial assets and liabilities were equal to fair values at September 30, 2011 and December 31, 2010, except for the debt obligations on our consolidated balance sheets. The debt obligations were recorded at cost with a carrying value of $250.0 million at September 30, 2011 and December 31, 2010, and had a fair value of $271.5 million and $260.9 million at September 30, 2011 and December 31, 2010, respectively.

4. Derivative Instruments

Our derivative instruments are recorded in the consolidated balance sheets at fair value as other assets or other liabilities, with changes in fair values and realized gains and losses recognized in net changes in fair value of derivatives in the consolidated statements of operations. None of our derivatives are designated as hedges under current accounting guidance. Our objectives for holding these derivatives are as follows:

Interest Rate Options

We use interest rate options within our portfolio of fixed maturity investments to manage our exposure to interest rate risk.

Commodity Options

We use commodity options to hedge certain underwriting risks.

Other Derivative Instrument

We use other derivatives to hedge certain underwriting risks.

In August 2008, we entered into a derivative agreement with Topiary Capital Limited ("Topiary"), a Cayman Islands special purpose vehicle, that provided us with the ability to recover up to $200.0 million if two catastrophic events involving U.S. wind, U.S. earthquake, European wind or Japanese earthquake occurred that met specified loss criteria during any of three annual periods commencing August 1, 2008. The derivative agreement with Topiary expired on July 31, 2011 and no recovery was made.

The following table summarizes the location and amounts of the derivative instruments on the consolidated balance sheets as of September 30, 2011 and December 31, 2010 ($ in thousands):

		September 30, 2011		December 31, 2010	
	Balance Sheet Location	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate options	Other assets	$ 160,000	$ 3,525	$ -	$ -
Commodity options	Other assets	5,000	325	-	-

Other derivative instrument	Other liabilities	$-	$-	$200,000	$4,871

The following table sets forth the net changes in fair value of derivatives in the consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest rate options	$2,929	$-	$2,929	$-
Commodity options	(153)	-	(153)	-
Other derivative instrument	1,770	4,154	2,518	6,499
Net changes in fair value of derivatives	$4,546	$4,154	$5,294	$6,499

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

5. Credit Facilities

Syndicated Credit Facility

On June 24, 2011, we entered into a three-year, $300.0 million credit facility (the "Syndicated Credit Facility") that amended and restated our existing credit facility. The Syndicated Credit Facility consists of a $100.0 million unsecured senior credit facility available for revolving borrowings and letters of credit and a $200.0 million secured senior credit facility available for letters of credit. Borrowings and letters of credit under the Syndicated Credit Facility are available for the working capital, liquidity and general corporate requirements of Platinum Holdings, Platinum Finance and our reinsurance subsidiaries. Platinum Holdings and Platinum Finance have unconditionally guaranteed the obligations of our reinsurance subsidiaries under the Syndicated Credit Facility. The Syndicated Credit Facility contains customary representations, warranties and covenants, including requirements to maintain a ratio of consolidated indebtedness to total capitalization of not greater than 0.35 to 1.0 and to maintain a consolidated tangible net worth of not less than the higher of (i) $1.25 billion or (ii) the sum of $1.258 billion plus 50% of net income for each fiscal year plus 75% of the aggregate increases in shareholders' equity resulting from the issuance or sale of shares minus the amount of any extraordinary dividend payment or repurchase of shares. In addition, each of our reinsurance subsidiaries must maintain a financial strength rating from A.M. Best Company, Inc. of at least B++ at all times. We are in compliance with the covenants under the Syndicated Credit Facility.

Letter of Credit Facility

On June 30, 2011, our reinsurance subsidiaries entered into a letter of credit facility in the maximum aggregate amount of $100.0 million (the "LOC Facility") that expires on December 31, 2013. Under the terms of the LOC Facility, up to $100.0 million is available for the issuance of letters of credit to support reinsurance obligations of our reinsurance subsidiaries. The LOC Facility contains customary representations, warranties and covenants. We are in compliance with the covenants under the LOC Facility.

