

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
July 26, 2011

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

FORM 10-Q

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

OR

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

Commission File Number: 001-31341

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

Bermuda
(State or other jurisdiction of
incorporation or organization)

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

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

HM 08
(Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

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

The registrant had 37,323,794 common shares, par value \$0.01 per share, outstanding as of July 15, 2011.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited)	
	June 30, 2011	December 31, 2010
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost – \$2,490,397 and \$2,889,502, respectively)	\$2,543,684	\$ 2,865,827
Fixed maturity trading securities at fair value (amortized cost – \$161,694 and \$174,631, respectively)	167,605	182,146
Short-term investments	226,307	176,648
Total investments	2,937,596	3,224,621
Cash and cash equivalents	1,318,773	987,877
Accrued investment income	31,724	31,288
Reinsurance premiums receivable	149,616	162,682
Reinsurance recoverable on ceded losses and loss adjustment expenses	42,049	13,973
Prepaid reinsurance premiums	22,809	4,461
Funds held by ceding companies	90,507	84,078
Deferred acquisition costs	32,143	36,584
Deferred tax assets	34,578	47,777
Other assets	22,602	20,972
Total assets	\$4,682,397	\$ 4,614,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$2,472,861	\$ 2,217,378
Unearned premiums	139,767	154,975
Debt obligations	250,000	250,000
Commissions payable	54,112	59,388
Other liabilities	69,947	37,117
Total liabilities	\$2,986,687	\$ 2,718,858
Shareholders' Equity		
Common shares, \$0.01 par value, 200,000,000 shares authorized, 37,323,794 and 37,757,926 shares issued and outstanding, respectively	\$ 373	\$ 377
Additional paid-in capital	372,882	453,619
Accumulated other comprehensive income (loss)	40,034	(24,488)
Retained earnings	1,282,421	1,465,947
Total shareholders' equity	\$1,695,710	\$ 1,895,455
Total liabilities and shareholders' equity	\$4,682,397	\$ 4,614,313

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenue:				
Net premiums earned	\$172,436	\$191,432	\$355,317	\$411,610
Net investment income	33,965	35,372	66,343	72,877
Net realized gains (losses) on investments	(4,689)	49,489	(4,282)	54,946
Total other-than-temporary impairment losses	(548)	1,777	500	(10,861)
Portion of impairment losses recognized in accumulated other comprehensive income (loss)	(1,118)	(5,187)	(3,673)	(10,651)
Net impairment losses on investments	(1,666)	(3,410)	(3,173)	(21,512)
Other income (expense)	(60)	(144)	1,036	129
Total revenue	199,986	272,739	415,241	518,050
Expenses:				
Net losses and loss adjustment expenses	159,357	71,475	478,952	236,043
Net acquisition expenses	34,115	44,088	68,065	81,417
Net changes in fair value of derivatives	4,474	30	748	2,345
Operating expenses	17,105	20,160	34,256	41,901
Net foreign currency exchange losses (gains)	614	(67)	803	(1,296)
Interest expense	4,767	4,709	9,533	9,469
Total expenses	220,432	140,395	592,357	369,879
Income (loss) before income taxes	(20,446)	132,344	(177,116)	148,171
Income tax expense (benefit)	(45)	8,205	477	8,611
Net income (loss)	\$(20,401)	\$124,139	\$(177,593)	\$139,560
Earnings (loss) per common share:				
Basic earnings (loss) per common share	\$(0.55)	\$2.87	\$(4.75)	\$3.15
Diluted earnings (loss) per common share	\$(0.55)	\$2.68	\$(4.75)	\$2.95
Comprehensive income (loss):				
Net income (loss)	\$(20,401)	\$124,139	\$(177,593)	\$139,560
Other comprehensive income – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	52,518	34,833	64,522	82,705
Comprehensive income (loss)	\$32,117	\$158,972	\$(113,071)	\$222,265
Shareholder dividends:				
Common shareholder dividends declared	\$2,969	\$3,400	\$5,933	\$7,055
Dividends declared per common share	\$0.08	\$0.08	\$0.16	\$0.16

See accompanying notes to consolidated financial statements.

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

	2011	2010
Common shares:		
Balances at beginning of period	\$377	\$459
Exercise of common share options	–	6
Issuance of common shares	–	1
Settlement of equity awards	4	3
Repurchase of common shares	(8)	(58)
Balances at end of period	373	411
Additional paid-in capital:		
Balances at beginning of period	453,619	883,425
Exercise of common share options	1,132	19,245
Issuance of common shares	2	4
Share based compensation	2,275	7,152
Settlement of equity awards	(2,726)	(966)
Repurchase of common shares	(33,899)	(212,765)
Purchase of common share options	(47,900)	–
Income tax (expense) benefit from share based compensation	379	(128)
Balances at end of period	372,882	695,967
Accumulated other comprehensive income (loss):		
Balances at beginning of period	(24,488)	(70,005)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes:		
Change in unrealized gains and losses	60,987	74,177
Non-credit component of impairment losses	3,535	8,528
Balances at end of period	40,034	12,700
Retained earnings:		
Balances at beginning of period	1,465,947	1,263,852
Net income (loss)	(177,593)	139,560
Common share dividends	(5,933)	(7,055)
Balances at end of period	1,282,421	1,396,357
Total shareholders' equity	\$1,695,710	\$2,105,435

See accompanying notes to consolidated financial statements.

