PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
November 09, 2004

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, 2004

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	98-0416483
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
The Belvedere Building 69 Pitts Bay Road Pembroke, Bermuda	HM 08
(Address of principal executive offices)	(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

As of October 31, 2004, there were outstanding 43,021,657 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, 2004

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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, 2004

ASSETS	
Investments:	
Fixed maturities available-for-sale, at fair value (amortized cost - $2,045,281 and $1,560,807, respectively)	$2,064,718
Fixed maturities - trading, at fair value (amortized cost - $81,689 and $95,926, respectively)	80,617
Other invested asset	6,628
Total investments	2,151,963
Cash and cash equivalents	222,347
Accrued investment income	26,613
Reinsurance premiums receivable	638,463
Reinsurance recoverable on ceded losses and loss adjustment expenses	2,163
Prepaid reinsurance premiums	3,013
Funds held by ceding companies	85,780
Deferred acquisition costs	142,000
Income tax recoverable	-
Deferred tax assets	10,433
Other assets	11,538
Total assets	$3,294,313
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Unpaid losses and loss adjustment expenses	$1,222,364
Unearned premiums	537,251
Reinsurance deposit liabilities	23,210
Debt obligations	137,500
Ceded premiums payable	3,851
Commissions payable	220,902
Funds withheld	22,487
Deferred taxes	9,111
Other liabilities	29,108
Total liabilities	2,205,784
Shareholders' Equity:	
Preferred shares, $.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	-
Common shares, $.01 par value, 200,000,000 shares authorized, 43,017,657 and 43,054,125 shares issued and outstanding, respectively	430
Additional paid-in capital	909,658
Accumulated other comprehensive income	16,446
Retained earnings	161,995
Total shareholders' equity	1,088,529
Total liabilities and shareholders' equity	$3,294,313

See accompanying notes to condensed consolidated financial statements.

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PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30, 2004 and 2003

($ in thousands, except per share data)

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Revenue:		
Net premiums earned	$ 383,090	272,265
Net investment income	21,429	14,780
Net realized gains on investments	2,262	1,508
Other income	1,021	544
Total revenue	407,802	289,097
Expenses:		
Losses and loss adjustment expenses	384,724	157,208
Acquisition expenses	81,271	60,408
Operating expenses	15,400	18,499
Net foreign currency exchange (gains) losses	(628)	(1,356)
Interest expense	2,322	2,444
Total expenses	483,089	237,203
Income (loss) before income tax expense (benefit)	(75,287)	51,894
Income tax expense (benefit)	(5,535)	14,077
Net income (loss)	$ (69,752)	37,817
Earnings per share:		
Basic earnings per share	$ (1.62)	0.88
Diluted earnings per share	$ (1.62)	0.81
Comprehensive income (loss):		
Net income (loss)	$ (69,752)	37,817
Other comprehensive income:		
Net change in unrealized gains (losses) on available-for-sale securities, net of deferred taxes	31,147	(11,984)
Cumulative translation adjustments, net of deferred taxes	(140)	-
Comprehensive income (loss)	$ (38,745)	25,833
Shareholder dividends:		
Dividends declared	$ 3,435	3,443
Dividends declared per share	$ 0.08	0.08

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2004 and 2003

($ in thousands)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Preferred shares:		
Balances at beginning and end of period	$ -	$ -
Common shares:		
Balances at beginning of period	430	430
Exercise of share options	2	-
Issuance of common shares	1	-
Purchase of common shares	(3)	-
Balances at end of period	430	430
Additional paid-in-capital:		
Balances at beginning of period	910,505	903,797
Exercise of share options	5,834	-
Share based compensation	1,736	4,547
Issuance of common shares	1,565	520
Purchase of common shares	(9,982)	-
Balances at end of period	909,658	908,864
Accumulated other comprehensive income (loss):		
Balances at beginning of period	18,774	10,581
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	(2,036)	16,008
Net change in cumulative translation adjustments, net of deferred tax	(292)	-
Balances at end of period	16,446	26,589
Retained earnings:		
Balances at beginning of period	137,494	6,438
Net income	34,861	95,008
Dividends paid to shareholders	(10,360)	(10,323
Balances at end of period	161,995	91,123
Total shareholders' equity	$ 1,088,529	$ 1,027,006

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2004 and 2003

($ in thousands)

	Nine Months E September 3 2004
Operating Activities:	
Net income	$ 34,861
Adjustments to reconcile net income to cash used in operations:	
Depreciation and amortization	15,676
Net realized gains on investments	(1,435)
Net foreign currency exchange (gains) losses	(326)
Share based compensation	1,736
Trading securities activities	13,026
Changes in assets and liabilities:	
Increase in accrued investment income	(9,121)
Increase in reinsurance premiums receivable	(151,022)
Decrease in amounts receivable from St. Paul	-
Increase in funds held by ceding companies	(20,720)
Increase in deferred acquisition costs	(62,693)
Increase in net unpaid losses and loss adjustment expenses	488,814
Increase in net unearned premiums	234,382
Increase (decrease) in reinsurance deposit liabilities	17,511
Increase (decrease) in ceded premiums payable	(2,354)
Increase in commissions payable	44,592
Increase in funds withheld	22,487
Changes in other assets and liabilities	(2,051)
Cash from St. Paul related to the November 1, 2002 assumption of liabilities on reinsurance contracts becoming effective in 2002	-
Other net	(193)
Net cash provided by operating activities	623,170
Investing Activities:	
Proceeds from sale of available-for-sale fixed maturities	307,551
Proceeds from maturity or paydown of available-for-sale fixed maturities	117,117
Acquisition of available-for-sale fixed maturities	(916,443)
Net cash used in investing activities	(491,775)
Financing Activities:	
Dividends paid to shareholders	(10,360)
Proceeds from exercise of share options	5,836
Proceeds from issuance of common shares	-
Purchase of common shares	(9,985)
Net cash used in financing activities	(14,509)
Net increase (decrease) in cash and cash equivalents	116,886
Cash and cash equivalents at beginning of period	105,461
Cash and cash equivalents at end of period	$ 222,347
Supplemental disclosures of cash flow information:	
Income taxes paid	$ 2,533
Interest paid	$ 7,219

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2004 and 2003

(1) BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Platinum Underwriters Holdings, Ltd. and its subsidiaries (the "Company"), including Platinum Re (UK) Limited ("Platinum UK"), Platinum Underwriters Bermuda, Ltd., Platinum Underwriters Reinsurance, Inc. ("Platinum US"), Platinum Underwriters Finance, Inc., Platinum Regency Holdings, and Platinum Administrative Services, Inc. All material inter-company transactions have been eliminated in preparing these consolidated financial statements. The condensed consolidated financial statements included in this report as of and for the three and nine months ended September 30, 2004 and 2003 are unaudited and include those 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

The preparation of financial statements requires management 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.

In November 2002, Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") completed an initial public offering of 33,044,000 common shares. Concurrent with the public offering, Platinum Holdings sold 6,000,000 common shares to The St. Paul Travelers Companies, Inc., formerly The St. Paul Companies, Inc., ("St. Paul") and 3,960,000 common shares to RenaissanceRe Holdings Ltd. ("RenaissanceRe") in private placements. In addition to the common shares issued, the Company issued Equity Security Units, consisting of a contract to purchase common shares in 2005 and an ownership interest in a senior note due 2007. Also, concurrent with these transactions, the Company and St. Paul entered into several agreements for the transfer of continuing reinsurance business and certain related assets of St. Paul. Among these agreements were quota share retrocession agreements effective November 2, 2002 under which the Company assumed from St. Paul unpaid losses and loss adjustment expenses ("LAE"), unearned premiums and certain other liabilities on reinsurance contracts becoming effective in 2002 (the "Quota Share Retrocession Agreements"). St. Paul subsequently sold 6,000,000 common shares as described in Note (6).

Share Based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" ("SFAS 123") and Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148") effective January 1, 2003. SFAS 123 requires that the fair value of share options granted under the Company's share option plan subsequent to the adoption of SFAS 148 be amortized in earnings over the vesting periods. The fair value of the share options granted is determined through the use of an option-pricing model. SFAS 148 amends SFAS 123 and provides transitioning guidance for a voluntary adoption of FAS 123 as well as amends the disclosure requirements of SFAS 123. Prior to the adoption of SFAS 123, the Company elected to use the intrinsic value method of accounting for its share based

awards granted to employees established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and continues to use the intrinsic method for share options granted in 2002. Under APB 25, if the exercise price of the Company's employee share options is equal to or greater than the fair market value of the underlying shares on the date of the grant, no compensation expense is recorded.