The following table summarizes the outstanding letters of credit and the cash and cash equivalents and investments held in trust to collateralize letters of credit issued as of September 30, 2011 ($ in thousands):

	Letters of Credit		Collateral		
	Capacity	Issued	Cash	Investments	Total
Syndicated Credit Facility:					
Secured	$200,000	$116,230	$66,554	$67,936	$134,490
Unsecured	100,000	-	-	-	-
Total Syndicated Credit Facility	300,000	116,230	66,554	67,936	134,490
LOC Facility	100,000	1,780	-	2,075	2,075
Total	$400,000	$118,010	$66,554	$70,011	$136,565

6. Income Taxes

We provide for income tax expense or benefit based upon income reported in the consolidated financial statements and the provisions of currently enacted tax laws. Platinum Holdings and Platinum Bermuda are incorporated under the laws of Bermuda and are subject to Bermuda law with respect to taxation. Under current Bermuda law, they are not taxed on any Bermuda income or capital gains and they have received an assurance from the Bermuda Minister of Finance 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. Platinum Holdings also has subsidiaries based in the United States, the United Kingdom and Ireland that are subject to the tax laws thereof.

The 2003 income tax return of our U.S.-based subsidiaries is currently under examination by the U.S. Internal Revenue Service. The income tax returns that remain open to examination are for calendar years 2008 and forward.

7. Share Repurchases and Option Purchases

Our Board of Directors has authorized the repurchase of our common shares through a share repurchase program. Since the program was established, our Board of Directors has approved increases in the repurchase program from time to time, most recently on February 16, 2011, to result in authority as of such date to repurchase up to a total of $250.0 million of our common shares.

During the nine months ended September 30, 2011, in accordance with the share repurchase program, we repurchased 762,000 of our common shares in the open market for an aggregate cost of $33.9 million at a weighted average cost including commissions of $44.50 per share. The shares we repurchased were canceled. In January 2011, we purchased, for an aggregate of $47.9 million in cash, the common share options issued to RenaissanceRe Holdings Ltd. (“RenaissanceRe”) in connection with our initial public offering in 2002. The options provided RenaissanceRe with the right to purchase 2,500,000 common shares from us for $27.00 per share and were subsequently amended to provide for net share settlements. The options were purchased under our share repurchase program and were canceled. As of September 30, 2011, the remaining amount available under the repurchase program was $237.4 million.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

8. Earnings (Loss) per Common Share

The following is a reconciliation of the basic and diluted earnings (loss) per common share computations for the three and nine months ended September 30, 2011 and 2010 ($ and amounts in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Earnings (Loss)				
Basic and Diluted				
Net income (loss) available to common shareholders	$(53,535)	$93,662	$(231,128)	$233,222
Net income (loss) allocated to participating common shareholders (1)	(251)	-	(1,285)	-
Net income (loss) allocated to common shareholders	$(53,284)	$93,662	$(229,843)	$233,222
Common Shares				
Basic				
Weighted average common shares outstanding	37,183	40,485	37,165	43,029
Diluted				
Weighted average common shares outstanding	37,183	40,485	37,165	43,029
Effect of dilutive securities:				
Common share options	52	3,064	195	2,748
Restricted share units	125	495	218	486
Adjusted weighted average common shares outstanding	37,360	44,044	37,578	46,263
Earnings (Loss) Per Common Share				
Basic earnings (loss) per common share	$(1.43)	$2.31	$(6.18)	$5.42
Diluted earnings (loss) per common share (2)	$(1.43)	$2.13	$(6.18)	$5.04

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's share incentive plans that are considered to be participating securities.

(2) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.