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

	2011	2010
Operating Activities:		
Net income (loss)	\$(177,593)	\$139,560
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	1,829	6,697
Net realized losses (gains) on investments	4,282	(54,946)
Net impairment losses on investments	3,173	21,512
Net foreign currency exchange losses (gains)	803	(1,296)
Share-based compensation	2,275	7,152
Deferred income tax expense	759	3,227
Fixed maturity trading securities activities, net	142	(30,559)
Changes in assets and liabilities:		
Decrease (increase) in accrued investment income	(276)	1,227
Decrease in reinsurance premiums receivable	15,896	108,061
Increase in funds held by ceding companies	(5,946)	(1,047)
Decrease in deferred acquisition costs	4,560	1,183
Increase (decrease) in net unpaid losses and loss adjustment expenses	194,976	(100,659)
Decrease in net unearned premiums	(34,645)	(12,466)
Decrease in commissions payable	(5,531)	(33,091)
Changes in other assets and liabilities	28,584	(33,028)
Net cash provided by (used in) operating activities	33,288	21,527
Investing Activities:		
Proceeds from sale of fixed maturity available-for-sale securities	353,402	2,056,935
Proceeds from sale of fixed maturity trading securities	20,413	-
Proceeds from sale of preferred stocks	-	2,634
Proceeds from sale of short-term investments	27,995	17,110
Proceeds from maturity or paydown of fixed maturity available-for-sale securities	72,694	158,439
Proceeds from maturity of short-term investments	140,014	204,725
Acquisition of fixed maturity available-for-sale securities	(34,499)	(1,547,483)
Acquisition of short-term investments	(211,527)	(285,210)
Net cash provided by (used in) investing activities	368,492	607,150
Financing Activities:		
Dividends paid to common shareholders	(5,933)	(7,055)
Repurchase of common shares	(33,907)	(212,823)
Purchase of common share options	(47,900)	-
Proceeds from exercise of common share options	1,132	19,251
Net cash provided by (used in) financing activities	(86,608)	(200,627)
Effect of foreign currency exchange rate changes on cash	15,724	(8,560)
Net increase (decrease) in cash and cash equivalents	330,896	419,490

Cash and cash equivalents at beginning of period	987,877	682,784
Cash and cash equivalents at end of period	\$1,318,773	\$1,102,274
Supplemental disclosures of cash flow information:		
Income taxes paid	\$417	\$11,261
Interest paid	\$9,375	\$9,375

See accompanying notes to consolidated financial statements.

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

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Consolidation

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

Platinum Holdings and its consolidated subsidiaries (collectively, the "Company") includes Platinum Holdings, Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), Platinum Underwriters Reinsurance, Inc. ("Platinum US"), Platinum Re (UK) Limited ("Platinum UK"), Platinum Underwriters Finance, Inc. ("Platinum Finance"), Platinum Regency Holdings ("Platinum Regency"), Platinum Administrative Services, Inc. and Platinum UK Services Company Limited. The terms "we," "us," and "our" refer to the Company, unless the context otherwise indicates.

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

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. All material inter-company transactions and accounts have been eliminated in preparing these consolidated financial statements. The consolidated financial statements included in this report as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010 are unaudited and include adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2010.

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. The major estimates used in the preparation of the Company's consolidated financial statements, and therefore considered to be critical accounting estimates, include premiums written and earned, unpaid losses and loss adjustment expenses ("LAE"), reinsurance recoverable, valuation of investments and income taxes. In addition, estimates are used to evaluate risk transfer for assumed and ceded reinsurance transactions. Results of changes in estimates are reflected in results of operations in the period in which the change is made. The results of operations for any interim period are not necessarily indicative of results for the full year.

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

Recently Issued Accounting Pronouncements

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

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it already is required and permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. ASU 2011-04 is effective on a prospective basis for interim and annual periods beginning after December 15, 2011, with early adoption not permitted. In the period of adoption, a reporting entity will be required to disclose a change, if any, in valuation technique and related inputs that result from applying ASU 2011-04 and to quantify the total effect, if practicable. We are currently evaluating the impact of the adoption of ASU 2011-04 on our financial position, results of operations and disclosures.

In October 2010, the FASB issued ASU No. 2010-26, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts” (“ASU 2010-26”). ASU 2010-26 modifies the types of costs that may be deferred, allowing insurance companies to only defer costs directly related to successful acquisition of new or renewal contracts. These costs include incremental direct costs of successful contracts, the portion of employees’ salaries and benefits related to time spent on acquisition activities for successful contracts and other costs incurred in the acquisition of contracts. Additional disclosure of the type of acquisition costs capitalized is also required. ASU 2010-26 is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company’s annual period. We are currently evaluating the impact of the adoption of ASU 2010-26 on our financial position and results of operations.

