

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
November 14, 2003

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

FORM 10-Q

| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

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)

Not Applicable
(IRS Employer Identification No.)

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

HM 08
(Zip Code)

(441) 295-7195

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if
changed since last report)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No
--- ----

As of November 12, 2003, there were outstanding 43,024,000 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, 2003

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
 Platinum Underwriters Holdings, Ltd. and Subsidiaries
 Consolidated Balance Sheets as of September 30, 2003 (Unaudited) and
 December 31, 2002.....
 Consolidated Statements of Income and Comprehensive Income for the Three and
 Nine Months Ended September 30, 2003 (Unaudited).....
 Consolidated Statements of Changes in Shareholders' Equity for the Three and
 Nine Months Ended September 30, 2003 (Unaudited).....
 Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2003 (Unaudited)
 Notes to Condensed Consolidated Financial Statements (Unaudited).....

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
 the Three and Nine Months Ended September 30, 2003.....

Item 3. Quantitative and Qualitative Disclosures about Market Risk.....

Item 4. Controls and Procedures.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.....

Item 2. Changes in Securities and Use of Proceeds.....

Item 3. Defaults Upon Senior Securities.....

Item 4. Submission of Matters to a Vote of Security Holders.....

Item 5. Other Information.....
 Combined Financial Data of Reinsurance Underwriting Segment of The St. Paul Companies, Inc.
 (Predecessor)
 Combined Statement of Underwriting Results for the Three and Nine Months Ended September 30,
 2002 (Unaudited).....
 Combined Statement of Identifiable Underwriting Cash Flows for the Three and Nine Months En
 September 30, 2002 (Unaudited).....
 Notes to Combined Statements of September 30, 2002 (Unaudited).....

Item 6. Exhibits and Reports on Form 8-K.....
 (a) Exhibits.....
 (b) Reports on Form 8-K.....

SIGNATURES.....

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
 Consolidated Balance Sheets
 As of September 30, 2003 and December 31, 2002
 (\$ in thousands, except share data)

(Unaudited)
 September 30, Dec
 2003

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

ASSETS		
Fixed maturities available-for-sale at fair value (amortized cost - \$1,580,026, and \$1,052,923, respectively)	\$1,613,232	\$1,
Cash and cash equivalents	143,453	
Accrued investment income	21,360	
Reinsurance premiums receivable	478,284	
Reinsurance recoverable on ceded losses and loss adjustment expenses	2,820	
Prepaid reinsurance premiums	7,244	
Amounts receivable from The St. Paul Companies, Inc.	19	
Funds held by ceding companies	58,520	
Deferred acquisition costs	89,062	
Deferred taxes	7,283	
Other assets	14,355	
	-----	---
Total assets	\$2,435,632	\$1,
	=====	===
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 660,790	\$
Unearned premiums	358,995	
Reinsurance deposit liabilities	5,790	
Debt obligations	137,500	
Ceded premiums payable	10,505	
Commissions payable	155,724	
Income taxes payable	29,544	
Deferred taxes	--	
Other liabilities	49,778	
	-----	---
Total liabilities	1,408,626	
	-----	---
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, 43,024,000 and 43,004,000 shares issued and outstanding, respectively	430	
Additional paid-in capital	908,864	
Accumulated other comprehensive income	26,589	
Retained earnings	91,123	
	-----	---
Total shareholders' equity	1,027,006	
	-----	---
Total liabilities and shareholders' equity	\$2,435,632	\$1,
	=====	===

See accompanying notes to condensed consolidated financial statements.

- 1 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30, 2003
(\$ in thousands, except per share data)

Three Months Nine Months

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

	Ended September 30, 2003 -----	Ended September 3 2003 -----
Revenue:		
Net premiums earned	\$272,265	\$789,711
Net investment income	14,780	42,414
Net realized capital gains	1,508	2,771
Other income	544	4,444
	-----	-----
Total revenue	289,097	839,340
	-----	-----
Expenses:		
Losses and loss adjustment expenses	157,208	452,813
Acquisition expenses	60,408	172,503
Operating expenses	18,499	71,663
Net foreign currency exchange (gain) losses	(1,356)	3,456
Interest expense	2,444	7,150
	-----	-----
Total expenses	237,203	707,585
	-----	-----
Income before income tax expense	51,894	131,755
Income tax expense	14,077	36,747
	-----	-----
Net income	\$ 37,817	\$ 95,008
	=====	=====
Earnings per share:		
Basic earnings per share	\$ 0.88	\$ 2.21
Diluted earnings per share	\$ 0.81	\$ 2.04
Comprehensive income:		
Net income	\$ 37,817	\$ 95,008
Other comprehensive income:		
Net change in unrealized gains on available-for-sale securities, net of deferred taxes	(11,984)	16,008
	-----	-----
Comprehensive income	\$ 25,833	\$111,016
	-----	-----
Shareholder dividends:		
Dividends declared	\$ 3,443	\$ 10,323
Dividends declared per share	\$ 0.08	\$ 0.24

See accompanying notes to condensed consolidated financial statements.

- 2 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three and Nine Months Ended September 30, 2003
(\$ in thousands)

Three Months Ended September 30,	Nine Mo Ended September
--	-------------------------------

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

	2003	2003
	-----	-----
Preferred shares:		
Balances at beginning and end of period	\$ --	\$
	-----	-----
Common shares:		
Balance at beginning of period	430	
Sale of common shares	--	
	-----	-----
Balances at end of period	430	
	-----	-----
Additional paid-in-capital:		
Balance at beginning of period	908,136	903
Sale of common shares	520	
Stock based compensation expense	208	4
	-----	-----
Balances at end of period	908,864	908
	-----	-----
Accumulated other comprehensive income:		
Balance at beginning of periods	38,573	10
Net change in unrealized gains on available-for-sale securities, net of deferred taxes	(11,984)	16
	-----	-----
Balances at end of period	26,589	26
	-----	-----
Retained earnings:		
Balance at beginning of period	56,749	6
Net income	37,817	95
Dividends paid to shareholders	(3,443)	(10)
	-----	-----
Balances at end of period	91,123	91
	-----	-----
Total shareholders' equity	\$1,027,006	\$1,027
	-----	-----

See accompanying notes to condensed consolidated financial statements.

