

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

PLATINUM UNDERWRITERS HOLDINGS LTD  
Form 10-Q/A  
September 21, 2005

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

FORM 10-Q/A  
AMENDMENT NO. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

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  
(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 July 15, 2005, there were outstanding 43,482,288 common shares, par

# Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

value \$0.01 per share, of the registrant.

## PLATINUM UNDERWRITERS HOLDINGS, LTD. QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2005

This Amendment No. 1 on Form 10-Q/A amends Platinum Underwriters Holdings, Ltd.'s Report on Form 10-Q for the six months ended June 30, 2005, (the "June 30, 2005 Form 10-Q") as initially filed with the Securities and Exchange Commission ("SEC") on August 5, 2005. This amendment is being filed in response to comments received from the SEC staff. We believe that the SEC staff's comments result from a routine review of our Annual Report on Form 10-K for the year ended December 31, 2004 and a review of our Form S-4 filed on July 26, 2005 (File No. 333-126883) and that the comments are generally similar to comments received by other companies in the reinsurance industry in connection with the SEC's review of their filings under the Securities Exchange Act of 1934 and the Securities Act of 1933. In response to the comments received from the SEC staff, this Amendment contains additional disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Critical Accounting Policies, Estimates and Judgments" regarding the premium estimation process, claims reserving process, loss reserving process and development of loss reserves and includes consolidating financial information regarding Platinum Underwriters Finance, Inc. as a new Footnote 6 to the consolidated financial statements. This amendment presents the June 30, 2005 Form 10-Q, as amended, in its entirety, but does not modify or update the disclosure in the June 30, 2005 Form 10-Q in any way other than as required to reflect the changes discussed above and does not reflect events occurring after the initial filing of the June 30, 2005 Form 10-Q on August 5, 2005.

### TABLE OF CONTENTS

|  | Page |
|--|------|
|  | ---- |
| PART I - FINANCIAL INFORMATION   |      |
| Item 1. Condensed Consolidated Financial Statements  |      |
| Consolidated Balance Sheets as of June 30, 2005 (Unaudited) and<br>December 31, 2004.....  | 1    |
| Consolidated Statements of Income and Comprehensive Income for<br>the Three and Six Months Ended June 30, 2005 and 2004<br>(Unaudited).....                        | 2    |
| Consolidated Statements of Changes in Shareholders' Equity<br>for the Six months Ended June 30, 2005 and 2004<br>(Unaudited).....                                  | 3    |
| Consolidated Statements of Cash Flows for the Six Months Ended<br>June 30, 2005 and 2004 (Unaudited).....  | 4    |
| Notes to Condensed Consolidated Financial Statements<br>(Unaudited) for the Three and Six Months Ended<br>June 30, 2005 and 2004.....                              | 5    |
| Item 2. Management's Discussion and Analysis of Financial Condition<br>and Results of Operations for the Three and Six Months Ended<br>June 30, 2005 and 2004..... | 21   |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk.....  | 47   |
| Item 4. Controls and Procedures.....   | 49   |
| PART II - OTHER INFORMATION  |      |
| Item 1. Legal Proceedings.....   | 50   |

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

|  |    |
|--|----|
| Item 4. Submission of Matters to a Vote of Security Holders..... | 51 |
| Item 6. Exhibits.....  | 51 |
| SIGNATURES.....  | 52 |

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(\$ in thousands, except share data)

|   | (Unaudited)<br>June 30, 2005 | December 31,<br>2004 |
|---|------------------------------|----------------------|
|   | -----                        | -----                |
| ASSETS  |                              |                      |
| Investments:  |                              |                      |
| Fixed maturities available-for-sale, at fair value<br>(amortized cost - \$2,639,061 and \$2,144,290,<br>respectively) | \$2,649,121                  | \$2,157,529          |
| Fixed maturities - trading, at fair value<br>(amortized cost - \$73,301 and \$82,931, respectively)                   | 73,571                       | 82,673               |
| Other invested asset  | 6,000                        | 6,769                |
|   | -----                        | -----                |
| Total investments   | 2,728,692                    | 2,246,971            |
| Cash and cash equivalents   | 409,539                      | 209,897              |
| Accrued investment income   | 28,316                       | 23,663               |
| Reinsurance premiums receivable   | 576,457                      | 580,048              |
| Reinsurance recoverable on ceded losses and<br>loss adjustment expenses   | 10,447                       | 2,005                |
| Prepaid reinsurance premiums  | 6,241                        | 2,887                |
| Funds held by ceding companies  | 271,795                      | 198,048              |
| Deferred acquisition costs  | 144,844                      | 136,038              |
| Income tax recoverable  | --                           | 1,325                |
| Deferred tax assets   | 12,849                       | 8,931                |
| Other assets  | 10,056                       | 12,182               |
|   | -----                        | -----                |
| Total assets  | \$4,199,236                  | \$3,421,995          |
|   | =====                        | =====                |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |                              |                      |
| Liabilities:  |                              |                      |
| Unpaid losses and loss adjustment expenses  | \$1,559,092                  | \$1,380,955          |
| Unearned premiums   | 575,727                      | 502,423              |
| Reinsurance deposit liabilities   | 5,821                        | 20,189               |
| Debt obligations  | 387,500                      | 137,500              |
| Ceded premiums payable  | 18,119                       | 2,384                |
| Commissions payable   | 216,459                      | 181,925              |
| Funds withheld  | 13,224                       | 11,999               |
| Deferred taxes  | 10,545                       | 10,404               |
| Other liabilities   | 140,021                      | 41,213               |
|   | -----                        | -----                |
| Total liabilities   | 2,926,508                    | 2,288,992            |
|   | -----                        | -----                |
| Shareholders' Equity:   |                              |                      |
| Preferred shares, \$.01 par value, 25,000,000   |                              |                      |