Had the Company calculated and recorded compensation expense for all share option grants based on the "fair value" method described in SFAS 123, net income and earnings per share, net of tax, would have been the pro forma amounts for the three and nine months ended September 30, 2004 and 2003 as indicated below ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Share based compensation expense:				
As reported	$ 649	208	1,736	$ 4,547
Pro forma	1,855	1,798	5,200	13,273
Net income (loss):				
As reported	(69,752)	37,817	34,861	95,008
Pro forma	(70,958)	36,227	31,397	86,282
Basic earnings per share:				
As reported	(1.62)	0.88	0.81	2.21
Pro forma	(1.66)	0.84	0.72	2.01
Diluted earnings per share:				
As reported	(1.62)	0.81	0.78	2.04
Pro forma	$ (1.66)	0.77	0.71	$ 1.86

Reclassifications

Certain reclassifications have been made to the 2003 financial statements in order to conform to the 2004 presentation.

(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 for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Fixed maturities	$(3,261)	$ 20,913
Less - deferred taxes	1,225	(4,905)
Net change in unrealized gains (losses)	$(2,036)	$ 16,008

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2004 and 2003

Gross unrealized gains and losses on available-for-sale fixed maturities as of September 30, 2004 were $24,764,000 and $5,327,000, respectively. The unrealized losses of fixed maturities available-for-sale are aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position and are as follows:

	Fair Value	Unrealized Loss
Less than twelve months:		
U.S. Government and U.S. Government agencies	$ 79,185	$ 367
Corporate bonds	253,295	2,570
Mortgage and asset backed securities	24,141	630
Municipal bonds	47,317	603
Foreign governments and states	11,533	90
Total	415,471	4,260
Twelve months or more:		
U.S. Government and U.S. Government agencies	34,523	509
Corporate bonds	10,665	361
Redeemable preferred stocks	3,553	197
Total	48,741	1,067
Total of securities with unrealized losses:		
U.S. Government and U.S. Government agencies	113,708	876
Corporate bonds	263,960	2,931
Mortgage and asset backed securities	24,141	630
Municipal bonds	47,317	603
Foreign governments and states	11,533	90
Redeemable preferred stocks	3,553	197
Total	$464,212	$5,327

Management believes that the unrealized losses on fixed maturities are related to interest rate changes and do not represent other credit impairments.

Investments with a carrying value of $358,780,000 and cash and cash equivalents of $24,508,000 at September 30, 2004 were held in trust to secure liabilities under various reinsurance agreements.

(3) EARNINGS PER SHARE

Following is a reconciliation of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2004 and 2003 ($ in thousands, except per share data):

	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
Three Months Ended September 30, 2004:			
Basic loss per share:			
Loss available to common shareholders	$(69,752)	43,127	$ (1.62)
Three Months Ended September 30, 2003:			
Basic earnings per share:			
Income available to common shareholders	$ 37,817	43,022	$ 0.88
Effect of dilutive securities:			
Share options	-	767	
Interest expense related to Equity Security Units	1,628	-	
Common share conversion of Equity Security Units	-	5,087	
Diluted earnings per share:			
Income available to common shareholders	$ 39,445	48,876	$ 0.81
Nine Months Ended September 30, 2004:			
Basic earnings per share:			
Income available to common shareholders	$ 34,861	43,186	$ 0.81
Effect of dilutive securities:			
Share options	-	2,227	
Interest expense related to Equity Security Units	4,577	-	
Common share conversion of Equity Security Units	-	5,009	
Diluted earnings per share:			
Income available to common shareholders	$ 39,438	50,422	$ 0.78

	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
Nine Months Ended September 30, 2003:			
Basic earnings per share:			
Income available to common shareholders	$ 95,008	43,012	$ 2.21
Effect of dilutive securities:			
Share options	-	572	
Interest expense related to Equity Security Units	4,743	-	
Common share conversion of Equity Security Units	-	5,320	
Diluted earnings per share:			
Income available to common shareholders	$ 99,751	48,904	$ 2.04

(4) OPERATING SEGMENT INFORMATION

The Company conducts its 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 business includes property per-risk excess-of-loss treaties, property proportional treaties and catastrophe excess-of-loss reinsurance treaties. The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general and product liability, professional liability, directors and officers liability, workers' compensation, casualty clash, automobile liability, trade credit and surety. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. The Company focuses on providing such clients with customized solutions.

In managing the Company's operating segments, management uses measures such as underwriting income and underwriting ratios to evaluate segment performance. Management does not allocate by segment its assets or certain income and expenses such as investment income, interest expense and certain corporate expenses. Segment underwriting income is reconciled to income before income tax expense (benefit). The measures used by management in evaluating the Company's 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 underwriting income to income before income tax expense (benefit) for the three and nine months ended September 30, 2004 and 2003 ($ in thousands):

Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2004 and 2003

	Property and Marine	Casualty	Fi
Three months ended September 30, 2004:			
Net premiums written	$ 120,629	171,967	
Net premiums earned	135,430	156,512	
Losses and LAE	195,495	105,559	
Acquisition expenses	20,834	38,935	
Other underwriting expenses	5,956	5,617	
Segment underwriting loss	$ (86,855)	6,401	
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Loss before income tax benefit			
Ratios:			
Losses and LAE	144.4%	67.4%	
Acquisition expense	15.4%	24.9%	
Other underwriting expense	4.4%	3.6%	
Combined	164.2%	95.9%	
Three months ended September 30, 2003:			
Net premiums written	$ 77,114	134,991	
Net premiums earned	81,113	106,298	
Losses and LAE	41,237	71,052	
Acquisition expenses	9,930	29,465	
Other underwriting expenses	7,412	5,065	
Segment underwriting income	$ 22,534	716	
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	50.8%	66.8%	
Acquisition expense	12.2%	27.7%	
Other underwriting expense	9.1%	4.8%	
Combined	72.1%	99.3%	

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2004 and 2003

	Property and Marine	Casualty	Fi
Nine months ended September 30, 2004:			
Net premiums written	$ 393,764	508,693	
Net premiums earned	353,423	424,964	
Losses and LAE	285,047	293,734	
Acquisition expenses	57,491	105,765	
Other underwriting expenses	21,280	15,979	
Segment underwriting income	$ (10,395)	9,486	
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	80.7%	69.1%	
Acquisition expense	16.3%	24.9%	
Other underwriting expense	6.0%	3.8%	
Combined	103.0%	97.8%	
Nine months ended September 30, 2003:			
Net premiums written	$ 278,369	381,005	
Net premiums earned	265,052	289,975	
Losses and LAE	135,292	199,489	
Acquisition expenses	38,734	74,943	
Other underwriting expenses	28,243	14,225	
Segment underwriting income	$ 62,783	1,318	
Corporate expenses not allocated to segments			
Net foreign currency exchange losses			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	51.0%	68.8%	
Acquisition expense	14.6%	25.8%	
Other underwriting expense	10.7%	4.9%	
Combined	76.3%	99.5%	

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PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Nine Months Ended September 30, 2004 and 2003

(5) HURRICANES CHARLEY, FRANCES, IVAN AND JEANNE

In late August and September of 2004, there were four significant named hurricanes, Charley, Frances, Ivan and Jeanne (the "Hurricanes"), that caused severe damage in the Caribbean and the southeast United States. As a result of losses arising from these catastrophic events, certain reinsurance contracts generated additional premiums. Further, previously accrued profit commissions for certain reinsurance contracts were reduced.

The aggregate adverse impact on net income of the Company for the three months and nine months ended September 30, 2004 from the Hurricanes is summarized as follows ($ in thousands):

Gross losses	$ 186,457
Less:	
Additional premiums earned	(19,895)
Profit commissions	(10,350)
Net adverse impact before income tax benefit	156,212
Income tax benefit	(11,403)
Net adverse impact after income tax benefit	$ 144,809

(6) SHELF REGISTRATION STATEMENT AND SALE OF COMMON SHARES BY ST. PAUL

The Company has filed an unallocated universal shelf registration statement with the Securities and Exchange Commission ("SEC"), which the SEC declared effective on April 5, 2004. The securities registered under the shelf registration statement for possible future sales include up to $750,000,000 of common shares, preferred shares and various types of debt securities. The registration statement included common shares held by St. Paul and RenaissanceRe and common shares issuable upon exercise of options owned by St. Paul and RenaissanceRe. On June 25, 2004, the Company announced St. Paul's intent to sell 6,000,000 of the Company's common shares in an underwritten public offering, which was effected pursuant to a prospectus supplement to the shelf registration statement dated June 28, 2004 and completed on June 30, 2004. The Company did not sell any common shares in the offering and did not receive any proceeds from the sale of the common shares by St Paul. St. Paul continues to hold an option to acquire 6,000,000 common shares of the Company. The 6,000,000 common shares sold by St. Paul amounted to $177,330,000 of the securities registered under the $750,000,000 shelf registration statement.