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

2. Investments

Available-for-sale Securities

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

	Included in Accumulated Other Comprehensive Income (Loss)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit portion of OTTI (1)
June 30, 2011:					
U.S. Government	\$111,304	\$2,708	\$31	\$113,981	\$-
U.S. Government agencies	100,000	420	-	100,420	-
Municipal bonds	1,525,357	58,799	8,470	1,575,686	-
Non-U.S. governments	59,967	2,144	543	61,568	-
Corporate bonds	320,200	17,057	543	336,714	-
Commercial mortgage-backed securities	191,987	12,236	1,864	202,359	-
Residential mortgage-backed securities	154,771	3,259	27,492	130,538	14,062
Asset-backed securities	26,811	581	4,974	22,418	4,720
Total fixed maturity available-for-sale securities	\$2,490,397	\$97,204	\$43,917	\$2,543,684	\$18,782
December 31, 2010:					
U.S. Government	\$408,843	\$267	\$17,807	\$391,303	\$-
U.S. Government agencies	100,000	547	-	100,547	-
Municipal bonds	1,540,701	25,591	28,860	1,537,432	-
Non-U.S. governments	74,990	1,859	543	76,306	-
Corporate bonds	349,370	18,589	1,059	366,900	-
Commercial mortgage-backed securities	195,050	9,656	1,393	203,313	43
Residential mortgage-backed securities	192,345	3,601	29,488	166,458	15,794
Asset-backed securities	28,203	289	4,924	23,568	4,644
Total fixed maturity available-for-sale securities	\$2,889,502	\$60,399	\$84,074	\$2,865,827	\$20,481

(1) Represents the amount of unrealized losses on impaired securities that were not realized in earnings as of the reporting date. These unrealized losses are included in gross unrealized losses as of June 30, 2011 and December 31, 2010.

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

Trading Securities

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

	June 30, 2011	December 31, 2010
Non-U.S. dollar denominated securities:		
Non-U.S. governments	\$ 146,478	\$ 140,089
U.S. Government agencies	16,189	15,903
Corporate bonds	-	68
Insurance-linked securities	4,938	26,086
Total fixed maturity trading securities	\$ 167,605	\$ 182,146

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

We have elected to record our investments in insurance-linked securities at fair value. Insurance-linked securities have exposure to catastrophe loss, which we actively manage. We believe that the various risk elements of insurance-linked securities are more appropriately accounted for in accordance with the fair value measurement attributes of FASB Accounting Standards Codification 825, "Financial Instruments" ("ASC 825"). The mark-to-market adjustments on securities recognized under ASC 825 contributed less than \$0.1 million and \$1.3 million of net realized losses on investments for the three and six months ended June 30, 2011, respectively, and contributed \$0.6 million of net realized losses on investments and \$0.2 million of net realized gains on investments for the three and six months ended June 30, 2010, respectively.

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

Other-Than-Temporary Impairments

We consider the creditworthiness of our municipal bond and corporate bond portfolios by reviewing various performance metrics of the issuer, including financial condition and credit ratings as well as other public information. We determined that none of our municipal bonds and corporate bonds were other-than-temporarily impaired for the three and six months ended June 30, 2011 and 2010. As of June 30, 2011, the single largest unrealized loss within our municipal bond portfolio was \$2.6 million related to a security with an amortized cost of \$40.1 million. As of June 30, 2011, the single largest unrealized loss within our corporate bond portfolio was \$0.2 million related to a security with an amortized cost of \$6.5 million.

We analyze our commercial mortgage-backed securities ("CMBS") on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, debt-service-coverage ratios and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded no net impairment losses related to CMBS for the three months ended June 30, 2011 and 2010. We recorded no net impairment losses related to CMBS for the six months ended June 30, 2011 and net impairment losses related to CMBS of \$7.7 million for the six months ended June 30, 2010. As of June 30, 2011, the single largest unrealized loss within our CMBS portfolio was \$0.6 million related to a security with an amortized cost of \$10.0 million.

Residential mortgage-backed securities ("RMBS") include U.S. Government agency RMBS and non-agency RMBS. Securities with underlying sub-prime mortgages as collateral are included in asset-backed securities ("ABS"). We analyze our non-agency RMBS and sub-prime ABS on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, prepayment speeds and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has

occurred. We recorded net impairment losses related to non-agency RMBS of \$1.5 million and \$1.8 million for the three months ended June 30, 2011 and 2010, respectively, and \$2.4 million and \$2.8 million for the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, the single largest unrealized loss within our RMBS portfolio was \$5.0 million related to a non-agency RMBS security with an amortized cost of \$6.2 million.

We also recorded net impairment losses related to sub-prime ABS of \$0.2 million and \$1.6 million for the three months ended June 30, 2011 and 2010, respectively, and \$0.8 million and \$11.0 million for the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, the single largest unrealized loss within our sub-prime ABS portfolio was \$4.4 million related to a security with an amortized cost of \$6.8 million.