- 3 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Statement of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2003
(\$ in thousands)

Operating Activities:

Net income	\$ 95,008
Adjustments to reconcile net income to cash used in operations:	
Depreciation and amortization	16,524
Net realized gain on investments	(2,771)
Stock based compensation	4,547
Changes in assets and liabilities:	

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Increase in accrued investment income	(11,367)
Increase in reinsurance premiums receivable	(472,685)
Decrease in amounts receivable from The St. Paul Companies, Inc.	162,889
Increase in funds held by ceding companies	(3,618)
Increase in deferred acquisition costs	(39,730)
Increase in net unpaid losses and loss adjustment expenses	376,311
Increase in net unearned premiums	160,735
Increase in commissions payable	118,162
Increase in income taxes payable	29,544
Decrease in deferred taxes	(18,682)
Decrease in reinsurance deposit liabilities	(17,871)
Increase in ceded premiums payable	10,505
Decrease in other assets and liabilities	(390)

Net cash provided by operating activities	407,111

 Investing Activities:	
Proceeds from fixed maturities sold	346,782
Proceeds from fixed maturities matured	114,006
Fixed maturities acquired	(996,129)

Net cash used in investing activities	(535,341)

 Financing Activities:	
Dividends paid to shareholders	(10,323)
Proceeds from sale of common shares	520

Net cash used in financing activities	(9,803)

Net decrease in cash and cash equivalents	(138,033)
Cash and cash equivalents at beginning of period	281,486

Cash and cash equivalents at end of period	\$ 143,453
	=====
 Supplemental disclosures of cash flow information:	
Income taxes paid	\$ 25,797
Interest paid	7,620

See accompanying notes to condensed consolidated financial statements.

- 4 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2003

NOTE 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 Underwriters Bermuda, Ltd. ("Platinum Bermuda"), Platinum

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Underwriters Finance, Inc., Platinum Regency Holdings and Platinum Underwriters Reinsurance, Inc. ("Platinum US"). All material inter-company transactions have been eliminated in preparing these consolidated financial statements. The amounts included in this report as of and for the three and nine months ended September 30, 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, 2002.

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 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").

Stock-Based Compensation

Pursuant to the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has elected to continue using the intrinsic value method of accounting for stock-based awards granted to employees established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). 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. The Company intends to adopt SFAS 123 in the fourth quarter of 2003.

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

- 5 -

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

	Three Months Ended September 30, 2003 -----	Nine Months Ended September 30, 2003 -----
Stock-based compensation expense:		
As reported	\$ 208	\$ 4,547
Pro forma	1,798	13,273
Net income:		
As reported	\$37,817	\$95,008
Pro forma	36,227	86,282
Basic earnings per share:		
As reported	\$ 0.88	\$ 2.21
Pro forma	0.84	2.01
Diluted earnings per share:		
As reported	\$ 0.81	\$ 2.04
Pro forma	0.77	1.86

On May 13, 2003 the Company entered into a Separation and Consulting Agreement with its former President and Chief Executive Officer pursuant to which the Company paid him \$4,950,000 and on June 1, 2003 fully vested his option to purchase 975,000 of the Company's common shares with an exercise period of five years. The differential between the option price and the market value of 975,000 common shares on May 13, 2003 of \$4,339,000 was recognized as compensation expense with a corresponding credit to additional paid in capital.

New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS 123 to provide alternative methods for an entity that voluntarily changes to the fair value method of accounting for stock-based employee compensation. The Company intends to adopt SFAS 148 in the fourth quarter of 2003. The adoption of SFAS 148 is not expected to have a material effect upon the financial condition of the Company or its results of operations.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150".) SFAS 150 requires that an entity classify as liabilities or assets financial instruments issued in the form of shares that are mandatorily redeemable; certain financial instrument obligations to repurchase the entity's shares by transferring assets; and financial instruments representing certain obligations to issue variable number of shares. SFAS 150 is not expected to have a material effect upon the financial condition of the Company or its results of operations.

NOTE 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 three and nine months ended September 30, 2003 were as follows (\$ in thousands):

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

- 6 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited), continued
September 30, 2003

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
	-----	-----
Fixed maturities	\$ (15,654)	\$20,913
Less - deferred taxes	3,670	(4,905)
	-----	-----
Net change in unrealized gains	\$ (11,984)	\$16,008
	-----	-----

Investments with a carrying value of \$465,613,000 and cash and cash equivalents of \$20,016,000 at September 30, 2003 were held in trust as security for an equivalent amount of liabilities ceded by St. Paul to the Company under the Quota Share Retrocession Agreements.

Net unrealized gains declined from \$26,589,000 as of September 30, 2003 to \$10,364,000 as of October 31, 2003.

NOTE 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, 2003 (amounts in thousands, except per share data):

	Net Income	Weighted Average Shares Outstanding
	-----	-----
Three Months Ended September 30, 2003:		
Basic earnings per share:		
Income available to common shareholders	\$37,817	43,022
Effect of dilutive securities:		
Share options	--	767
Equity Security Units	1,628	5,087
Diluted earnings per share:		
Income available to common shareholders	\$39,445	48,876
	-----	-----
Nine Months Ended September 30, 2003:		
Basic earnings per share:		

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Income available to common shareholders	\$95,008	43,012
Effect of dilutive securities:		
Share options	--	572
Equity Security Units	4,743	5,320
Diluted earnings per share:		
Income available to common shareholders	----- \$99,751 -----	----- 48,904 -----

NOTE 4 OPERATING SEGMENT INFORMATION

The Company conducts its worldwide reinsurance business through three operating segments:

- 7 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited), continued
September 30, 2003

Property and Marine, Casualty and Finite Risk. The Property and Marine operating segment includes principally property and marine reinsurance coverages that are written both in the United States and international markets. This business consists of catastrophe excess-of-loss reinsurance treaties, property per risk excess-of-loss treaties and property proportional treaties. The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general liability, professional liability, workers' compensation and automobile liability. 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 following table summarizes underwriting activity and ratios for the operating segments together with a reconciliation of underwriting income to income before income taxes for the three and nine months ended September 30, 2003 (\$ in thousands):

	Property and Marine -----	Casualty -----	Finite Risk -----
Three Months Ended September 30, 2003:			
Net premiums written	\$77,114	134,991	69,000
Net premiums earned	81,113	106,298	84,000
Losses and LAE	41,237	71,052	44,000
Acquisition expenses	9,930	29,465	21,000
Other underwriting expenses	7,412	5,065	2,000
Segment underwriting income	----- \$22,534 -----	----- 716 -----	----- 16,000 -----
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Interest expense
 Net investment income, net realized capital
 gains and other income

Income before income tax expense

Ratios:

Losses and LAE	50.8%	66.8%	
Acquisition expense	12.2%	27.7%	
Other underwriting expenses	9.1%	4.8%	
	-----	-----	-----
Combined	72.1%	99.3%	8
	-----	-----	-----

- 8 -

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements (Unaudited), continued
 September 30, 2003

	Property and Marine -----	Casualty -----	Finite Risk -----
Nine Months Ended September 30, 2003:			
Net premiums written	\$278,369	381,005	289,277
	-----	-----	-----
Net premiums earned	265,052	289,975	234,684
Losses and LAE	135,292	199,489	118,032
Acquisition expenses	38,734	74,943	58,826
Other underwriting expenses	28,243	14,225	9,485
	-----	-----	-----
Segment underwriting income	\$62,783	1,318	48,341
	-----	-----	-----
Corporate expenses not allocated to segments			
Net foreign currency exchange loss			
Interest expense			
Net investment income, net realized capital gains and other income			
Income before income tax expense			
Ratios:			
Losses and LAE	51.0%	68.8%	50.3%
Acquisition expense	14.6%	25.8%	25.1%
Other underwriting expenses	10.7%	4.9%	4.0%
	-----	-----	-----
Combined	76.3%	99.5%	79.4%
	-----	-----	-----