(7) COMPANY COMMON SHARE BUYBACK

On August 4, 2004, the board of directors of the Company approved a plan to purchase up to $50,000,000 of its common shares. During the three months ended September 30, 2004 the Company purchased 349,700 of its common shares in the open market at an aggregate amount of $9,985,000 at a weighted average price of $28.55 per share. The shares purchased by the Company were canceled.

(8) SUBSEQUENT EVENT

Effective January 1, 2004, Platinum US and Platinum UK entered into an excess-of-loss retrocessional contract that provided the Company with up to $100 million of coverage. Premiums ceded under this contract vary depending on the amount of the ceded losses under the contract and the severity of individual loss events on the insurance industry. The Company evaluated the Hurricane losses and the effect of the contract on the Company's results of operations for the quarter ended September 30, 2004 and commuted the contract effective November 8, 2004. Results for the three and nine months ended September 30, 2004 do not reflect any benefit from the contract.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

BUSINESS OVERVIEW

Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") is a Bermuda holding company organized in 2002. Platinum Holdings and its subsidiaries (the "Company") operate through three licensed reinsurance subsidiaries: Platinum Underwriters Reinsurance, Inc. ("Platinum US"), Platinum Re (UK) Limited ("Platinum UK") and Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"). The Company provides 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.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In November 2002, Platinum Holdings completed an initial public offering of 33,044,000 common shares. Concurrent with the public offering, Platinum Holdings sold 6,000,000 common shares to The St. Paul Travelers Companies, Inc., formerly The St. Paul Companies, Inc., ("St. Paul"), and 3,960,000 common shares to RenaissanceRe Holdings Ltd. ("RenaissanceRe") in private placements. In addition to the common shares issued, the Company issued Equity Security Units, consisting of a contract to purchase common shares in 2005 and an ownership interest in a senior note due 2007. Also, concurrent with these transactions, the Company and St. Paul entered into several agreements for the transfer of continuing reinsurance business and certain related assets of St. Paul. Among these agreements were quota share retrocession agreements effective November 2, 2002 under which the Company assumed from St. Paul unpaid losses and loss adjustment expenses ("LAE"), unearned premiums and certain other liabilities on reinsurance contracts becoming effective in 2002 (the "Quota Share Retrocession Agreements"). St. Paul subsequently sold its 6,000,000 common shares.

The Company writes property and casualty reinsurance. Property reinsurance protects a ceding company against financial loss arising out of damage to property or loss of its use caused by an insured peril. Examples of property reinsurance are property catastrophe and property per-risk coverages. Property catastrophe reinsurance protects a ceding company against losses arising out of multiple claims for a single event while property per-risk reinsurance protects a ceding company against loss arising out of a single claim for a single event. Casualty reinsurance protects a ceding company against financial loss arising out of the obligation to others for loss or damage to persons or property. Examples of casualty reinsurance are reinsurance treaties that cover umbrella liability, general and product liability, professional liability, directors and officers liability, workers' compensation, casualty clash, automobile liability, surety and trade credit. Casualty also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products.

The property and casualty reinsurance industry is highly competitive. The Company competes with reinsurers worldwide, many of which have greater financial, marketing and management resources. Large financial institutions represent some of the Company's competitors, while others are specialty reinsurance companies. Financial institutions have also created alternative capital market products that compete with reinsurance products, such as reinsurance securitization. The Company's principal

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competitors vary by type of business. Bermuda-based reinsurers are significant competitors on property catastrophe business. Lloyd's of London syndicates are significant competitors on marine business. On international business, the large European reinsurers are significant competitors.

The reinsurance industry historically has been cyclical, characterized by periods of price competition due to excessive underwriting capacity as well as periods of favorable pricing due to shortages of underwriting capacity. Cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile developments, including natural and other disasters, such as hurricanes, windstorms, earthquakes, floods, fires, explosions and other catastrophic events, including terrorist attacks, the frequency and severity of which are inherently difficult to predict. Property and casualty reinsurance rates often rise in the aftermath of significant catastrophe losses. As liabilities are established to cover expected claims, the industry's capacity to write new business diminishes. The industry is also affected by changes in the propensity of courts to expand insurance coverage and grant large liability awards, as well as fluctuations in interest rates, inflation and other changes in the economic environment that affect market prices of investments.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2004 as Compared with the Three Months Ended September 30, 2003

Net income (loss) for the three months ended September 30, 2004 and 2003 was as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Decrease
Net income (loss)	$(69,752)	37,817	$(107,569)

The net loss in 2004 as compared with net income in 2003 is attributable to the decline in underwriting income of $134,695,000, due primarily to the combination of four significant named hurricanes, Charley, Frances, Ivan and

Jeanne (the "Hurricanes"), causing severe damage in the Caribbean and the southeast United States. Partially offsetting the loss from the Hurricanes was improved underwriting income from growth of profitable business in all segments. Net income in 2004 as compared with 2003 was also impacted by an increase in investment income of $6,649,000, a decline in operating expenses of $3,099,000, and a reduction in income tax expense of $19,612,000 in 2004.

The aggregate adverse impact on net income of the Company for the three months and nine months ended September 30, 2004 from the Hurricanes is summarized as follows:

Gross losses	$ 186,457
Less:	
Additional premiums earned	(19,895)
Profit commissions	(10,350)
Net impact on underwriting	156,212
Income tax benefit	(11,403)
Net adverse impact after income tax benefit	$ 144,809

Net premiums written and net premiums earned for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$440,495	281,316	$159,179
Net premiums earned	$383,090	272,265	$110,825

The increase in net premiums written in 2004 is attributable to growth in all segments. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the three months ended September 30, 2004 and 2003 was $21,429,000 and $14,780,000, respectively. Net investment income increased in 2004 primarily due to increased invested assets attributable to positive cash flow from operations. Net realized gains on investments of $2,262,000 and $1,508,000 for the three months ended September 30, 2004 and 2003, respectively, were the result of investment sales activity to manage the credit quality and duration of the investment portfolio.

Other income for the three months ended September 30, 2004 and 2003 was $1,021,000 and $544,000, respectively. Other income includes net earnings on several reinsurance contracts in the Finite Risk segment that are accounted for as deposits. Other income in the three months ended September 30, 2004 also includes $629,000 of net unrealized losses relating to changes in the fair value of approximately $80,000,000 of fixed maturities classified as trading at September 30, 2004. There were no fixed maturities classified as trading and no unrealized gains or losses included in other income for the three months ended September 30, 2003.

Net foreign currency exchange gains for the three months ended September 30, 2004 and 2003 were $628,000 and $1,356,000, respectively. Foreign currency exchange gains and losses result from the re-valuation into U.S. dollars of assets and liabilities denominated in foreign currencies. The principal foreign currencies re-valued into U.S. dollars are the British pound and euros. The reduction in foreign currency exchange volatility in 2004 as compared with 2003 is due to steps taken to manage exposures to foreign currency exchange rate fluctuations by holding invested assets in the same foreign currencies in which the related net insurance assets and liabilities are denominated.

Losses and LAE and the resulting loss ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$ 384,724	157,208	$ 227,516
Losses and LAE ratio	100.4%	57.7%	42.7 points

The increase in gross losses and LAE and related ratio in 2004 as compared with 2003 is due primarily to losses of approximately $186,457,000 from the Hurricanes, as compared with the low level of catastrophe losses in 2003. The increase in losses and LAE in 2004 is also attributable to the growth in business in all segments . Favorable loss development, primarily in the Property and Marine segment, in 2004 and 2003 amounted to $16,100,000 and $16,000,000, respectively.

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Acquisition expenses and resulting acquisition expense ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase (Decrease)
Acquisition expenses	$ 81,271	60,408	$ 20,863
Acquisition expense ratio	21.2%	22.2%	(1.0) points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The decrease in the acquisition expense ratio in 2004 as compared with 2003 is primarily due to changes in the mix of business.

Operating expenses for the three months ended September 30, 2004 and 2003 were $15,400,000 and $18,499,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses for the three months ended September 30, 2003 include approximately $1,363,000 of various non-recurring start-up related costs.

Interest expense for the three months ended September 30, 2004 and 2003 was $2,322,000 and $2,444,000, respectively, and relates to the Company's Equity Security Units, which are classified as debt obligations on the Company's balance sheet.