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

	2011	2010
Beginning balance, January 1	\$48,845	\$18,695
Credit losses on securities not previously impaired	20	7,728
Additional credit losses on securities previously impaired	3,153	13,784
Reduction for paydowns and securities sold	(3,901)	–
Reduction for increases in cash flows expected to be collected	(245)	(291)
Ending balance, June 30	\$47,872	\$39,916

As of June 30, 2011, total cumulative credit losses related to CMBS, non-agency RMBS and sub-prime ABS. The cumulative credit losses we recorded on CMBS of \$5.1 million were on four securities issued from 2006 to 2007. As of June 30, 2011, 6.6% of the mortgage pools backing these securities were 90 days or more past due and 0.3% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 17.9%. The cumulative credit losses we recorded on non-agency RMBS and sub-prime ABS of \$42.8 million were on twenty-six securities issued from 2004 to 2007. As of June 30, 2011, 20.0% of the mortgage pools backing these securities were 90 days or more past due and 4.8% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 8.9%.

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

Unrealized Gains and Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Gross change in unrealized investment gains and losses	\$64,394	\$45,056	\$76,962	\$100,784
Less: deferred tax	(11,876)	(10,223)	(12,440)	(18,079)
Net change in unrealized investment gains and losses	\$52,518	\$34,833	\$64,522	\$82,705

The following table sets forth our gross unrealized losses on fixed maturity securities classified as available-for-sale aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2011 and December 31, 2010 (\$ in thousands):

	June 30, 2011		December 31, 2010	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Less than twelve months:				
U.S. Government	\$2,258	\$31	\$388,087	\$17,807
Municipal bonds	344,577	8,470	670,592	28,773
Non-U.S. governments	-	-	4,455	543
Corporate bonds	24,800	543	37,334	1,059
Commercial mortgage-backed securities	14,267	775	-	-
Residential mortgage-backed securities	20,830	332	17,103	431
Asset-backed securities	1,509	-	-	-
Total	\$408,241	\$10,151	\$1,117,571	\$48,613
Twelve months or more:				
U.S. Government	\$-	\$-	\$-	\$-
Municipal bonds	-	-	2,032	87
Non-U.S. governments	4,455	543	-	-
Corporate bonds	-	-	-	-
Commercial mortgage-backed securities	6,618	1,089	22,016	1,393
Residential mortgage-backed securities	52,610	27,160	56,297	29,057
Asset-backed securities	18,096	4,974	21,816	4,924
Total	\$81,779	\$33,766	\$102,161	\$35,461
Total unrealized losses:				
U.S. Government	\$2,258	\$31	\$388,087	\$17,807
Municipal bonds	344,577	8,470	672,624	28,860
Non-U.S. governments	4,455	543	4,455	543

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Corporate bonds	24,800	543	37,334	1,059
Commercial mortgage-backed securities	20,885	1,864	22,016	1,393
Residential mortgage-backed securities	73,440	27,492	73,400	29,488
Asset-backed securities	19,605	4,974	21,816	4,924
Total	\$490,020	\$43,917	\$1,219,732	\$84,074

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

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

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

Net Investment Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Fixed maturity securities	\$32,561	\$35,716	\$64,412	\$73,780
Short-term investments and cash and cash equivalents	2,074	381	3,580	587
Funds held	395	465	613	918
Subtotal	35,030	36,562	68,605	75,285
Less: investment expenses	1,065	1,190	2,262	2,408
Net investment income	\$33,965	\$35,372	\$66,343	\$72,877

Net Realized Gains and Losses on Investments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Gross realized gains on the sale of investments	\$477	\$54,249	\$4,421	\$58,962
Gross realized losses on the sale of investments	(6,894)	(6,358)	(6,897)	(6,360)
Net realized gains (losses) on the sale of investments	(6,417)	47,891	(2,476)	52,602
Mark-to-market adjustments on trading securities	1,728	1,598	(1,806)	2,344
Net realized gains (losses) on investments	\$(4,689)	\$49,489	\$(4,282)	\$54,946

Maturities

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

	Amortized Cost	Fair Value
Due in one year or less	\$ 202,231	\$ 203,661
Due from one to five years	626,163	652,418
Due from five to ten years	575,672	603,624
Due in ten or more years	874,457	896,272
Mortgage-backed and asset-backed securities	373,568	355,314
Total	\$ 2,652,091	\$ 2,711,289

3.

Fair Value Measurements

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

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

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

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

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

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

	Fair Value Measurement Using:			
	Total	Level 1	Level 2	Level 3
June 30, 2011:				
Financial assets:				
Investments:				
U.S. Government	\$ 113,981	\$ 113,981	\$-	\$-
U.S. Government agencies	116,609	-	116,609	-
Municipal bonds	1,575,686	-	1,575,686	-
Non-U.S. governments	208,046	55,536	152,510	-
Corporate bonds	336,714	-	336,714	-
Commercial mortgage-backed securities	202,359	-	202,359	-
Residential mortgage-backed securities	130,538	-	127,730	2,808
Asset-backed securities	22,418	-	22,418	-
Insurance-linked securities	4,938	-	4,938	-
Short-term investments	226,307	-	226,307	-
Total	\$2,937,596	\$ 169,517	\$2,765,271	\$2,808
Financial liabilities:				
Derivative instrument	789	-	-	789
Total	\$789	\$-	\$-	\$789
December 31, 2010:				
Financial assets:				
Investments:				
U.S. Government	\$ 391,303	\$ 391,303	\$-	\$-
U.S. Government agencies	116,450	-	116,450	-
Municipal bonds	1,537,432	-	1,537,432	-
Non-U.S. governments	216,395	57,643	158,752	-
Corporate bonds	366,968	-	366,968	-
Commercial mortgage-backed securities	203,313	-	203,313	-
Residential mortgage-backed securities	166,458	-	164,009	2,449
Asset-backed securities	23,568	-	22,499	1,069
Insurance-linked securities	26,086	-	26,086	-
Short-term investments	176,648	-	176,648	-