NOTE 5 LEASE COMMITMENTS

In July 2003, Platinum US entered into a non-cancelable operating lease

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

for office space. Future minimum annual lease commitments under various non-cancelable operating leases for the Company's office facilities, which expire at various dates through 2013, are as follows: (\$in thousands):

Years Ending December 31,	
2003	\$ 370
2004	1,301
2005	2,297
2006	2,284
2007	1,786
2008	1,860
Thereafter	4,836

Total	\$14,734

NOTE 6 RELATED PARTY TRANSACTIONS

Pursuant to the employment agreement between Gregory E.A. Morrison, the Company's chief executive officer, and the Company, dated as of June 20, 2003, Mr. Morrison purchased 20,000 common shares from the Company on July 30, 2003 for an aggregate purchase price of \$520,000. These common shares were sold to Mr. Morrison at a price of \$26.00 per common share, which was the closing price of

-9-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements (Unaudited), continued September 30, 2003

the common shares on the date prior to the date that the Company's Board of Directors approved his employment agreement.

Renaissance Underwriting Managers Ltd. ("RUM"), a subsidiary of RenaissanceRe, and Platinum Bermuda entered into an agreement whereby RUM will, from time to time, provide referrals of treaty and facultative reinsurance contracts to Platinum Bermuda for a fee. The fee is 1.0% of gross premiums written for all pro-rata business, 2.5% of gross premiums written on all excess of loss business, and 7.5% of the margin on all finite business. The business referred is also subject to a profit commission.

RenaissanceRe and Platinum US entered into an indexed warranty excess of loss reinsurance agreement covering qualifying losses of RenaissanceRe provided that certain other events constituting a warranty also occur. The premium to be paid by RenaissanceRe to Platinum US is \$3,000,000.

-10-

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

BUSINESS OVERVIEW

Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") is a Bermuda

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

insurance holding company. 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, casualty, marine, and finite 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, 2002. 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 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").

RESULTS OF OPERATIONS

Platinum Holdings completed its initial public offering and assumed certain rights and obligations of the reinsurance business from St. Paul in November 2002. Consequently, the operations of the Company commenced in November 2002 and there are no periods in 2002 for comparison.

Net income for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$37,817,000, \$26,605,000 and \$30,586,000, respectively, and \$95,008,000 for the nine months ended September 30, 2003. Despite the United States insurance industry incurring some significant catastrophe losses in 2003, catastrophe losses in the Company's portfolio were relatively low and most claims remained at the primary or ceding company level. Consequently, all three quarters in 2003 were favorably impacted by a low level of catastrophe losses. The Finite Risk segment also contributed significantly to net income in all quarters of 2003 with underwriting income of \$16,306,000, \$24,144,000 and \$7,891,000 for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively. Net income for the three months ended June 30, 2003 includes a charge of \$9,289,000 for expenses related to the separation and consulting agreement with the Company's former chief executive officer.

-11-

Net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$281,316,000, \$307,243,000 and \$360,091,000, respectively and \$948,651,000 for the nine months ended September 30, 2003. Net premiums written declined from the first quarter, in part, because there were fewer contracts incepting in the second and third quarters. Net premiums written also declined in the third quarter because of moderate changes to estimates of ultimate premium as well as the patterns by which such premiums are recorded.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Premiums written from reinsurance contracts are based partially on estimates and are updated quarterly. Premiums written in 2003 include premiums from reinsurance contracts incepting in 2003 and 2002, whereas net premiums written in 2002 include only reinsurance contracts becoming effective in 2002.

Net premiums earned for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$272,265,000, \$279,376,000 and \$238,069,000, respectively and \$789,711,000 for the nine months ended September 30, 2003. Similar to net premiums written, net premiums earned for the three months ended September 30, 2003 declined from the prior quarter due to moderate changes to estimates of ultimate premium. Net premiums earned as a percentage of net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were 96.8%, 90.9% and 66.1%, respectively, and the increase was the result of maturation of the book of business.

Net investment income for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 was \$14,780,000, \$13,431,000 and \$14,203,000, respectively and \$42,414,000 for the nine months ended September 30, 2003. Net investment income in the three months ended March 31, 2003 includes \$1,357,000 of interest received from St. Paul on balances due relating to the Quota Share Retrocession Agreements. Net investment income has increased during 2003 as the Company's invested assets have increased. Net realized capital gains of \$1,508,000 and \$2,771,000 for the three and nine months ended September 30, 2003, respectively, are the result of investment sale activity to manage the credit quality and duration of the investment portfolio.

Other income for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 was \$544,000, \$2,749,000 and \$1,151,000, respectively and \$4,444,000 for the nine months ended September 30, 2003, and represents earnings on reinsurance contracts accounted for as deposits. The Finite Risk portfolio has a small number of reinsurance contracts with limited risk transfer that require deposit accounting, and consequently, earnings tend not to be consistent from quarter to quarter.

Net foreign currency exchange gains and losses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$1,356,000, \$(4,736,000) and \$(76,000), respectively and \$(3,456,000) for the nine months ended September 30, 2003. Losses in the three months ended March 31, 2003 and June 30, 2003 resulted from the valuation in U.S. dollars of insurance liabilities denominated in foreign currencies. Net gains in the three months ended September 30, 2003 resulted from the revaluation of both insurance liabilities and invested assets. During the three months ended September 30, 2003 the Company implemented a strategy to improve the matching of foreign currency denominated assets and liabilities in order to minimize exposures to foreign currency exchange rates.

Losses and LAE incurred for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$157,208,000, \$156,801,000 and \$138,803,000, respectively and \$452,813,000 for the nine months ended September 30, 2003. Net paid losses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$29,752,000, \$41,687,000 and \$7,982,000, respectively. The ratios of losses and LAE incurred to premiums earned, also referred to as loss ratio, were 57.7%, 56.1% and 58.3%, respectively and 57.3% for the nine months ended September 30, 2003. While losses incurred for three months ended September 30, 2003 and June 30, 2003 include provisions for various catastrophe losses, each of the first three quarters of 2003 were favorably impacted by a low level of catastrophe losses.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

underwriting expenses associated with underwriting activities, were \$60,408,000, \$60,376,000 and \$51,719,000 for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively and \$172,503,000 for the nine months ended September 30, 2003. The resulting ratios of acquisition expenses to net premiums earned for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were comparable at 22.2%, 21.6% and 21.7%, respectively and 21.8% for the nine months ended September 30, 2003.

Operating expenses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$18,499,000, \$32,995,000 and \$20,169,000, respectively and \$71,663,000 for the nine months ended September 30, 2003. Operating expenses for the three months ended June 30, 2003 include a charge for \$9,289,000 for the expenses related to the separation and consulting agreement with the Company's former chief executive officer. Operating expenses include other underwriting expenses related to the reinsurance operations as well as costs associated with the Bermuda holding company.