Income tax expense (benefit) and the effective income tax rate for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Decrease
Income tax expense (benefit)	$ (5,535)	14,077	$(19,612)
Effective income tax rate	7.4%	27.1%	

The income tax benefit in 2004 as compared with the income tax expense in 2003 is the result of losses from the Hurricanes in the three months ended September 30, 2004, of which approximately 80% was incurred by Platinum Bermuda, which is not subject to corporate income tax. During the three months ended September 30, 2004 and as a result of losses from the Hurricanes, management revised its estimate of the annual effective tax rate for 2004 to 27%.

Nine Months Ended September 30, 2004 as Compared with the Nine Months Ended September 30, 2003

Net income for the nine months ended September 30, 2004 and 2003 was as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Decrease
Net income	$34,861	95,008	$(60,147)

The 63.3% decrease in net income in 2004 from 2003 is principally attributable to the decline in underwriting income of $109,572,000 due to the Hurricanes. The aggregate adverse impact on underwriting results for the nine months ended September 30, 2004 from the Hurricanes is approximately $156,212,000. Partially offsetting the loss from the Hurricanes was growth of profitable business in all segments. Favorable development of losses was $40,000,000 and $49,200,000 in 2004 and 2003,

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respectively. Net income in 2004 as compared with 2003 was also impacted by an increase in investment income of $15,876,000, a decline in operating expenses of $18,227,000, and a reduction in income tax expense of $23,854,000 in 2004.

Net premiums written and net premiums earned for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$1,251,128	948,651	$302,477
Net premiums earned	$1,014,999	789,711	$225,288

The increase in net premiums written and earned in 2004 as compared with 2003 is attributable to growth in all segments, and includes approximately $19,895,000 of additional premiums related to losses arising from the Hurricanes. The increase in net premiums earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the nine months ended September 30, 2004 and 2003 was $58,290,000 and $42,414,000, respectively. Net investment income increased during 2004 primarily due to increased invested assets attributable to positive cash flow from operations, excluding trading securities activities, of $610,144,000. Net realized gains on investments of $1,435,000 and $2,771,000 for the nine months ended September 30, 2004 and 2003, respectively, were the result of investment sale activity to manage the credit quality, duration and diversity of the investment portfolio.

Other income for the nine months ended September 30, 2004 and 2003 was $2,137,000 and $4,444,000, respectively. Other income for the nine months ended September 30, 2004 includes $220,000 of net unrealized gains relating to changes in fair value of fixed maturities classified as trading, $565,000 of earnings on reinsurance contracts accounted for as deposits and a gain of $1,000,000 on the sale of assets. There were no fixed maturities classified as trading or unrealized gains or losses included in other income for the nine months ended September 30, 2003. Other income for the nine months ended September 30, 2003 represents earnings on reinsurance contracts accounted for as deposits. Earnings on reinsurance contracts accounted for as deposits decreased in 2004 as compared with 2003 due to fewer reinsurance contracts accounted for as deposits.

Net foreign currency exchange gains (losses) for the nine months ended September 30, 2004 and 2003 were $326,000 and ($3,456,000), respectively. Gains and losses result from the re-valuation into U.S. dollars of insurance related assets and liabilities as well as invested assets denominated in foreign currencies. The reduction in foreign currency exchange volatility in 2004 as compared with 2003 is due to actions taken to manage exposures to foreign currency exchange rate fluctuations, including holding invested assets in the same foreign currencies in which the related net insurance assets and liabilities are denominated.

Losses and LAE and the resulting loss ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$ 736,159	452,813	$ 283,346
Losses and LAE ratio	72.5%	57.3%	15.2 points

The increase in losses and LAE in 2004 as compared with 2003 is due primarily to gross losses of approximately $186,457,000 from the Hurricanes as well as the growth in business in all segments. The increase in the loss ratio in 2004 as compared with 2003 is due primarily to losses from the Hurricanes in 2004. Also contributing to the increase in the loss ratio in 2004 was favorable development of $44,600,000 in 2004 as compared with $49,200,000 in 2003.

Acquisition expenses and resulting acquisition expense ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Acquisition expenses	$ 232,886	172,503	$ 60,383
Acquisition expense ratio	22.9%	21.8%	1.1 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business in all segments, partially offset by reductions in profit commissions resulting from losses from the Hurricanes. The increase in the acquisition expense ratio in 2004 as compared with 2003 is primarily due to changes in the mix of business.

Operating expenses for the nine months ended September 30, 2004 and 2003 were $53,436,000 and $71,663,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses in 2003 include a charge for $9.4 million for the payment to and share option expense of the Company's former chief executive officer as well as various start-up costs of approximately $6,000,000 that are not recurring in 2004.

Interest expense for the nine months ended September 30, 2004 and 2003 was $6,952,000 and $7,150,000, respectively, and relates to the Company's Equity Security Units, which are classified as debt obligations on the Company's balance sheet.

Income tax expense and the effective income tax rate for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Decrease
Income tax expense	$ 12,893	36,747	$ (23,854)
Effective income tax rate	27.0%	27.9%	(0.9) points

The decrease in the effective income tax rate in 2004 as compared with 2003 is the result of Platinum Bermuda providing an increasing proportion of income before income tax expense. Additionally, the effective tax rate in 2003 reflects expenses related to the severance payment to and share option expense of the Company's former chief executive officer that were incurred by Platinum Holdings, which has no corporate income tax, thereby increasing the 2003 effective tax rate.

SEGMENT INFORMATION

The Company conducts its worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. In managing the Company's operating segments, management uses measures such as underwriting income and underwriting ratios to evaluate segment performance. Management does not allocate by segment its assets or certain income and expenses such

as investment income, interest expense and certain corporate expenses. Segment underwriting income is reconciled to income before income tax expense (benefit). The measures used by management in evaluating the Company's 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 for the three and nine months ended September 30, 2004 and 2003 ($ in thousands):

	Property and Marine	Casualty	Fini
Three months ended September 30, 2004:			
Net premiums written	$ 120,629	171,967	14
Net premiums earned	135,430	156,512	9
Losses and LAE	195,495	105,559	8
Acquisition expenses	20,834	38,935	2
Other underwriting expenses	5,956	5,617	
Segment underwriting income (loss)	$ (86,855)	6,401	(1
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Loss before income tax benefit			
Ratios:			
Losses and LAE	144.4%	67.4%	
Acquisition expense	15.4%	24.9%	
Other underwriting expense	4.4%	3.6%	
Combined	164.2%	95.9%	
Three months ended September 30, 2003:			
Net premiums written	$ 77,114	134,991	6
Net premiums earned	81,113	106,298	8
Losses and LAE	41,237	71,052	4
Acquisition expenses	9,930	29,465	2
Other underwriting expenses	7,412	5,065	
Segment underwriting income	$ 22,534	716	1

Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	50.8%	66.8%	
Acquisition expense	12.2%	27.7%	
Other underwriting expense	9.1%	4.8%	
Combined	72.1%	99.3%	

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	Property and Marine	Casualty	Fini
Nine months ended September 30, 2004:			
Net premiums written	$ 393,764	508,693	34
Net premiums earned	353,423	424,964	23
Losses and LAE	285,047	293,734	15
Acquisition expenses	57,491	105,765	6
Other underwriting expenses	21,280	15,979	
Segment underwriting income (loss)	$ (10,395)	9,486	
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	80.7%	69.1%	
Acquisition expense	16.3%	24.9%	
Other underwriting expense	6.0%	3.8%	
Combined	103.0%	97.8%	
Nine months ended September 30, 2003:			
Net premiums written	$ 278,369	381,005	28
Net premiums earned	265,052	289,975	23
Losses and LAE	135,292	199,489	11
Acquisition expenses	38,734	74,943	5
Other underwriting expenses	28,243	14,225	
Segment underwriting income	$ 62,783	1,318	4
Corporate expenses not allocated to segments			

Net foreign currency exchange losses			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	51.0%	68.8%	
Acquisition expense	14.6%	25.8%	
Other underwriting expense	10.7%	4.9%	
Combined	76.3%	99.5%	

PROPERTY AND MARINE

The Property and Marine operating segment includes principally property and marine reinsurance coverages that are written in the United States and international markets. This business includes property per-risk excess-of-loss treaties, property proportional treaties and catastrophe excess-of-loss reinsurance treaties. This operating segment generated 27.4% of the Company's net premiums written for

the three months ended September 30, 2004 and 2003 and 31.5% and 29.3% of the Company's net premiums written for the nine months ended September 30, 2004 and 2003, respectively.

Three Months Ended September 30, 2004 as Compared with the Three Months Ended September 30, 2003

Net premiums written and net premiums earned for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$120,629	77,114	$ 43,515
Net premiums earned	$135,430	81,113	$ 54,317

Net premiums written and earned increased in 2004, as compared with 2003, due to growth across all property classes. The increase in net premiums written is the result of a more efficient use of catastrophe capacity through enhanced modeling capabilities, an increase of property pro-rata business and a transfer of catastrophe capacity from the Finite Risk segment to the Property and Marine segment. Net premiums written and earned also include approximately $13,000,000 of additional premiums related to losses arising from the Hurricanes.