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Total	\$3,224,621	\$448,946	\$2,772,157	\$3,518
Financial liabilities:				
Derivative instrument	4,871	–	–	4,871
Total	\$4,871	\$–	\$–	\$4,871

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

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

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

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

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

	2011	2010
Beginning balance, January 1	\$(1,353)	\$(4,677)
Purchases	4,829	–
Issuances	–	–
Settlements	–	4,513
Sales, maturities and paydowns	(165)	–
Total net realized gains included in earnings	–	–

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Total increase (decrease) in fair value of the derivative instrument included in earnings	(748)	(2,345)
Total net unrealized gains (losses) included in comprehensive income	890	–
Transfers in and/or out of Level 3	(1,434)	–
Ending balance, June 30	\$2,019	\$(2,509)
Total increase (decrease) in fair value of the financial assets and liabilities included in earnings for the period		
	\$(748)	\$(2,345)

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

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

The carrying amounts of our financial assets and liabilities were equal to fair values at June 30, 2011 and December 31, 2010, except for the debt obligations on our consolidated balance sheets. The debt obligations were recorded at cost with a carrying value of \$250.0 million at June 30, 2011 and December 31, 2010, and had a fair value of \$269.0 million and \$260.9 million at June 30, 2011 and December 31, 2010, respectively.

4. Derivative Instrument

In August 2008, we entered into a derivative agreement with Topiary Capital Limited ("Topiary"), a Cayman Islands special purpose vehicle, that provides us with the ability to recover up to \$200.0 million if two catastrophic events involving U.S. wind, U.S. earthquake, European wind or Japanese earthquake occur that meet specified loss criteria during any of three annual periods commencing August 1, 2008. Any recovery we make under this contract is based on insured property industry loss estimates for U.S. perils and European wind and a parametric index for Japanese earthquake events. Recovery is based on both a physical and financial variable and is not based on actual losses we may incur. Consequently, the transaction is accounted for as a derivative and is carried at the estimated fair value.

During the first quarter of 2011, the earthquake in Japan qualified as a first event under this agreement and resulted in an increase in the fair value of the derivative instrument due to the increased probability of a recovery. A recovery would be made only if a second qualifying catastrophic event occurred prior to the end of the derivative agreement on July 31, 2011. Under the terms of the agreement, we pay Topiary approximately \$9.7 million during each of the three annual periods. The net derivative liability of \$0.8 million and \$4.9 million at June 30, 2011 and December 31, 2010, respectively, were included in other liabilities on our consolidated balance sheets. The fair value expense of \$0.7 million and \$2.3 million for the six months ended June 30, 2011 and 2010, respectively, were included in the net changes in fair value of derivatives on our consolidated statements of operations.

Topiary's limit of loss is collateralized with high quality investment grade securities held in an account for the benefit of the Company. The performance of the securities in the collateral account is guaranteed under a total return swap agreement with Goldman Sachs International whose obligations under the swap agreement are guaranteed by Goldman Sachs Group, Inc.

Topiary is a variable interest entity under U.S. GAAP. We have concluded that we are not the primary beneficiary of Topiary and, accordingly, we have not consolidated this entity in our consolidated financial statements.

5. Credit Facilities

Syndicated Credit Facility

On June 24, 2011, we entered into a three-year, \$300.0 million credit facility (the "Syndicated Credit Facility") that amended and restated our existing credit facility, which was scheduled to expire on September 13, 2011. The Syndicated Credit Facility consists of a \$100.0 million unsecured senior credit facility available for revolving borrowings and letters of credit and a \$200.0 million secured senior credit facility available for letters of credit.

Borrowings and letters of credit under the Syndicated Credit Facility are available for the working capital, liquidity and general corporate requirements of Platinum Holdings, Platinum Finance and our reinsurance subsidiaries. Platinum Holdings and Platinum Finance have unconditionally guaranteed the obligations of our reinsurance subsidiaries. The Syndicated Credit Facility contains customary representations, warranties and covenants, including requirements to maintain a ratio of consolidated indebtedness to total capitalization of not greater than 0.35 to 1.0 and to maintain a consolidated tangible net worth of not less than the higher of (i) \$1.25 billion or (ii) the sum of \$1.25 billion plus 50% of net income for each fiscal year plus 75% of the aggregate increases in shareholders' equity through the issuance or sale of shares minus the amount of any extraordinary dividend payment or repurchase of shares. In addition, each of our reinsurance subsidiaries must maintain a financial strength rating from A.M. Best Company of at least B++ at all times. We are in compliance with the covenants under the Syndicated Credit Facility.