Interest expense for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 was \$2,444,000, \$2,238,000 and \$2,468,000, respectively and \$7,150,000 for the nine months ended September 30, 2003, and relates to amounts payable under the Company's equity security units which are classified as debt obligations on the balance sheet.

Income tax expense for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 was \$14,077,000, \$12,324,000 and \$10,346,000, respectively and \$36,747,000 for the nine months ended September 30, 2003. The resulting effective tax rates were 27.1%, 31.7% and 25.3%, respectively and 27.9% for the nine months ended September 30, 2003. The effective tax rates for 2003 reflect the fact that a significant amount of the Company's income before income tax expense was derived from the 2002 underwriting year assumed by Platinum US and taxed at 35%. The effective tax rate for the three months ended June 30, 2003 was also affected by expenses related to the separation and consulting agreement with the Company's former chief executive officer that were incurred by the Company's Bermuda holding company which, when combined with the income before income tax expense from subsidiaries in taxable jurisdictions, increased the effective tax rate.

SEGMENT INFORMATION

The Company conducts its worldwide reinsurance business through three operating segments. The following table summarizes underwriting activity and ratios for the three operating segments for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 and the nine months ended September 30, 2003 (\$in thousands):

	Property and Marine -----	Casualty -----	Finite Risk ----	Tot ----
Three months ended September 30, 2003:				
Net premiums written	\$ 77,114	134,991	69,211	\$ 281,316
Net premiums earned	81,113	106,298	84,854	272,265
Losses and LAE	41,237	71,052	44,919	157,208
Acquisition expenses	9,930	29,465	21,013	60,408
Other underwriting expenses	7,412	5,065	2,616	15,093
	-----	-----	-----	-----
Segment underwriting income	\$ 22,534	716	16,306	\$ 39,556
	-----	-----	-----	-----

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

-13-

	Property and Marine -----	Casualty -----	Finite Risk ----	Tot -----
Ratios:				
Losses and LAE	50.8%	66.8%	52.9%	
Acquisition expense	12.2%	27.7%	24.8%	
Other underwriting expense	9.1%	4.8%	3.1%	
Combined	72.1%	99.3%	80.8%	
Three months ended June 30, 2003:				
Net premiums written	\$ 83,487	132,320	91,436	\$ 307,243
Net premiums earned	94,006	105,951	79,419	279,376
Losses and LAE	52,469	74,530	29,802	156,801
Acquisition expenses	13,186	26,449	20,741	60,376
Other underwriting expenses	10,372	4,542	4,732	19,646
Segment underwriting income	\$ 17,979	430	24,144	\$ 42,553
Ratios:				
Losses and LAE	55.8%	70.3%	37.5%	
Acquisition expense	14.0%	25.0%	26.1%	
Other underwriting expense	11.0%	4.3%	6.0%	
Combined	80.8%	99.6%	69.6%	
Three months ended March 31, 2003:				
Net premiums written	\$ 117,767	113,694	128,630	\$ 360,091
Net premiums earned	89,932	77,726	70,411	238,069
Losses and LAE	41,585	53,907	43,311	138,803
Acquisition expenses	15,618	19,029	17,072	51,720
Other underwriting expenses	10,459	4,618	2,137	17,214
Segment underwriting income	\$ 22,270	172	7,891	\$ 30,333
Ratios:				
Losses and LAE	46.2%	69.4%	61.5%	
Acquisition expense	17.4%	24.5%	24.2%	
Other underwriting expense	11.6%	5.9%	3.0%	
Combined	75.2%	99.8%	88.7%	
Nine months ended September 30, 2003:				
Net premiums written	\$ 278,369	381,005	289,277	\$ 948,651
Net premiums earned	265,052	289,975	234,684	789,711

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Losses and LAE	135,292	199,489	118,032	452
Acquisition expenses	38,734	74,943	58,826	172
Other underwriting expenses	28,243	14,225	9,485	51
	-----	-----	-----	-----
Segment underwriting income	\$ 62,783	1,318	48,341	\$ 112
	-----	-----	-----	-----

-14-

	Property and Marine -----	Casualty -----	Finite Risk -----	Tot -----
Ratios:				
Losses and LAE	51.0%	68.8%	50.3%	
Acquisition expense	14.6%	25.8%	25.1%	
Other underwriting expense	10.7%	4.9%	4.0%	
	-----	-----	-----	-----
Combined	76.3%	99.5%	79.4%	
	-----	-----	-----	-----

PROPERTY AND MARINE

The Property and Marine operating segment includes principally property and marine reinsurance contracts written in the United States and international markets. This business includes catastrophe excess-of-loss reinsurance treaties, property per risk excess-of-loss treaties and property proportional treaties. A single event can produce claims to a ceding company from multiple insureds. This operating segment generated 27.4%, 27.1% and 32.7% of the Company's net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively.

Net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$77,114,000, \$83,487,000 and \$117,767,000, respectively and \$278,369,000 for the nine months ended September 30, 2003. Net premiums written declined in the three months ended September 30, 2003 due in part to moderate changes in estimates of ultimate premium as well as the patterns by which such premiums are recorded. Additionally, net premiums written declined as a result of the Company reducing its exposure to Northern European and Japanese windstorms.

Net premiums earned for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$81,113,000, \$94,006,000 and \$89,932,000, respectively and \$265,052,000 for the nine months ended September 30, 2003. Net premiums earned are consistent with the normal recognition of premiums earned over the exposure periods for the business written.

The loss ratios for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were 50.8%, 55.8% and 46.2%, respectively and 51.0% for the nine months ended September 30, 2003. All periods benefited from a low level of catastrophe losses. There were several significant catastrophe losses affecting the industry during the three months ended September 30, 2003 and June 30, 2003, however, much of those losses remained at the primary or ceding company level and, consequently, losses in our portfolio for that period were also below our normal expectation. Additionally, losses in the three months ended September 30, 2003 reflect better than expected profitability on the

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

property risk business underwritten in 2002.

Acquisition expenses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$9,930,000, \$13,186,000 and \$15,618,000, respectively and \$38,734,000 for the nine months ended September 30, 2003. The resulting ratios of acquisition expenses to net premiums earned for three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were 12.2%, 14.0% and 17.4%, respectively and 14.6% for the nine months ended September 30, 2003. Acquisition expenses for the three months ended September 30, 2003 include a profit commission of \$1,845,000 relating to a retrocession contract, resulting in a lower ratio for the quarter. The ratios can fluctuate as a result of the changes in mix of business and effects of differences in terms and conditions of various contracts.

Other underwriting expenses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$7,412,000, \$10,372,000 and \$10,459,000, respectively and \$28,243,000 for the nine months ended September 30, 2003, and represent costs associated with the property segment. Other underwriting expenses includes fees of \$748,000, \$906,000 and \$2,822,000 for the three months ended

-15-

September 30, 2003, June 30, 2003 and March 31, 2003, respectively, relating to an agreement with RenaissanceRe that provides for a periodic review of aggregate property catastrophe exposures.