Losses and LAE and the resulting loss ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30, 2004	2003	Increase
Losses and LAE	$195,495	41,237	$ 154,258
Losses and LAE ratio	144.4%	50.8%	93.6 points

The increase in losses and LAE and the related losses and LAE ratio in 2004 is due to gross losses of $147,403,000 from the Hurricanes as compared with the low level of catastrophe losses in 2003. Partially offsetting losses and LAE in 2004 was approximately $15,000,000 of favorable development of prior years' unpaid losses and LAE as compared with approximately $12,400,000 of favorable development in 2003. During 2004 and 2003, actual reported losses were significantly less than expected for the short-tailed property lines resulting in reductions in estimated ultimate losses.

Acquisition expenses and resulting acquisition expense ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30, 2004	2003	Increase
Acquisition expenses	$ 20,834	9,930	$ 10,904
Acquisition expense ratio	15.4%	12.2%	3.2 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business. The increase in the acquisition expense ratio is primarily due to profit commissions and changes in the mix of business.

Other underwriting expenses for the three months ended September 30, 2004 and 2003 were $5,956,000 and $7,412,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the Property and Marine segment including non-recurring start-up costs incurred in 2003. Other underwriting expenses for the three

months ended September 30, 2004 and 2003 include fees of $993,000 and $748,000, respectively, relating to the Services and Capacity Reservation Agreement dated November 1, 2002 with RenaissanceRe, (the "RenRe Agreement"), that provides for a periodic review of aggregate property catastrophe exposures by RenaissanceRe.

Nine Months Ended September 30, 2004 as Compared with the Nine Months Ended September 30, 2003

Net premiums written and net premiums earned for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

Nine Months Ended September 30, 2004	2003	Increase

Net premiums written	$393,764	278,369	$ 115,395
Net premiums earned	$353,423	265,052	$ 88,371

The increase in net premiums written and earned in 2004 as compared with 2003 is the result of a more efficient use of catastrophe capacity through enhanced modeling capabilities, an increase of property pro-rata business and a transfer of catastrophe capacity from the Finite Risk segment to the Property and Marine segment. Net premiums written and earned also include approximately $13,000,000 of additional premiums related to losses arising from the Hurricanes.

Losses and LAE and the resulting loss ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$285,047	135,292	$ 149,755
Losses and LAE ratio	80.7%	51.0%	29.7 points

The increase in losses and LAE and the related losses and LAE ratio in 2004 is due to gross losses of $147,403,000 from the Hurricanes as compared with the low level of catastrophe losses in 2003. Partially offsetting the increased losses and LAE relating to the Hurricanes is approximately $38,200,000 of favorable development of prior years' unpaid losses and LAE as compared with approximately $23,200,000 of favorable development in 2003. During 2004 and 2003, actual reported losses were significantly less than expected for the short-tailed property lines resulting in reductions in estimated ultimate losses.

Acquisition expenses and resulting acquisition expense ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Acquisition expenses	$ 57,491	38,734	$ 18,757
Acquisition expense ratio	16.3%	14.6%	1.7 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business in the segment. The increase in the acquisition expense ratio is due to profit commissions and changes in the mix of business.

Other underwriting expenses for the nine months ended September 30, 2004 and 2003 were $21,280,000 and $28,243,000, respectively. The decrease in other underwriting expenses is due to cost reductions in the Property and Marine segment including various non recurring start-up costs incurred in

2003. Other underwriting expenses for the nine months ended September 30, 2004 and 2003 include fees of $4,641,000 and $4,475,000, respectively, relating to the RenRe Agreement.

CASUALTY

The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general and product liability, professional liability, directors and officers liability, workers' compensation, casualty clash, automobile liability, surety and trade credit. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. This operating segment generated 39.0% and 48.0% of the Company's net premiums written for the three months ended September 30, 2004 and 2003, respectively. This operating segment generated 40.6% and 40.2% of the Company's net premiums written for the nine months ended September 30, 2004 and 2003, respectively.

Three Months Ended September 30, 2004 as Compared with the Three Months Ended September 30, 2003

Net premiums written and net premiums earned for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$171,967	134,991	$ 36,976
Net premiums earned	$156,512	106,298	$ 50,214

The increase in premiums written is due to the growth in contracts bound in both 2003 and 2004 that together generate net premiums written in 2004. In response to market conditions, the Company previously increased its involvement in the directors and officers and umbrella lines of business. The Company continues to expand its treaty participation with existing clients and form new client relationships. Additionally, in 2004 the Company expanded its participation in surety and trade credit business. The Company continues to maintain its underwriting discipline and, in response to deteriorating market conditions in the directors and officers liability line of business, has begun to significantly decrease its involvement in that line of business.

Losses and LAE and the resulting loss ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$105,559	71,052	$ 34,507
Losses and LAE ratio	67.4%	66.8%	0.6 points

The increase in losses and LAE in 2004 as compared with 2003 is consistent with the growth in business. The resulting loss ratios in 2004 and 2003 are comparable. The increase in the loss ratio in 2004 is due to changes in the mix of business toward lines with higher loss ratios and lower acquisition expense ratios.

Acquisition expenses and resulting acquisition expense ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase (Decrease)
Acquisition expenses	$ 38,935	29,465	$ 9,470
Acquisition expense ratio	24.9%	27.7%	(2.8) points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The decrease in acquisition expense ratio in 2004 is due to changes in the mix of business toward lines with higher loss ratios and lower acquisition expense ratios.

Other underwriting expenses for the three months ended September 30, 2004 and 2003 were $5,617,000 and $5,065,000, respectively, and represent costs such as salaries, rent and like items. The resulting other underwriting expense ratios for the three months ended September 30, 2004 and 2003 were 3.6% and 4.8%, respectively. The decrease in the ratio in 2004 as compared with 2003 is due primarily to the increase in net premiums earned.

Nine Months Ended September 30, 2004 as Compared with the Nine Months Ended September 30, 2003

Net premiums written and net premiums earned for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$ 508,693	381,005	$127,688
Net premiums earned	$ 424,964	289,975	$134,989

The increase in premiums written and earned is due to the growth in contracts bound in both 2003 and 2004 that together generate net premiums written in 2004. In response to market conditions, the Company previously increased its involvement in the directors and officers and umbrella lines of business. The Company continues to expand its treaty participation with existing clients and form new client relationships. The Company continues to maintain its underwriting discipline and, in response to deteriorating market conditions in the directors and officers liability line of business, has begun to significantly decrease its involvement in that line . Additionally, in 2004 the

Company expanded its participation in surety and trade credit business. Offsetting these increases were revisions of estimates of Casualty premiums that resulted in reductions of net premiums written in 2004 of approximately $16,300,000 and a reduction in net premiums earned in 2004 of approximately $10,800,000. The net effect of the revisions of estimates on underwriting income, after related reductions in losses, LAE and acquisitions expenses, was not material. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Losses and LAE and the resulting loss ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$ 293,734	199,489	$ 94,245
Losses and LAE ratio	69.1%	68.8%	0.3 points

The increase in losses and LAE in 2004 as compared with 2003 is consistent with the growth in net premiums earned. The resulting losses and LAE ratios in 2004 and 2003 are comparable. Improvements in the loss ratio in 2004, due to increased profitability of the 2003 and 2004 underwriting years over the 2002 underwriting year, were offset by adverse development in the U.K. Motor class. In addition, losses and LAE in 2004 include losses arising from the partial collapse of the new airport terminal in Paris, France.

Acquisition expenses and resulting acquisition expense ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Acquisition expenses	$ 105,765	74,943	$ 30,822
Acquisition expense ratio	24.9%	25.8%	(0.9) points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The decrease in acquisition expense ratios for the nine months ended September 30, 2004 and 2003 is due to changes in the mix of business toward lines with higher loss ratios and lower acquisition expense ratios.

Other underwriting expenses for the nine months ended September 30, 2004 and 2003 were $15,979,000 and $14,225,000, respectively. The resulting other underwriting expense ratios for the nine months ended September 30, 2004 and 2003 were 3.8% and 4.9%, respectively. The decrease in the ratio in 2004 as compared with 2003 is due primarily to the increase in net premiums earned.

FINITE RISK

The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. The Company focuses on providing such clients with customized solutions. This operating segment generated 33.6% and 24.6% of the Company's net premiums written for the three months ended September 30, 2004 and 2003, respectively. This operating segment generated 27.9% and 30.5% of the Company's net premiums written for the nine months ended September 30, 2004 and 2003, respectively. For this segment, the Company believes it is especially important to evaluate the overall combined ratio, rather than its component parts of loss and expense ratios.