Letter of Credit Facility

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

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

	Letters of Credit		Cash	Collateral	
	Capacity	Issued		Investments	Total
Syndicated Credit Facility:					
Secured	\$200,000	\$117,109	\$135,690	\$1,194	\$136,884
Unsecured	100,000	–	–	–	–
Total Syndicated Credit Facility	300,000	117,109	135,690	1,194	136,884
LOC Facility	100,000	1,772	3,841	–	3,841
Total	\$400,000	\$118,881	\$139,531	\$1,194	\$140,725

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

6. Income Taxes

We provide for income tax expense or benefit based upon income reported in the consolidated financial statements and the provisions of currently enacted tax laws. Platinum Holdings and Platinum Bermuda are incorporated under the laws of Bermuda and are subject to Bermuda law with respect to taxation. Under current Bermuda law, they are not taxed on any Bermuda income or capital gains and they have received an assurance from the Bermuda Minister of Finance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings or Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 28, 2016. Platinum Holdings also has subsidiaries based in the United States, the United Kingdom and Ireland that are subject to the tax laws thereof.

The 2003 income tax return of our U.S.-based subsidiaries is currently under examination by the U.S. Internal Revenue Service. The income tax returns that remain open to examination are for calendar years 2006 and forward.

7. Share Repurchases and Option Purchases

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

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

8. Earnings (Loss) per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Earnings:				
Basic and Diluted				
Net income (loss) available to common shareholders	\$(20,401)	\$124,139	\$(177,593)	\$139,560
	(137)	-	(1,069)	-

Net income (loss) allocated to participating common shareholders (1)				
Net income (loss) allocated to common shareholders	\$ (20,264)	\$ 124,139	\$ (176,524)	\$ 139,560
Common Shares:				
Basic				
Weighted average common shares outstanding	37,113	43,225	37,155	44,322
Diluted				
Weighted average common shares outstanding	37,113	43,225	37,155	44,322
Effect of dilutive securities:				
Common share options	127	2,583	268	2,562
Restricted share units	159	441	269	481
Adjusted weighted average common shares outstanding	37,399	46,249	37,692	47,365
Earnings (Loss) Per Common Share:				
Basic earnings (loss) per common share	\$ (0.55)	\$ 2.87	\$ (4.75)	\$ 3.15
Diluted earnings (loss) per common share (2)	\$ (0.55)	\$ 2.68	\$ (4.75)	\$ 2.95

- (1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's share incentive plans that are considered to be participating securities.
- (2) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.

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

9. Operating Segment Information

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

In managing our operating segments, we use measures such as net underwriting income and underwriting ratios to evaluate segment performance. We do not allocate assets or certain income and expenses such as net investment income, net realized gains and losses on investments, net impairment losses on investments, net changes in fair value of derivatives, net foreign currency exchange gains and losses, interest expense and certain corporate expenses by segment. The measures we use in evaluating our operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the three operating segments, together with a reconciliation of underwriting income (loss) to income (loss) before income taxes for the three and six months ended June 30, 2011 and 2010 (\$ in thousands):

	Three Months Ended June 30, 2011			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	\$ 54,411	\$ 69,234	\$ 2,242	\$ 125,887
Net premiums earned	91,852	77,104	3,480	172,436
Net losses and loss adjustment expenses	116,543	43,868	(1,054)	159,357
Net acquisition expenses	12,009	18,144	3,962	34,115
Other underwriting expenses	7,274	4,829	264	12,367
Segment underwriting income (loss)	\$ (43,974)	\$ 10,263	\$ 308	(33,403)
Net investment income				33,965

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Net realized gains (losses) on investments	(4,689)
Net impairment losses on investments	(1,666)
Other income (expense)	(60)
Net changes in fair value of derivatives	(4,474)
Corporate expenses not allocated to segments	(4,738)
Net foreign currency exchange (losses) gains	(614)
Interest expense	(4,767)
Income (loss) before income taxes	\$ (20,446)

Underwriting ratios:

Net loss and loss adjustment expense	126.9	%	56.9	%	(30.3	%)	92.4	%
Net acquisition expense	13.1	%	23.5	%	113.9	%	19.8	%
Other underwriting expense	7.9	%	6.3	%	7.6	%	7.2	%
Combined	147.9	%	86.7	%	91.2	%	119.4	%

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

Three Months Ended June 30, 2010								
	Property and Marine		Casualty		Finite Risk		Total	
Net premiums written	\$	74,105	\$	72,628	\$	4,985	\$	151,718
Net premiums earned		100,550		85,166		5,716		191,432
Net losses and loss adjustment expenses		35,010		40,058		(3,593)		71,475
Net acquisition expenses		17,218		18,752		8,118		44,088
Other underwriting expenses		7,720		5,654		313		13,687
Segment underwriting income	\$	40,602	\$	20,702	\$	878		62,182
Net investment income								35,372
Net realized gains (losses) on investments								49,489
Net impairment losses on investments								(3,410)
Other income (expense)								(144)
Net changes in fair value of derivatives								(30)
Corporate expenses not allocated to segments								(6,473)
Net foreign currency exchange (losses) gains								67
Interest expense								(4,709)
Income before income taxes								\$ 132,344
Underwriting ratios:								
Net loss and loss adjustment expense		34.8 %		47.0 %		(62.9 %)		37.3 %
Net acquisition expense		17.1 %		22.0 %		142.0 %		23.0 %
Other underwriting expense		7.7 %		6.6 %		5.5 %		7.1 %
Combined		59.6 %		75.6 %		84.6 %		67.4 %