CASUALTY

The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general liability, professional liability, workers' compensation and automobile liability. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. We generally write casualty reinsurance on an excess-of-loss basis. A single event can produce claims to a ceding company from multiple insureds. This operating segment generated 48.0%, 43.1% and 31.6% of the Company's net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively. The increase in overall percentage of premiums written in the Casualty segment is the result of increased underwriting activity in an improving marketplace.

Net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$134,991,000, \$132,320,000 and \$113,694,000, respectively and \$381,005,000 for the nine months ended September 30, 2003. The increase in premiums written is due to increased underwriting activity and increased premium rates in an improving casualty marketplace.

Net premiums earned for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$106,298,000, \$105,951,000 and \$77,726,000, respectively and \$289,975,000 for the nine months ended September 30, 2003. The increase in net premiums earned is consistent with the increase in premiums written and normal recognition of premiums earned over the exposure periods for the business written.

The loss ratios incurred for the Casualty segment for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were comparable at 66.8%, 70.3% and 69.4%, respectively and 68.8% for the nine months ended September 30, 2003. The decline in the loss ratio is caused by a shift in the mix of business toward contracts that have lower loss ratios and higher expense ratios.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Acquisition costs for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$29,465,000, \$26,449,000 and \$19,029,000, respectively and \$74,943,000 for the nine months ended September 30, 2003. The resulting acquisition expense ratios for three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were 27.7%, 25.0% and 24.5%, respectively and 25.8% for the nine months ended September 30, 2003. The ratios reflect the mix of business and effects of differences in terms and conditions of various contracts as well as the shift in the mix of business discussed in the preceding paragraph.

Other underwriting expenses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$5,065,000, \$4,542,000 and \$4,618,000, respectively and \$14,225,000 for the nine months ended September 30, 2003, and represent costs associated with the casualty segment.

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 for their financial management needs. The classes of risks underwritten in the Finite Risk segment are generally consistent with the classes covered using traditional products. At the time the Company was formed in 2002, management had the opportunity to select a strong initial portfolio of finite risk contracts to be assumed from St. Paul under the Quota Share Retrocession Agreements. This operating segment generated 24.6%, 29.8% and

-16-

35.7% of the Company's net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively.

Net premiums written for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$69,211,000, \$91,436,000 and \$128,630,000, respectively and \$289,277,000 for the nine months ended September 30, 2003. The Finite Risk portfolio consists of a small number of contracts which can be large in premium size and are written on an intermittent basis. Consequently net premiums written can be expected to vary significantly from quarter to quarter. Several significant finite quota share treaties were written in the three months ended March 31, 2003.

Net premiums earned for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$84,854,000, \$79,419,000 and \$70,411,000, respectively and \$234,684,000 for the nine months ended September 30, 2003. Net premiums earned tends to lag net premiums written, and consequently, are impacted by net premiums written in prior quarters.

The loss ratios incurred for the Finite Risk segment for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were 52.9%, 37.5% and 61.5%, respectively and 50.3% for the nine months ended September 30, 2003. All periods benefited from a low level of catastrophe losses. The results of the Finite Risk segment for the three months ended September 30, 2003 include reassessments of case basis loss reserves on certain contracts from previous periods that resulted in a \$4,000,000 underwriting gain. Included in the results of the Finite Risk segment for the three months ended June 30, 2003 was a significant change to a reinsurance program that resulted in an underwriting gain of \$7,209,000, as well as emergence of favorable experience on certain contracts that resulted in an additional \$8,554,000 of underwriting gain.

Acquisition costs for the three months ended September 30, 2003, June 30,

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

2003 and March 31, 2003 were \$21,013,000, \$20,741,000 and \$17,072,000, respectively and \$58,826,000 for the nine months ended September 30, 2003. The resulting acquisition expense ratios for three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were comparable at 24.8%, 26.1% and 24.2%, respectively. The ratios reflect the mix of business and effects of differences in terms and conditions of various contracts.

Other underwriting expenses for the three months ended September 30, 2003, June 30, 2003 and March 31, 2003 were \$2,616,000, \$4,732,000 and \$2,137,000, respectively and \$9,485,000 for the nine months ended September 30, 2003, and represent costs associated with the Finite Risk segment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

Fixed maturities were \$1,613,232,000 as of September 30, 2003. The Company's fixed maturity investment portfolio is comprised entirely of publicly traded investment grade bonds. The portfolio had an average duration of 3.4 years as of September 30, 2003. Management monitors the composition of the investment portfolio and cash flows from the portfolio to maintain the appropriate levels of liquidity in order to attempt to ensure the Company's ability to satisfy claims. Investments with a carrying value of \$465,613,000 and cash and cash equivalents of \$20,016,000 at September 30, 2003 were held in trust to secure St. Paul for an equivalent amount of liabilities ceded by St. Paul to the Company under the Quota Share Retrocession Agreements. The Company believes it has sufficient cash on hand to meet its short-term obligations and to maintain the liquidity necessary for portfolio management. All cash flow in excess of this requirement is invested in a timely manner. Net unrealized gains declined from \$26,589,000 as of September 30, 2003 to \$10,364,000 as of October 31, 2003.

-17-

As the Company's book of business develops, 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 have all increased significantly from December 31, 2002. Premiums receivable increased by approximately \$472,685,000 from December 31, 2002 to September 30, 2003, of which \$459,257,000 represents EBNR. Unpaid losses and LAE, net of reinsurance recoverable on ceded losses and LAE, increased by approximately \$377,224,000 from December 31, 2002 to September 30, 2003, of which \$327,868,000 represents IBNR.

SOURCES OF LIQUIDITY

The consolidated sources of funds of the Company consist primarily of premiums written, losses recovered from retrocessionaires, investment income and proceeds from sales and redemption of investments and actual cash and cash equivalents held by the Company. Net cash flow provided by operations for the nine months ended September 30, 2003 was \$407,111,000 and was used primarily to acquire additional investments. Our cash flows are derived from our premium volume and the relatively low level of claim payments we have made to date due, in part, to the start-up nature of our business and the less than expected level of catastrophe losses we have incurred during the current year. Included in the cash flow from operations is approximately \$160,000,000 received from St. Paul related to the Quota Share Retrocession Agreements, a portion of which represents estimated premiums. To the extent St. Paul does not collect such estimated premiums by November 1, 2003, the Company is obligated to return that uncollected portion of such premiums.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

The Company actively manages the cash and cash equivalent component of its overall investment portfolio in order to manage the overall duration of its investment portfolio and to ensure there is adequate cash on hand to meet ongoing operational requirements along with other potential liquidity requirements. As of September 30, 2003 the Company had \$143,453,000 of cash and cash equivalents.

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, 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 to receive funds 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.

Platinum Holdings had a 364-day committed credit facility with a group of banks which provided \$100,000,000 of aggregate borrowing capacity. The credit facility contained various covenants and agreements, including the requirement to maintain a specified tangible net worth and leverage ratios. The credit facility expired on August 19, 2003. Platinum Holdings did not renew its credit facility because the Company believes its financial position and operations are able to provide adequate liquidity. As part of the Company's ongoing business strategy we may, from time to time, seek to secure external financing and may also access the public capital markets.