Three Months Ended September 30, 2004 as Compared with the Three Months Ended September 30, 2003

Net premiums written and net premiums earned for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$ 147,899	69,211	$78,688
Net premiums earned	$ 91,148	84,854	$ 6,294

The Finite Risk portfolio consists of a small number of contracts that can be large in premium size and are written on an intermittent basis. Consequently, net premiums written can be expected to vary significantly from period to period. The increase in net premiums written for the three months ended September 30, 2004 is due primarily to several capped quota share contracts written in the current year.

Net premium earned is related to current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Losses and LAE, acquisition expenses and the resulting ratios for the three months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Three Months Ended September 30,		
	2004	2003	Increase (decrease)
Losses and LAE	$ 83,670	44,919	$ 38,751
Losses and LAE ratio	91.8%	52.9%	38.9 points
Acquisition expenses	$ 21,502	21,013	$ 489
Acquisition expense ratio	23.6%	24.8%	(1.2) points
Losses, LAE and acquisition expenses	$ 105,172	65,932	$ 39,240
Losses, LAE and acquisition expense ratio	115.4%	77.7%	37.7 points

The increase in losses, LAE and acquisition expenses and the losses, LAE and acquisition expense ratio in 2004 as compared with 2003 is due to gross losses of $39,054,000 from the Hurricanes, partially offset by a reduction in profit commissions of $10,350,000. There were no catastrophe losses in 2003. The increase in the loss ratio in 2004 is also partly attributable to favorable loss development in 2003 of approximately $4,000,000. Overall, the current Finite Risk book of business has a greater proportion of lower risk and lower margin capped quota share contracts and a lower proportion of higher margin catastrophe contracts than in 2003.

Other underwriting expenses for the three months ended September 30, 2004 and 2003 were $661,000 and $2,616,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the Finite Risk segment as well as various non-recurring start-up costs incurred in 2003.

Nine Months Ended September 30, 2004 as Compared with the Nine Months Ended September 30, 2003

Net premiums written and net premiums earned for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Net premiums written	$348,671	289,277	$59,394
Net premiums earned	$236,612	234,684	$ 1,928

The increase in net premiums written and net premiums earned is primarily attributable to several capped quota share contracts that were written in 2004. Net premium earned is related to current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Losses and LAE, acquisition expenses and the resulting ratios for the nine months ended September 30, 2004 and 2003 were as follows ($ in thousands):

	Nine Months Ended September 30,		
	2004	2003	Increase
Losses and LAE	$ 157,378	118,032	$ 39,346
Losses and LAE ratio	66.5%	50.3%	16.2 points
Acquisition expenses	$ 69,630	58,826	$ 10,804
Acquisition expense ratio	29.4%	25.1%	4.3 points
Losses, LAE and acquisition expenses	$ 227,008	176,858	$ 50,150
Losses, LAE and acquisition expense ratio	95.9%	75.4%	20.5 points

The increase in losses, LAE and acquisition expenses and the losses, LAE and acquisition expense ratio in 2004 as compared with 2003 is due to gross losses of $39,054,000 from the Hurricanes, partially offset by a reduction in profit commissions of $10,350,000. There were no catastrophe losses in 2003. Favorable development impacting both losses and LAE and acquisition expenses occurred in both 2004 and 2003. Net favorable development in 2004 and 2003 amounted to $6,700,000 and $19,800,000, respectively.

Other underwriting expenses for the nine months ended September 30, 2004 and 2003 were $5,825,000 and $9,485,000, respectively. The decrease in other underwriting expenses is due to cost reductions in the Finite Risk segment as well as various non-recurring start-up costs incurred in 2003.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

Cash and cash equivalents were $222,347,000 as of September 30, 2004. Fixed maturities were $2,145,335,000 as of September 30, 2004. The Company's fixed maturity investment portfolio is comprised entirely of publicly traded investment grade bonds. The investment portfolio, including cash and cash equivalents, had a weighted average duration of 3.4 years as of September 30, 2004. Management monitors the composition of the investment portfolio and cash flows from the portfolio to maintain liquidity necessary to meet the Company's obligations. The Company believes it has sufficient cash on hand to meet its short-term obligations and to maintain the liquidity necessary for portfolio management.

Certain assets and liabilities associated with underwriting have increased significantly, some of which include significant estimates. Premiums receivable, deferred acquisition costs, unpaid losses and LAE, unearned premiums and commissions payable all include significant estimates. Premiums receivable of $638,463,000 includes $533,729,000 of estimates of premiums that are accrued. Unpaid losses and LAE, net of reinsurance recoverable, of $1,220,201,000 includes $967,467,000 of estimates of losses that were incurred but not reported ("IBNR"). Commissions payable of $220,902,000 include $208,623,000 which are estimated or profit commissions payable.

SOURCES OF LIQUIDITY

The consolidated sources of funds of the Company consist primarily of premiums written, investment income, proceeds from sales and redemption of investments, losses recovered from retrocessionaires, and actual cash and cash equivalents held by the Company. Net cash flow provided by operations, excluding trading securities activities, for the nine months ended September 30, 2004 was $610,144,000 and was used primarily to acquire additional investments.

Platinum Holdings is a holding company that conducts no reinsurance operations of its own. All of its reinsurance operations are conducted through its wholly owned operating subsidiaries Platinum US,

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Platinum UK and Platinum Bermuda. As a holding company, the cash flow of Platinum Holdings consists primarily of dividends, interest and other permissible payments from its subsidiaries. Platinum Holdings depends on such payments for general corporate purposes and to meet its obligations, including the contract adjustment payments related to the Equity Security Units and the payment of any dividends to its shareholders.

The Company has filed an unallocated universal shelf registration statement with the Securities and Exchange Commission ("SEC"), which the SEC declared effective on April 5, 2004. The securities registered under the shelf registration statement for possible future sales include up to $750,000,000 of common shares, preferred shares and various types of debt securities. The registration statement included common shares held by St. Paul and RenaissanceRe and common shares issuable upon exercise of options owned by St. Paul and RenaissanceRe. On June 25, 2004, the Company announced St. Paul's intent to sell 6,000,000 of the Company's common shares in an underwritten public offering, which was effected pursuant to a prospectus supplement to the shelf registration statement dated June 28, 2004 and completed on June 30, 2004. The Company did not sell any common shares in the offering and did not receive any proceeds from the sale of the common shares by St Paul. St. Paul continues to hold an option to acquire 6,000,000 common shares of the Company. The 6,000,000 common shares sold by St. Paul amounted to $177,330,000 of the $750,000,000 securities registered under the shelf registration statement.

LIQUIDITY REQUIREMENTS

The principal consolidated cash requirements of the Company are the payment of losses and LAE, commissions, brokerages, operating expenses, dividends to its shareholders, the servicing of debt (including interest payments on the senior notes and contract adjustment payments on the purchase contracts included in the Company's Equity Security Units), the acquisition of and investment in businesses, capital expenditures, premiums retroceded and excise taxes.

Platinum UK and Platinum Bermuda are not licensed, approved or accredited as reinsurers anywhere in the United States and therefore, under the terms of most of their contracts with United States ceding companies, they are required to provide collateral to these ceding companies for unpaid ceded liabilities in a form acceptable to state insurance commissioners. Typically, this type of collateral takes the form of a letter of credit issued by an acceptable bank, the establishment of a trust, or a cash advance. Platinum UK and Platinum Bermuda expect to obtain letters of credit through commercial banks and may be required to provide the banks with a security interest in certain of Platinum UK's and Platinum Bermuda's investments. Platinum US and Platinum Bermuda have reinsurance contracts that require them to provide collateral should certain events occur, such as a decline in the rating by A.M. Best below specified levels or a decline in statutory equity below specified amounts, or when certain levels of assumed liabilities are attained. Some reinsurance contracts also have special termination provisions that permit early termination should certain events occur.

The payment of dividends and other distributions from the Company's 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 subsidiaries of the Company in 2004 without prior regulatory approval is estimated to be $139,190,000.

Management believes that the cash flow generated by the operating activities of the Company's subsidiaries will provide sufficient funds for the Company to meet its liquidity needs over the next twelve months. Beyond the next twelve months, cash flow available to the Company may be influenced by a variety of factors, including economic conditions in general and in the insurance and reinsurance markets, legal and regulatory changes as well as fluctuations from year to year in claims experience and the presence or absence of large catastrophic events.