Six Months Ended June 30, 2011								
	Property and Marine		Casualty		Finite Risk		Total	
Net premiums written		\$166,213		\$149,753		\$4,706		\$320,672
Net premiums earned		189,757		157,928		7,632		355,317
Net losses and loss adjustment expenses		394,873		83,487		592		478,952
Net acquisition expenses		25,635		36,707		5,723		68,065
Other underwriting expenses		14,595		10,161		499		25,255
Segment underwriting income (loss)		\$(245,346)		\$27,573		\$818		(216,955)
Net investment income								66,343

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Net realized gains (losses) on investments	(4,282)
Net impairment losses on investments	(3,173)
Other income (expense)	1,036
Net changes in fair value of derivatives	(748)
Corporate expenses not allocated to segments	(9,001)
Net foreign currency exchange (losses) gains	(803)
Interest expense	(9,533)
Income (loss) before income taxes	\$(177,116)

Underwriting ratios:

Net loss and loss adjustment expense	208.1	%	52.9	%	7.8	%	134.8	%
Net acquisition expense	13.5	%	23.2	%	75.0	%	19.2	%
Other underwriting expense	7.7	%	6.4	%	6.5	%	7.1	%
Combined	229.3	%	82.5	%	89.3	%	161.1	%

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

	Six Months Ended June 30, 2010							
	Property and Marine	Casualty	Finite Risk	Total				
Net premiums written	\$220,890	\$166,379	\$11,876	\$399,145				
Net premiums earned	228,356	173,068	10,186	411,610				
Net losses and loss adjustment expenses	161,637	71,588	2,818	236,043				
Net acquisition expenses	33,449	36,479	11,489	81,417				
Other underwriting expenses	16,419	12,124	651	29,194				
Segment underwriting income (loss)	\$16,851	\$52,877	\$(4,772)	64,956				
Net investment income				72,877				
Net realized gains (losses) on investments				54,946				
Net impairment losses on investments				(21,512)				
Other income (expense)				129				
Net changes in fair value of derivatives				(2,345)				
Corporate expenses not allocated to segments				(12,707)				
Net foreign currency exchange (losses) gains				1,296				
Interest expense				(9,469)				
Income before income taxes				\$148,171				
Underwriting ratios:								
Net loss and loss adjustment expense	70.8	%	41.4	%	27.7	%	57.3	%
Net acquisition expense	14.6	%	21.1	%	112.8	%	19.8	%
Other underwriting expense	7.2	%	7.0	%	6.4	%	7.1	%
Combined	92.6	%	69.5	%	146.9	%	84.2	%

10. Statutory Regulations and Dividend Capacity

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

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

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

During the six months ended June 30, 2011, Platinum US repaid a \$100.0 million surplus note to Platinum Regency, the parent company of Platinum Finance. Platinum Regency subsequently paid dividends of \$100.0 million to Platinum Holdings.

11. Condensed Consolidating Financial Information

Platinum Holdings fully and unconditionally guarantees the \$250.0 million Series B Notes issued by Platinum Finance. The following tables present the condensed consolidating financial information for Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010 (\$ in thousands):

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

Condensed Consolidating Balance Sheet June 30, 2011	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	\$–	\$329	\$ 2,937,267	\$ –	\$ 2,937,596
Investment in subsidiaries	1,649,119	640,282	465,592	(2,754,993)	–
Cash and cash equivalents	42,152	72,928	1,203,693	–	1,318,773
Reinsurance assets	–	–	337,124	–	337,124
Other assets	7,491	4,150	77,263	–	88,904
Total assets	\$1,698,762	\$717,689	\$ 5,020,939	\$ (2,754,993)	\$ 4,682,397
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	\$–	\$–	\$ 2,666,740	\$ –	\$ 2,666,740
Debt obligations	–	250,000	–	–	250,000
Other liabilities	3,052	2,455	64,440	–	69,947
Total liabilities	\$3,052	\$252,455	\$ 2,731,180	\$ –	\$ 2,986,687
Shareholders' Equity					
Common shares	\$373	\$–	\$ 8,000	\$ (8,000)	\$ 373
Additional paid-in capital	372,882	213,335	2,000,320	(2,213,655)	372,882
Accumulated other comprehensive income	40,034	24,612	64,634	(89,246)	40,034
Retained earnings	1,282,421	227,287	216,805	(444,092)	1,282,421
Total shareholders' equity	\$1,695,710	\$465,234	\$ 2,289,759	\$ (2,754,993)	\$ 1,695,710
Total liabilities and shareholders' equity	\$1,698,762	\$717,689	\$ 5,020,939	\$ (2,754,993)	\$ 4,682,397