9. Operating Segment Information

We have organized our worldwide reinsurance business into the following three operating segments: Property and Marine, Casualty and Finite Risk. The Property and Marine 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 segment includes reinsurance contracts that are either catastrophe excess-of-loss, per-risk excess-of-loss or proportional contracts. The Casualty segment includes reinsurance contracts that cover general and product liability, professional liability, accident and health, umbrella liability, workers' compensation, casualty clash, automobile liability, surety, trade credit, and political risk. We generally seek to write casualty reinsurance on an excess-of-loss basis. We write first dollar proportional casualty reinsurance contracts on an opportunistic basis. 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 risk, reinsurance contracts that we include in our Finite Risk segment typically provide the potential for significant profit commission to the ceding company. The classes of risks underwritten through our finite risk contracts are generally consistent with the classes covered by our traditional products. The finite risk reinsurance 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 net underwriting income and underwriting ratios to evaluate segment performance. We do not allocate assets or certain income and expenses such as net investment income, net realized gains and losses on investments, net impairment losses on investments, net changes in fair value of derivatives, net foreign currency exchange gains and losses, interest expense and certain corporate expenses by segment. 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 three operating segments, together with a reconciliation of underwriting income (loss) to income (loss) before income taxes for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

	Three Months Ended September 30, 2011			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$101,633	$72,689	$2,802	$177,124
Net premiums earned	85,239	78,021	3,553	166,813
Net losses and loss adjustment expenses	156,995	42,704	1,754	201,453
Net acquisition expenses	12,068	16,780	1,360	30,208
Other underwriting expenses	6,686	4,300	218	11,204
Segment underwriting income (loss)	$(90,510)	$14,237	$221	(76,052)
Net investment income				29,762
Net realized gains (losses) on investments				7,498
Net impairment losses on investments				(4,451)
Other income (expense)				(198)
Net changes in fair value of derivatives				(4,546)
Corporate expenses not allocated to segments				(3,551)
Net foreign currency exchange (losses) gains				982
Interest expense				(4,769)
Income (loss) before income taxes				$(55,325)
Underwriting ratios:				
Net loss and loss adjustment expense	184.2 %	54.7 %	49.4 %	120.8 %
Net acquisition expense	14.2 %	21.5 %	38.3 %	18.1 %
Other underwriting expense	7.8 %	5.5 %	6.1 %	6.7 %
Combined	206.2 %	81.7 %	93.8 %	145.6 %

	Three Months Ended September 30, 2010			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$114,885	$80,362	$4,180	$199,427
Net premiums earned	98,342	80,437	4,625	183,404
Net losses and loss adjustment expenses	70,657	8,156	281	79,094
Net acquisition expenses	14,140	16,395	1,982	32,517
Other underwriting expenses	7,905	5,171	307	13,383
Segment underwriting income (loss)	$5,640	$50,715	$2,055	58,410
Net investment income				31,078
Net realized gains (losses) on investments				44,351
Net impairment losses on investments				(4,048)
Other income (expense)				(171)
Net changes in fair value of derivatives				(4,154)
Corporate expenses not allocated to segments				(6,621)

Net foreign currency exchange (losses) gains				(235)
Interest expense				(4,763)
Income (loss) before income taxes				$113,847
Underwriting ratios:				
Net loss and loss adjustment expense	71.8 %	10.1 %	6.1 %	43.1 %
Net acquisition expense	14.4 %	20.4 %	42.9 %	17.7 %
Other underwriting expense	8.0 %	6.4 %	6.6 %	7.3 %
Combined	94.2 %	36.9 %	55.6 %	68.1 %

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

	Nine Months Ended September 30, 2011			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$267,846	$222,442	$7,508	$497,796
Net premiums earned	274,996	235,949	11,185	522,130
Net losses and loss adjustment expenses	551,868	126,191	2,346	680,405
Net acquisition expenses	37,703	53,487	7,083	98,273
Other underwriting expenses	21,281	14,461	717	36,459
Segment underwriting income (loss)	$(335,856)	$41,810	$1,039	(293,007)
Net investment income				96,105
Net realized gains (losses) on investments				3,216
Net impairment losses on investments				(7,624)
Other income (expense)				838
Net changes in fair value of derivatives				(5,294)
Corporate expenses not allocated to segments				(12,552)
Net foreign currency exchange (losses) gains				179
Interest expense				(14,302)
Income (loss) before income taxes				$(232,441)
Underwriting ratios:				
Net loss and loss adjustment expense	200.7%	53.5%	21.0%	130.3%
Net acquisition expense	13.7%	22.7%	63.3%	18.8%
Other underwriting expense	7.7%	6.1%	6.4%	7.0%
Combined	222.1%	82.3%	90.7%	156.1%