ECONOMIC CONDITIONS

Periods of moderate economic recession or inflation tend not to have a significant direct effect on the Company's underwriting operations. Significant inflationary or recessionary periods can, however, impact the Company's underwriting operations and investment portfolio. Management considers the potential impact of economic trends in estimating its unpaid losses and LAE.

CURRENT OUTLOOK

We believe that our markets continue to provide strong opportunities. Currently, we believe that premium rates in certain casualty reinsurance markets are at attractive levels. We believe that premiums in our Casualty segment will grow. Because there are areas of the casualty market where, in our view, pricing is inadequate, we are being selective and write business only when we believe it will be profitable.

As a result of recent catastrophe losses in the industry, we believe that reinsurance rates in areas affected by the catastrophes will strengthen while rates in areas unaffected will decrease. Overall, we believe that rates remain at attractive levels. Significant time and effort has been invested in developing sophisticated catastrophe modeling tools that assist us in identifying profitable business opportunities. We believe we can maintain an acceptable risk/reward relationship in our portfolio and maintain the Property and Marine segment while managing our catastrophe exposure risk within acceptable levels.

We believe opportunities to write finite contracts will decrease and current market conditions are unlikely to produce the profitability experienced in 2003.

We routinely review various opportunities for investments or transactions that would provide an attractive return on equity or an opportunity to write new classes of business or access additional markets.

The New York State Attorney General filed suit against an insurance broker alleging illegal conduct including the manipulation of the insurance market. In addition, other regulatory authorities have also launched investigations. The Company is not a party to any of the litigation and has not received any subpoena or information requests. The Company has reviewed the allegations contained in the filed complaint and has begun an internal review of its business arrangements. While the internal review continues, at this time there is no evidence that the Company is involved in the type of conduct that is the subject of the complaint. It is not possible to predict the ultimate effect of the current litigation or its impact on the reinsurance industry and the Company's business.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

It is important to understand the Company's accounting policies in order to understand its financial position and results of operations. Management considers certain of these policies to be critical to the presentation of the financial results since they require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the financial reporting date and throughout the relevant periods. Certain of the estimates and assumptions result from judgments that can be subjective and complex, and consequently actual results may differ from these estimates. The Company's most critical accounting policies involve written and unearned premium, unpaid losses and LAE, reinsurance, investments, income tax expense and share-based compensation. The critical accounting policies presented herein are

discussed in more detail in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

PREMIUMS

Assumed reinsurance premiums are recognized as revenues when premiums become earned proportionately over the coverage period. Net premiums earned are recorded in the statement of income, net of the cost of retrocession. Net premiums written not yet recognized as revenue are recorded in the balance sheet as unearned premiums, gross of any ceded unearned premiums.

Due to the nature of reinsurance, ceding companies routinely report and remit premiums subsequent to the contract coverage period. Consequently, reinsurance premiums written include amounts reported by the ceding companies, supplemented by premium accruals. Along with estimating premiums earned but not reported the Company records the expenses associated with these premiums in the form of losses, LAE and commissions. As actual premiums are reported by the ceding companies, management evaluates the appropriateness of the premium estimates and any adjustment to these estimates is recorded in the period in which it becomes known. Adjustments to original premium estimates could be material and could significantly impact earnings in the period they are recorded. Due to the time lag inherent in the reporting of premiums by ceding companies, a significant portion of amounts included as premiums written and receivable is estimated, net of commissions, and is not currently due based on the terms of the underlying contracts.

Certain of our reinsurance contracts include provisions that adjust premiums or acquisition expenses based upon the experience under the contracts. Premiums written and earned, as well as related acquisition expenses under these contracts, are recognized based upon the losses recorded under those contracts.

Reinstatement premiums and additional premiums are recognized in accordance with the provisions of assumed reinsurance contracts, based on losses recorded under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment of losses by the reinsurer. These premiums relate to the future coverage obtained during the remainder of the initial contract term and are earned over the remaining contract term. Additional premiums are those premiums triggered by losses and not related to reinstatement of limits and are earned immediately. An allowance for uncollectable premiums is established for possible non-payment of such amounts due, as deemed necessary.

UNPAID LOSSES AND LAE

The most significant judgment made by management in the preparation of financial statements is the estimation of unpaid losses and LAE liabilities also referred to as "loss reserves." These liabilities are balance sheet estimates of future amounts required to pay losses and LAE for reinsured claims, which have occurred at or before the balance sheet date. Every quarter, the Company's actuaries prepare estimates of loss reserves based on established actuarial techniques. Because the ultimate amount of unpaid losses and LAE is uncertain, we believe that quantitative techniques to estimate these amounts are enhanced by professional and managerial judgment. Company management reviews these estimates and determines its best estimate of the liabilities to record in the Company's financial statements.

Loss reserves include estimates of the cost of claims that were reported but not yet paid ("case reserves") and the cost of IBNR. Case reserves are usually based upon claim reports received from ceding companies, and may be increased or reduced by the Company's claims personnel. IBNR is based on actuarial methods including the loss ratio method, the Bornhuetter-Ferguson method and the chain

ladder method. IBNR related to a specific event may be based on the Company's estimated exposure to an industry loss. This estimation process may include the use of catastrophe modeling software.

Generally, initial actuarial estimates of IBNR not related to a specific event are based on the loss ratio method applied to each underwriting year for each class of business. Actual paid losses and case reserves ("reported losses") are subtracted from expected ultimate losses to determine IBNR. The initial expected ultimate losses involve management judgment and are based on: (i) contract by contract expected loss ratios derived from the Company's pricing process, and (ii) historical loss ratios of the Company and St. Paul adjusted for rate changes and trends. These judgments will take into account management's view of past, current and future: (i) market conditions, (ii) changes in the business underwritten, (iii) changes in timing of the emergence of claims and (iv) other factors that may influence expected ultimate losses.

Over time, as a greater number of claims are reported, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses and expected patterns of reported losses, taking the initial expected ultimate losses into account to determine a new estimate of expected ultimate losses. This technique is most appropriate when there are few reported claims and a relatively less stable pattern of reported losses. The chain ladder technique utilizes actual reported losses and expected patterns of reported losses to determine a new estimate of expected ultimate losses that is independent of the initial expected ultimate losses. This technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable pattern of reported losses. The pattern of reported losses is determined utilizing actuarial analysis including judgment and is based on historical patterns of the recording of paid losses and case reserves to the Company, as well as industry patterns. Information that may cause historical patterns to differ from future patterns is considered and reflected in expected patterns as appropriate. For property and health coverages these patterns indicate that a substantial portion of the ultimate losses are reported within 2 to 3 years after the contract is effective. Casualty patterns can vary from 3 years to well over 20 years depending on the type of business.

While the Company commenced operations in 2002, the business written is sufficiently similar to the historical business of the reinsurance underwriting segment of St. Paul ("St. Paul Re") that the Company uses the historical loss experience of this business to estimate its initial expected ultimate losses and its expected patterns of reported losses. These patterns can span more than a decade and, given its own limited history, the availability of the St. Paul Re data is a valuable asset to the Company.

Under U.S. GAAP, we are not permitted to establish liabilities until the occurrence of an event that may give rise to a loss. When an event occurs of sufficient magnitude we may establish a specific IBNR reserve. Generally, this involves a catastrophe occurrence, which affects many ceding company clients. Ultimate losses and LAE are based on management's judgment that reflects estimates gathered from ceding company clients, estimates of insurance industry losses gathered from public sources and estimates from catastrophe modeling software.

Estimated amounts recoverable from retrocessionaires on unpaid losses and LAE are determined based on the Company's estimate of ultimate losses and LAE and the terms and conditions of its retrocessional contracts. These amounts are reflected as assets.

Unpaid losses and LAE represent management's best estimates, at a given point in time, of the ultimate settlement and administration costs of claims incurred, and it is possible that the ultimate liability may materially differ from such estimates. Such estimates are not precise because, among other things, they are based on predictions of future developments and estimates of future trends in claim severity and frequency and other factors.

The uncertainty inherent in loss estimation is particularly pronounced for casualty coverages, such as umbrella liability, general and product liability, professional liability, directors and officers liability and automobile liability, where information, such as required medical treatment and costs for bodily injury claims, only emerges over time. In the overall loss reserving process, provisions for economic inflation and changes in the social and legal environment are considered. The uncertainty inherent in the reserving process for primary insurers is even greater for the reinsurer. This is because of, but not limited to, the time lag inherent in reporting information from the primary insurer to the reinsurer and differing reserving practices among ceding companies.

Loss reserves are refined and adjusted as new information becomes available. Any such adjustments are accounted for as changes in estimates and are reflected in results of operations in the period in which they are made.