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.

-18-

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 security to these ceding companies for unpaid ceded liabilities in a form acceptable to state insurance commissioners. Typically, this type of security 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 a security interest in certain of Platinum UK's and Platinum Bermuda's investments.

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 2003 without prior regulatory approval is estimated to be \$127,313,000.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Platinum Holdings operates a treasury department which is responsible for the following functions: (1) managing banking relationships, (2) capital raising activities, including equity and debt issues, (3) managing Platinum Holdings' overall cash and liquidity positions, and (4) overseeing the payment of internal and external dividends and the settlement of interest obligations.

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 general economic conditions and conditions in the insurance and reinsurance markets, 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. Management believes that the underwriting controls it maintains assist in estimating ultimate claim costs and lessen the potential adverse impact of the economy on the Company.

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 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.

-19-

This Form 10-Q also contains 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 implement the Company's business strategy and continue the business acquired from St. Paul;

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

- (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 LAE;
- (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 cyclical nature 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.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

It is important to understand the Company's accounting policies in order to understand its consolidated financial statements. Certain critical accounting policies require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the financial reporting date and throughout the period being reported upon. Certain of the estimates result from judgments that can be subjective and complex, and consequently actual results may materially differ from these estimates. The Company's critical accounting policies involve written, earned and unearned premiums, unpaid losses and LAE, reinsurance risk transfer, other than temporary declines in fair value of investments, income taxes and stock-based compensation. The critical

accounting policies discussed herein are discussed in more detail in the notes

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Due to the nature of reinsurance, premiums are not always reported by the ceding company to the Company in a timely manner. Additionally, premiums on proportional treaty contracts are generally not reported to the Company until after the reinsurance coverage has incepted and the Company is at risk. Consequently, an estimate of premiums written and earned but not reported ("EBNR") is recorded. The Company estimates EBNR based on estimates of ultimate premium, unearned premiums and premiums reported from ceding companies. Along with estimating EBNR the Company records the expenses associated with these premiums in the form of losses, LAE and commissions. Unpaid losses and LAE represent an estimate of the expected cost of the ultimate settlement and administration of losses. Actuarial methodologies are employed to assist in establishing such estimates and include judgments relative to estimates of claims severity and frequency, length of time before a claim is actually settled, judicial theories of liability and other third party factors which are often beyond our control. Due to the inherent uncertainty associated with the estimation process, the ultimate liability may materially differ from the original estimate. Such estimates are regularly reviewed and updated and any resulting adjustments are included in the current period's results.

Reinsurance accounting is followed for assumed and ceded transactions when risk transfer requirements have been met. The assessment of whether a reinsurance contract has met risk transfer requirements involves significant assumptions relating to the expected future experience under the contract and applying this experience to the contract terms. Transaction activity under 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.

Unrealized losses in the value of individual securities considered by management to be other than temporary is charged to income in the period it is determined. The Company monitors the difference between cost and the estimated fair value of investments, which involves uncertainty as to whether declines in value are temporary in nature. When a decline in fair value of an investment is considered to be "other than temporary," the investment is written down to fair value and a realized loss is recorded. Management's assessment of a decline in value includes current judgment as to the financial position and future prospects of the issuer of the investment security.

Platinum Holdings and Platinum Bermuda are domiciled in Bermuda. The Company also has subsidiaries in the United States, the United Kingdom and Ireland which are subject to the tax laws thereof. The Company applies the asset and liability method of accounting for income taxes under which 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.

The Company has elected to use the intrinsic value method of accounting for share-based awards granted, established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Under this method, no compensation expense is recorded if the exercise price of the Company's employee share options is equal to or greater than the fair market value of the underlying share on the date of the grant.

-21-

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET AND CREDIT RISK

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

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, 2003, 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 security 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, 2003 is as follows (\$ in thousands):

	Interest Rate Shift in Basis Points				
	- 100	- 50	Current	+ 50	+ 100
Total Market Value	\$1,669,421	1,642,077	1,613,232	1,584,29	\$1,554,381
Percent change in Market Value	3.48%	1.79%	-	(1.79%)	(3.65%)
Resulting Unrealized Appreciation / (Depreciation)	\$ 89,394	62,050	33,205	4,264	\$ (25,645)

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 minimize its

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

exposure to its largest

-22-

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, 2003 (\$ in thousands):

	Carrying Amount -----	Fair Value -----
Financial assets:		
Fixed maturities	\$ 1,613,232	\$ 1,613,232
Financial liabilities:		
Debt obligations	\$ 137,500	\$ 162,195

The fair values of financial instruments are based on quoted market prices at the reporting date for those or similar investments.

CURRENT OUTLOOK

We believe that our markets continue to provide strong opportunities. Currently, we believe that premium rates in certain casualty reinsurance markets have strengthened to attractive levels. We believe that premiums in our casualty segment for 2003 and 2004 will grow. Because there are many areas of the casualty market where pricing remains inadequate, we are being selective and write business only when we believe it is profitable. We believe we have necessary expertise in our U.S. operations to support our strategies. We believe that our reputation for prompt claims and other services as well as our financial strength will help achieve our goal.

We believe that the additional capacity provided to the market subsequent to September 11, 2001, as well as light catastrophe losses thus far in 2003 have begun to cause pricing in the property catastrophe market to soften. As a consequence of the current pricing environment, we believe that growth in the property segment may be limited. We have invested in and developed catastrophe modeling and other analytic tools that will assist in identifying profitable business. To the extent that industry pricing does not meet our hurdle rate, we would expect to reduce our catastrophe premiums.

The Finite Risk segment has performed exceptionally well in 2003. We believe that this is the result of both low level of losses as well as a careful selection of risks that were assumed in the Quota Share Retrocession Agreements. While we believe that the Finite Risk segment will produce superior results in 2003, profitability will return to market levels in the future.

We are routinely reviewing 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.

ITEM 4. CONTROLS AND PROCEDURES

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

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

-23-

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 control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control 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.