	Nine Months Ended September 30, 2010			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$335,775	$246,741	$16,056	$598,572
Net premiums earned	326,698	253,505	14,811	595,014
Net losses and loss adjustment expenses	232,294	79,744	3,099	315,137
Net acquisition expenses	47,589	52,874	13,471	113,934
Other underwriting expenses	24,324	17,295	958	42,577
Segment underwriting income (loss)	$22,491	$103,592	$(2,717)	123,366
Net investment income				103,955
Net realized gains (losses) on investments				99,297
Net impairment losses on investments				(25,560)
Other income (expense)				(42)
Net changes in fair value of derivatives				(6,499)
Corporate expenses not allocated to segments				(19,328)

Net foreign currency exchange (losses) gains				1,061
Interest expense				(14,232)
Income (loss) before income taxes				$262,018
Underwriting ratios:				
Net loss and loss adjustment expense	71.1 %	31.5 %	20.9 %	53.0 %
Net acquisition expense	14.6 %	20.9 %	91.0 %	19.1 %
Other underwriting expense	7.4 %	6.8 %	6.5 %	7.2 %
Combined	93.1 %	59.2 %	118.4 %	79.3 %

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

10. Statutory Regulations and Dividend Capacity

The laws and regulations of Bermuda and the United States include certain restrictions on the amount of dividends or other distributions that can be paid by Platinum Bermuda and Platinum US to their respective parent companies, Platinum Holdings and Platinum Finance, without the prior approval of the relevant regulatory authorities. Based on the regulatory restrictions, the maximum amount available for payment of dividends or other distributions by our reinsurance subsidiaries during 2011 without prior regulatory approval is as follows ($ in thousands):

Platinum Bermuda	$341,541
Platinum US	64,282
Total	$405,823

Platinum Bermuda paid no dividends to Platinum Holdings during the three months ended September 30, 2011 and made dividend payments of $180.0 million to Platinum Holdings during the nine months ended September 30, 2011. Platinum US paid no dividends to Platinum Finance during the three and nine months ended September 30, 2011. As of September 30, 2011, the remaining amount available for payment of dividends or other distributions by our reinsurance subsidiaries without regulatory approval was $225.8 million. Subsequent to September 30, 2011, Platinum Bermuda paid dividends of $75.0 million to Platinum Holdings.

During the nine months ended September 30, 2011, Platinum US repaid a $100.0 million surplus note to Platinum Regency, the parent company of Platinum Finance, and Platinum Regency paid dividends of $100.0 million to Platinum Holdings.

11. Condensed Consolidating Financial Information

Platinum Holdings fully and unconditionally guarantees the $250.0 million of Series B 7.5% Notes due June 1, 2017 issued by Platinum Finance.

The following tables present the condensed consolidating financial information for Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of September 30, 2011 and December 31, 2010 and for the three and nine months ended September 30, 2011 and 2010 ($ in thousands):

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2011 and 2010

Condensed Consolidating Balance Sheet
September 30, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$-	$302	$ 3,195,910	$ -	$ 3,196,212
Investment in subsidiaries	1,686,250	651,579	473,335	(2,811,164)	-
Cash and cash equivalents	36,168	72,734	1,018,403	-	1,127,305
Reinsurance assets	-	-	332,961	-	332,961
Other assets	7,920	5,067	78,530	-	91,517
Total assets	$1,730,338	$729,682	$ 5,099,139	$ (2,811,164)	$ 4,747,995
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$-	$-	$ 2,667,364	$ -	