REINSURANCE

Written premiums, earned premiums, incurred losses and LAE reflect the net effects of assumed and ceded reinsurance transactions. Reinsurance accounting is followed for assumed and ceded transactions when risk transfer requirements have been met. Evaluating risk transfer involves significant assumptions relating to the amount and timing of expected cash flows, as well as the interpretation of underlying contract terms. Reinsurance contracts that do not transfer significant insurance risk are generally accounted for as reinsurance deposit liabilities with interest expense charged to other income and credited to the liability.

INVESTMENTS

In accordance with our investment guidelines, our investments consist largely of high-grade marketable fixed income securities. Fixed maturities for which the Company may not have a positive intent to hold until maturity are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from net income and reported in other comprehensive income as a separate component of shareholders' equity, net of deferred taxes. Fixed maturities that the Company has the intent to sell prior to maturity are classified as trading securities and reported at fair value, with unrealized gains and losses included in other income. Securities classified as trading securities are generally foreign currency denominated securities intended to match foreign currency denominated liabilities in order to minimize net exposures arising from fluctuations in foreign currency exchange rates. Realized gains and losses on sales of investments are determined on a specific identification basis. In addition, unrealized depreciation in the value of individual securities considered by management to be other than temporary is charged to income in the period it is determined. Investment income is recorded when earned and includes the amortization of premiums and discounts on investments.

INCOME TAX EXPENSE

Platinum Holdings and Platinum Bermuda are domiciled in Bermuda, which has no corporate income tax. The Company also has subsidiaries in the United States, United Kingdom and Ireland that are subject to the tax laws thereof.

The Company applies the asset and liability method of accounting for income tax expense (benefit). Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted. A valuation allowance is

established for deferred tax assets where it is more likely than not that future tax benefits will not be realized.

SHARE BASED COMPENSATION

During 2003, the Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" ("SFAS 123") and Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 123 requires that the fair value of share options granted under the Company's share option plan subsequent to the adoption of SFAS 148 be amortized in earnings over the vesting periods. The fair value of the share options granted is determined through the use of an option-pricing model. SFAS 148 amends SFAS 123 and provides transitioning guidance for a voluntary adoption of FAS 123 as well as amends the disclosure requirements of SFAS 123. Prior to the adoption of SFAS 123, the Company elected to use the intrinsic value method of accounting for its share based awards granted to employees established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and continues to use the intrinsic method for share option granted in 2002. Under APB 25, if the exercise price of the Company's employee share options is equal to or greater than the fair market value of the underlying shares on the date of the grant, no compensation expense is recorded.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET AND CREDIT RISK

The Company's principal invested assets are fixed maturities, which are subject to the risk of potential losses from adverse changes in market rates and prices and credit risk resulting from adverse changes in the borrower's ability to meet its debt service obligations. The Company's strategy to limit this risk is to place its investments in high quality credit issues and to limit the amount of credit exposure with respect to any one issuer or industry. The Company also selects investments with characteristics such as duration, yield, currency and liquidity to reflect the underlying characteristics of related estimated claim liabilities. The Company attempts to minimize the credit risk by actively monitoring the portfolio and requiring a minimum average credit rating of A2 as defined by Moody's Investor Service. As of September 30, 2004, the portfolio has a dollar weighted average rating of Aa3.

The Company has other receivable amounts subject to credit risk. The most significant of these are reinsurance premiums receivable from ceding companies and losses recoverable from retrocessionaires. To mitigate credit risk related to losses recoverable from retrocessionaires, we establish business and financial standards for retrocessionaire approval, incorporate ratings by major rating agencies, consider current market information, and obtain letters of credit or other forms of collateral where deemed necessary. To mitigate credit risk related to premium receivables, we have established standards for ceding companies and, in most cases, have a contractual right of offset thereby allowing the Company to settle claims net of any premium receivable.

INTEREST RATE RISK

The Company is exposed to fluctuations in interest rates. Movements in rates can result in changes in the market value of our fixed income portfolio and can cause changes in the actual timing of when we expect to receive certain principal payments. Rising interest rates result in a decline in the market value of our fixed income portfolio and can expose our portfolio, in particular our mortgage backed securities, to extension risk. Conversely, a decline in interest rates will result in a rise in the market value of our fixed income portfolio and can expose our portfolio, in particular our mortgage

backed securities, to prepayment risk. The aggregate hypothetical impact on our fixed income portfolio, generated from an immediate parallel shift in the treasury yield curve, as of September 30, 2004 is approximately as follows ($ in thousands):

	Interest Rate Shift in Basis Points			
	- 100 bp	- 50 bp	Current	+ 50 bp
Total market value	$ 2,210,970	2,174,684	2,145,335	2,099,618
Percent change in market value	3.1%	1.4%	-	(2.1%)
Resulting unrealized appreciation / (depreciation)	$ 84,000	47,714	18,365	(27,352)

FOREIGN CURRENCY RISK

The Company writes business on a worldwide basis. Consequently, the Company's principal exposure to foreign currency risk is its obligation to settle claims in foreign currencies. Changes in foreign currency exchange rates can impact revenues, costs, receivables and liabilities, as measured in the U.S. dollar, our financial reporting currency. The Company seeks to reduce its exposure to its largest foreign currency risks by holding invested assets denominated in foreign currencies to offset liabilities denominated in foreign currencies.

SOURCES OF FAIR VALUE

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of September 30, 2004 ($ in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Fixed maturities	$2,145,335	$2,145,335
Other invested asset	6,628	6,628
Financial liabilities:		
Debt obligations	$ 137,500	$ 161,040

The fair value of fixed maturities is based on quoted market prices at the reporting date for those or similar investments. The fair values of debt obligations are based on quoted market prices. Other invested asset represents a strategic investment in a non-public reinsurance company and is carried at estimated fair value.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic reports to be filed with the Securities and Exchange Commission. In addition, there have been no significant changes in our internal controls over financial

reporting that materially adversely affected or are reasonably likely to materially adversely affect the Company's internal controls over financial reporting subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us.

In particular, statements using words such as "may," "should," "estimate," "expect," "anticipate," "intend," "believe," "predict," "potential," or words of similar import generally involve forward-looking statements. For example, we may have included certain forward-looking statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" with regard to trends in results, prices, volumes, operations, investment results, margins, risk management and exchange rates. This Form 10-Q may also contain forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives and trends in market conditions, market standing, product volumes, investment results and pricing conditions.

In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this Form 10-Q should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those in the forward-looking statements, including the following:

(1) our ability to successfully execute our business strategy;

(2) conducting operations in a competitive environment;

(3) our ability to maintain our A.M. Best Company rating;

(4) significant weather-related or other natural or man-made disasters over which the Company has no control;

(5) the effectiveness of our loss limitation methods;

(6) the adequacy of the Company's liability for unpaid losses and loss adjustment expenses;

(7) the availability of retrocessional reinsurance on acceptable terms;

(8) our ability to maintain our business relationships with reinsurance brokers;

(9) general political and economic conditions, including the effects of civil unrest, war or a prolonged U.S. or global economic downturn or recession;

(10) the cyclicality of the property and casualty reinsurance business;

(11) market volatility and interest rate and currency exchange rate fluctuation;

(12) tax, regulatory or legal restrictions or limitations applicable to the Company or the property and casualty reinsurance business generally; and

(13) changes in the Company's plans, strategies, objectives, expectations or intentions, which may happen at any time at the Company's discretion.

As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. The foregoing factors should not be construed as exhaustive. Additionally, forward-looking statements speak only as of the date they are made, and we undertake no obligation to release publicly the results of any future revisions or updates we may make to forward-looking statements to reflect new information or circumstances after the date hereof or to reflect the occurrence of future events.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company may become involved in various claims and legal proceedings. The Company is not currently aware of any pending or threatened material litigation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) On August 4, 2004, the board of directors of the Company approved a plan to purchase up to $50,000,000 of its common shares. Following is a summary of purchases during the quarterly period ended September 30, 2004:

Period	(a) Total Number of Shares Purchased	(b) Average Price paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Amount that May Yet Be Purchased Under the Plan or Programs
July 1 - 31, 2004	-	-	-	$ 50,000,000
August 1 - 31, 2004	349,700	$ 28.55	349,700	40,015,000
September 1 - 30, 2004	-	-	-	40,015,000
Total	349,700	$ 28.55	349,700	$ 40,015,000

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PLATINUM UNDERWRITERS HOLDINGS, LTD

Date: November 9, 2004 /s/ GREGORY E. A. MORRISON

By: Gregory E. A. Morrison
President and Chief Executive Officer

Date: November 9, 2004 /s/ JOSEPH F. FISHER

By: Joseph F. Fisher
Executive Vice President and Chief Financial Officer