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. CHANGES IN SECURITIES AND USE OF PROCEEDS

Pursuant to the employment agreement between Gregory E.A. Morrison and the Company, dated as of June 20, 2003, Mr. Morrison purchased 20,000 common shares from the Company on July 30, 2003 for an aggregate purchase price of \$520,000. This sale of common shares was not exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof, as a transaction not involving a public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual general meeting of shareholders (the "Annual Meeting") of the Company was held on September 17, 2003. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the Company's proxy statement, dated August 13, 2003. The Company's shareholders (1) elected eight directors to the Company's Board of Directors to serve until the 2004 annual general meeting of shareholders, (2) elected three directors to the Board of Directors of Platinum Bermuda, (3) ratified the appointment of three executive directors to the Board of Directors of Platinum UK, (4) approved the Company's Section 162(m) Performance Incentive Plan and (5) ratified the selection of KPMG LLP as independent auditors for the Company and KPMG (Bermuda) as independent auditors for Platinum Bermuda for the 2003 fiscal year. Set forth below are the voting results for these proposals:

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

-24-

ELECTION OF DIRECTORS OF THE COMPANY

	For ---	Withheld -----
H. Furlong Baldwin	35,396,560	350,033
Jonathan F. Bank	35,262,322	484,271
Dan R. Carmichael	35,106,422	640,171
Neill A. Currie	35,072,179	674,414
Jay S. Fishman	34,930,241	816,352
Gregory E.A. Morrison	35,228,079	518,514
Stephen H. Newman	35,228,079	518,514
Peter T. Pruitt	35,262,322	484,271

ELECTION OF DIRECTORS OF PLATINUM BERMUDA

	For ---	Withheld -----
Gregory E.A. Morrison	35,215,246	531,347
Michael D. Price	35,215,316	531,277
William A. Robbie	35,215,216	531,377

RATIFICATION OF APPOINTMENT OF EXECUTIVE DIRECTORS OF PLATINUM UK

	For ---	Withheld -----
Gregory E.A. Morrison	35,215,246	531,347
Craig T. Pettengell	35,215,316	531,277
Robert S. Porter	35,215,216	531,377

APPROVAL OF THE COMPANY'S SECTION 162(M) PERFORMANCE INCENTIVE PLAN

For ---	Against -----	Abstain -----	Broker Non-Votes -----
34,541,059	791,519	414,015	0

RATIFICATION OF SELECTION OF KPMG LLP AS INDEPENDENT AUDITORS FOR THE COMPANY AND KPMG (BERMUDA) AS INDEPENDENT AUDITORS FOR PLATINUM BERMUDA

For ---	Against -----	Abstain -----	Broker Non-Votes -----
34,744,940	200	1,453	0

-25-

ITEM 5. OTHER INFORMATION

THE PREDECESSOR BUSINESS
The St. Paul Companies, Inc.
Reinsurance Underwriting Segment

Following is selected historical combined financial data for the three and nine months ended September 30, 2002 of the reinsurance underwriting segment of The St. Paul Companies, Inc. (the "Predecessor") prior to the initial public offering of Platinum Underwriters Holdings, Ltd. ("Platinum"). The Predecessor operations include the continuing business and related assets transferred to Platinum upon completion of its initial public offering as well as the reinsurance business that remained with The St. Paul Companies, Inc. ("St. Paul") after the public offering. Accordingly, underwriting results and combined statements of the Predecessor presented in this report are not indicative of the actual results of Platinum subsequent to the public offering.

In addition to the effect of the retention of certain portions of the Predecessor business by St. Paul and the exclusion of the corporate aggregate excess-of-loss reinsurance program of St. Paul, other factors may cause the actual results of Platinum to differ materially from the results of the Predecessor. For example, although Platinum continues to be afforded the benefits of St. Paul Re's retrocessional program for the 2002 underwriting year, Platinum has entered into reinsurance contracts with significantly different terms and conditions from those that have been made available to the Predecessor from St. Paul and which form the basis of the Predecessor's results. In addition, the Predecessor's combined statements reflect the discounting of the liability for certain assumed reinsurance contracts using rates up to 7.5%, based on its return on invested assets or, in many cases, on yields contractually guaranteed to it on funds held by the ceding company, as permitted by applicable law. If arrangements permitting Platinum to discount reserves to the same extent as the Predecessor are not made, reinsurance contracts of a similar type entered into in the future would be reported on an undiscounted basis.

-26-

The St. Paul Companies, Inc.
Reinsurance Underwriting Segment (Predecessor)

Combined Statement of Underwriting Results (Unaudited)
For the Three and Nine Months Ended September 30, 2002
(\$ in millions)

Three

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

	Months Ended September 30, 2002 -----	Nine Months Ended September 30, 2002 -----
Net premiums		
Net premiums written	\$ 234	\$ 897
Net change in unearned premiums	73	92
	-----	-----
Net premiums earned	307	989
	-----	-----
Underwriting deductions		
Losses and loss adjustment expenses incurred	249	709
Policy acquisition costs	56	233
Other underwriting expenses	23	59
	-----	-----
Total underwriting deductions	328	1,001
	-----	-----
Net underwriting loss	\$ (21) =====	\$ (12) =====

Combined Statement of Identifiable Underwriting Cash Flows (Unaudited)
For the Three and Nine Months Ended September 30, 2002
(\$ in millions)

	Three Months Ended September 30, 2002 -----	Nine Months Ended September 30, 2002 -----
Premiums collected, net	\$ 366	\$ 1,195
Losses and loss adjustment expenses paid	(343)	(916)
Policy acquisition expenses paid	(66)	(252)
Other underwriting expenses paid	51	(81)
	-----	-----
Net cash provided (used) by underwriting	\$ 8 =====	\$ (54) =====

See accompanying notes to combined statements

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Reinsurance Underwriting Segment (Predecessor)
Notes to Combined Statements (Unaudited)
September 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying combined statements include the identifiable reinsurance underwriting activity of the reinsurance underwriting segment of The St. Paul Companies, Inc. ("St. Paul"), for the three and nine months ended September 30, 2002. The reinsurance underwriting segment of St. Paul represent the predecessor operations to Platinum Underwriters Holdings, Ltd. ("Platinum") and is hereinafter referred to as "Predecessor." The Predecessor statements are presented on a combined basis and include certain insurance and reinsurance subsidiaries of St. Paul, as well as the underwriting results of the reinsurance departments of St. Paul Fire and Marine Insurance Company ("Fire and Marine") and United States Fidelity and Guarantee Company ("USF&G"). Fire and Marine and USF&G are the two largest U.S. insurance subsidiaries of St. Paul.

The amounts included in this report as of and for the three and nine months ended September 30, 2002 are unaudited but include those adjustments, consisting of normal recurring items, that management considers necessary for a fair presentation under U.S. GAAP. These combined financial statements should be read in conjunction with the combined statements of the Predecessor and related notes included in the Annual Report on Form 10-K for the year ended December 31, 2002 of Platinum.

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

The statements of underwriting results reconcile to the reinsurance underwriting segment results as reported in the Quarterly Report of St. Paul on Form 10-Q as of September 30, 2002 as filed with the Securities and Exchange Commission. It is the practice of St. Paul to evaluate the performance of its property-liability insurance underwriting segments on the basis of underwriting results.

The combined statements of underwriting results and identifiable cash flows represent activity that is specifically attributable to the underwriting operations of the Predecessor. St. Paul manages its property-liability investment portfolio in the aggregate, as part of a separate segment and does not allocate assets, or investment income, to its respective underwriting segments. Additionally, the statement of identifiable cash flows includes only cash flow activity that is specifically attributable to the underwriting operations of Predecessor, and does not include any cash flows from investment and financing activities.

2. REINSURANCE

The primary purpose of Predecessor's ceded reinsurance program is to protect its operations from potential losses in excess of acceptable levels. Reinsurers are expected to honor their obligations under ceded reinsurance contracts. In the event these companies are unable to honor their obligations, Predecessor will pay these amounts. Allowances have been established for possible nonpayment of such amounts due.