Condensed Consolidating Balance Sheet December 31, 2010	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	\$–	\$394	\$ 3,224,227	\$ –	\$ 3,224,621
Investment in subsidiaries	1,910,617	599,965	434,539	(2,945,121)	–
Cash and cash equivalents	45,035	7,347	935,495	–	987,877
Reinsurance assets	–	–	301,778	–	301,778
Inter-company loans (1)	–	75,000	–	(75,000)	–
Other assets	17,337	3,111	80,096	(507)	100,037
Total assets	\$1,972,989	\$685,817	\$ 4,976,135	\$ (3,020,628)	\$ 4,614,313
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					

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Reinsurance liabilities	\$–	\$–	\$ 2,431,741	\$ –	\$ 2,431,741
Debt obligations	–	250,000	–	–	250,000
Inter-company loans (1)	75,000	–	–	(75,000)	–
Other liabilities	2,534	1,592	33,498	(507)	37,117
Total liabilities	\$77,534	\$251,592	\$ 2,465,239	\$ (75,507)	\$ 2,718,858
Shareholders' Equity					
Common shares	\$377	\$–	\$ 8,000	\$ (8,000)	\$ 377
Additional paid-in capital	453,619	212,956	1,876,561	(2,089,517)	453,619
Accumulated other comprehensive income (loss)	(24,488)	1,509	(22,991)	21,482	(24,488)
Retained earnings	1,465,947	219,760	649,326	(869,086)	1,465,947
Total shareholders' equity	\$1,895,455	\$434,225	\$ 2,510,896	\$ (2,945,121)	\$ 1,895,455
Total liabilities and shareholders' equity	\$1,972,989	\$685,817	\$ 4,976,135	\$ (3,020,628)	\$ 4,614,313

(1) During 2010, Platinum Finance provided loans to Platinum Holdings of \$75.0 million, due February 1, 2011. These loans were repaid on February 1, 2011.

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

Condensed Consolidating Statement of Operations					
For the Three Months Ended June 30, 2011	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	\$–	\$–	\$ 172,436	\$ –	\$ 172,436
Net investment income	1	(7)	33,971	–	33,965
Net realized gains (losses) on investments	–	–	(4,689)	–	(4,689)
Net impairment losses on investments	–	–	(1,666)	–	(1,666)
Other income (expense)	(967)	3	904	–	(60)
Total revenue	(966)	(4)	200,956	–	199,986
Expenses:					
Net losses and loss adjustment expenses	–	–	159,357	–	159,357
Net acquisition expenses	–	–	34,115	–	34,115
Net changes in fair value of derivatives	–	–	4,474	–	4,474
Operating expenses	5,826	143	11,136	–	17,105
Net foreign currency exchange losses (gains)	–	–	614	–	614
Interest expense	–	4,767	–	–	4,767
Total expenses	5,826	4,910	209,696	–	220,432
Income (loss) before income taxes	(6,792)	(4,914)	(8,740)	–	(20,446)
Income tax expense (benefit)	–	(1,679)	1,634	–	(45)
Income (loss) before equity in earnings of subsidiaries	(6,792)	(3,235)	(10,374)	–	(20,401)
Equity in earnings of subsidiaries	(13,609)	5,047	1,835	6,727	–
Net income (loss)	\$(20,401)	\$ 1,812	\$ (8,539)	\$ 6,727	\$ (20,401)

Condensed Consolidating Statement of Operations					
For the Three Months Ended June 30, 2010	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	\$–	\$–	\$ 191,432	\$ –	\$ 191,432
Net investment income	21	47	35,304	–	35,372
Net realized gains (losses) on investments	–	–	49,489	–	49,489
Net impairment losses on investments	–	–	(3,410)	–	(3,410)
Other income (expense)	(654)	–	510	–	(144)
Total revenue	(633)	47	273,325	–	272,739

Expenses:					
Net losses and loss adjustment expenses	–	–	71,475	–	71,475
Net acquisition expenses	–	–	44,088	–	44,088
Net changes in fair value of derivatives	–	–	30	–	30
Operating expenses	6,448	66	13,646	–	20,160
Net foreign currency exchange losses (gains)	–	–	(67)	–	(67)
Interest expense	–	4,709	–	–	4,709
Total expenses	6,448	4,775	129,172	–	140,395
Income (loss) before income taxes	(7,081)	(4,728)	144,153	–	132,344
Income tax expense (benefit)	–	(1,664)	9,869	–	8,205
Income (loss) before equity in earnings of subsidiaries	(7,081)	(3,064)	134,284	–	124,139
Equity in earnings of subsidiaries	131,220	26,154	25,932	(183,306)	–
Net income	\$124,139	\$23,090	\$ 160,216	\$ (183,306)	\$ 124,139

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

Condensed Consolidating Statement of Operations For the Six Months Ended June 30, 2011	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	\$–	\$–	\$ 355,317	\$ –	\$ 355,317
Net investment income	3	46	66,347	(53)	66,343
Net realized gains (losses) on investments	–	–	(4,282)	–	(4,282)
Net impairment losses on investments	–	–	(3,173)	–	(3,173)
Other income (expense)	(1,692)	118	2,610	–	1,036
Total revenue	(1,689)	164	416,819	(53)	415,241
Expenses:					
Net losses and loss adjustment expenses	–	–	478,952	–	478,952
Net acquisition expenses	–	–	68,065	–	68,065
Net changes in fair value of derivatives	–	–	748		