In 2002, St. Paul was not party to an all-lines, corporate excess-of-loss reinsurance treaty. Included in the net detriment for the nine months ended

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

September 30, 2002 was a \$20 million detriment

-28-

The St. Paul Companies, Inc.
Reinsurance Underwriting Segment (Predecessor)

Notes to Combined Statements (Unaudited)
September 30, 2002

due to the the partial commutation of the 1999 and 2001 aggregate excess-of-loss reinsurance treaties. However, Predecessor recorded ceded written and earned premiums of \$2 million and \$1 million in those nine months, representing Predecessor's share of the initial premium paid on this treaty.

Predecessor was party to a separate aggregate excess-of-loss reinsurance treaty, unrelated to the corporate treaty in 2002. Coverage was not triggered under that treaty in the first nine months of 2002; however, Predecessor did record ceded written and earned premiums of \$(1) million and \$(5) million, respectively, and ceded loss and loss adjustment expenses of \$(36) million, for a net detriment of \$31 million as a result of this treaty. The effect of assumed and ceded reinsurance on premiums written, premiums earned and insurance losses and loss adjustment expenses for the three and nine months ended September 30, 2002 was as follows (\$ in millions):

	Assumed -----	Ceded -----	Net ---
Three months ended September 30, 2002:			
Premium written	\$ 248	14	\$ 234
Premium earned	331	24	307
Insurance losses and LAE	378	129	249
Nine months ended September 30, 2002:			
Premium written	950	53	897
Premium earned	1,042	53	989
Insurance losses and LAE	\$ 810	101	\$ 709

3. FOURTH QUARTER 2001 STRATEGIC REVIEW

In December 2001, St. Paul announced the results of a strategic review of all of its operations, which included a decision to exit a number of businesses and countries. These decisions included the narrowing of product offerings and geographic presence relative to Predecessor's businesses. As part of that review, it was determined that Predecessor would no longer underwrite aviation or bond and credit reinsurance, or offer certain financial risk and capital markets reinsurance products. Predecessor would also substantially reduce the North American business underwritten in London. Predecessor would focus on several areas, including property catastrophe reinsurance, excess-of-loss casualty reinsurance, marine and traditional finite reinsurance.

The net premiums earned and underwriting loss for the three and nine months ended September 30, 2002 for the businesses exited under these actions were as follows (\$ in millions):

-29-

The St. Paul Companies, Inc.

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

Reinsurance Underwriting Segment (Predecessor)

Notes to Combined Statements (Unaudited), continued
September 30, 2002

	Three Months Ended September 30, 2002 ----	Nine Months Ended September 30, 2002 ----
Premium earned	\$ 70	\$ 237
Underwriting loss	\$ 3	\$ 41

During the nine months ended September 30, 2002, St. Paul did not enter into a corporate aggregate excess-of loss reinsurance program.

4. SEGMENT INFORMATION

Predecessor has four reportable segments: North American Property, North American Casualty, International, and Finite Reinsurance. These segments are consistent with the manner in which Predecessor's business has been managed. Predecessor monitors and evaluates the performance of its segments based principally on their underwriting results. Assets are not specifically identifiable for these segments.

The summary below presents premiums earned and underwriting results for Predecessor's reportable segments for the three and nine months ended September 30, 2002 (\$ in millions):

	Premium earned -----	Underwriting gain (loss) -----
Three Months Ended September 30, 2002		
North American Property	\$ 63	\$ 18
North American Casualty	125	(46)
International	64	(4)
Finite Risk	55	11
	-----	-----
Total	\$ 307	\$ (21)
	-----	-----
Nine Months Ended September 30, 2002		
North American Property	\$ 188	\$ 34
North American Casualty	396	(96)
International	184	36
Finite Risk	221	14
	-----	-----
Total	\$ 989	\$ (12)
	-----	-----

4. SEPTEMBER 11, 2001 TERRORIST ATTACK

On September 11, 2001, terrorists hijacked four commercial passenger jets

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

in the United States. Two of the jets were flown into the World Trade Center towers in New York causing their collapse. The third jet was flown into the Pentagon building in Washington, D.C., causing severe damage, and the fourth jet crashed in rural Pennsylvania. This terrorist attack caused significant loss of life and resulted in

-30-

The St. Paul Companies, Inc.
Reinsurance Underwriting Segment (Predecessor)

Notes to Combined Statements (Unaudited), continued
September 30, 2002

unprecedented losses for the property and casualty insurance industry. St. Paul Re's estimated net pretax loss incurred as a result of the terrorist attack totaled \$500 million in 2001. In the nine months ended September 30, 2002, St. Paul Re recorded an additional \$21 million to its estimated loss provision recorded in 2001 for the terrorist attack.

-31-

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Novation and Transfer Agreement for the Multi-Line Excess of Loss Reinsurance Agreement, dated September 16, 2003, among Platinum US, St. Paul Fire and Marine Insurance Company and Wisconsin Mutual Insurance Company, effective as of January 1, 2003.
- 10.2 Novation and Transfer Agreement for the Casualty Excess of Loss Reinsurance Agreement, dated September 16, 2003, among Platinum US, St. Paul Fire and Marine Insurance Company and Wisconsin Mutual Insurance Company, effective as of January 1, 2003.
- 10.3 Novation and Transfer Agreement for the First Property Catastrophe Excess of Loss Reinsurance Agreement, dated September 16, 2003, among Platinum US, St. Paul Fire and Marine Insurance Company and Wisconsin Mutual Insurance Company, effective as of January 1, 2003.
- 10.4 Novation and Transfer Agreement for the Second Property Catastrophe Excess of Loss Reinsurance Agreement, dated September 16, 2003, among Platinum US, St. Paul Fire and Marine Insurance Company and Wisconsin Mutual Insurance Company, effective as of January 1, 2003.
- 10.5 Novation and Transfer Agreement for the Third Property Catastrophe Excess of Loss Reinsurance Agreement, dated September 16, 2003, among Platinum US, St. Paul Fire and Marine Insurance Company and Wisconsin Mutual Insurance Company, effective as of January 1, 2003.
- 31.1 Certification of Gregory E.A. Morrison, President and Chief Executive Officer of Platinum Holdings, pursuant to Rule 13(a)

Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q

of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of William A. Robbie, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13(a) of the Securities Exchange Act, as adopted pursuant to Section 302 at the Sarbanes-Oxley Act of 2002.

32.1 Certification of Gregory E.A. Morrison, President and 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 William A. Robbie, Chief Financial Officer of Platinum Holdings, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 at the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K on August 13, 2003 incorporating under Item 12 the Company's press release reporting its financial results for the quarter ended June 30, 2003 and a financial supplement.

-32-

The Company filed a report on Form 8-K on September 29, 2003 containing slides utilized in presentations to investors and analysts on September 29, 2003 and September 30, 2003.

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 13, 2003

/s/ Gregory E. A. Morrison

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

Date: November 13, 2003

/s/ William A. Robbie

By: William A. Robbie
Executive Vice President and Chief
Financial Officer

-33-