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

|  |             |             |
|--|-------------|-------------|
| shares authorized, no shares issued or outstanding   | --          | --          |
| Common shares, \$.01 par value, 200,000,000 shares<br>authorized, 43,406,788 and 43,087,407 shares<br>issued and outstanding, respectively | 434         | 430         |
| Additional paid-in capital   | 921,271     | 911,851     |
| Unearned share grant compensation  | (2,246)     | --          |
| Accumulated other comprehensive income   | 10,637      | 12,252      |
| Retained earnings  | 342,632     | 208,470     |
|  | -----       | -----       |
| Total shareholders' equity   | 1,272,728   | 1,133,003   |
|  | -----       | -----       |
| Total liabilities and shareholders' equity   | \$4,199,236 | \$3,421,995 |
|  | =====       | =====       |

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 Six Months Ended June 30, 2005 and 2004  
(\$ in thousands, except per share data)

|                                      | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |           |
|--------------------------------------|--------------------------------|---------|------------------------------|-----------|
|                                      | 2005                           | 2004    | 2005                         | 2004      |
|                                      | -----                          | -----   | -----                        | -----     |
| Revenue:                             |                                |         |                              |           |
| Net premiums earned                  | \$431,470                      | 310,867 | 842,510                      | \$631,909 |
| Net investment income                | 28,904                         | 19,377  | 55,809                       | 36,861    |
| Net realized losses on investments   | (555)                          | (1,279) | (183)                        | (827)     |
| Other income                         | 588                            | 605     | 232                          | 1,116     |
|                                      | -----                          | -----   | -----                        | -----     |
| Total revenue                        | 460,407                        | 329,570 | 898,368                      | 669,059   |
|                                      | -----                          | -----   | -----                        | -----     |
| Expenses:                            |                                |         |                              |           |
| Losses and loss adjustment expenses  | 240,852                        | 189,466 | 478,550                      | 351,435   |
| Acquisition expenses                 | 103,928                        | 62,694  | 197,177                      | 151,615   |
| Operating expenses                   | 23,480                         | 19,262  | 43,488                       | 38,036    |
| Net foreign currency exchange losses | 160                            | 1,168   | 1,958                        | 302       |
| Interest expense                     | 4,174                          | 2,324   | 6,347                        | 4,630     |
|                                      | -----                          | -----   | -----                        | -----     |
| Total expenses                       | 372,594                        | 274,914 | 727,520                      | 546,018   |
|                                      | -----                          | -----   | -----                        | -----     |
| Income before income tax expense     | 87,813                         | 54,656  | 170,848                      | 123,041   |
| Income tax expense                   | 19,828                         | 4,857   | 29,775                       | 18,428    |
|                                      | -----                          | -----   | -----                        | -----     |
| Net income                           | \$ 67,985                      | 49,799  | 141,073                      | \$104,613 |
|                                      | =====                          | =====   | =====                        | =====     |
| Earnings per share:                  |                                |         |                              |           |
| Basic earnings per share             | \$ 1.57                        | 1.15    | 3.26                         | \$ 2.42   |
| Diluted earnings per share           | \$ 1.39                        | 1.01    | 2.88                         | \$ 2.12   |
| Comprehensive income (loss):         |                                |         |                              |           |
| Net income                           | \$ 67,985                      | 49,799  | 141,073                      | \$104,613 |

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

Other comprehensive income:

|   |           |          |         |           |
|---|-----------|----------|---------|-----------|
| Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes | 33,051    | (52,356) | (1,578) | (33,183)  |
| Cumulative translation adjustments, net of deferred taxes   | (46)      | (123)    | (37)    | (152)     |
|   | -----     | -----    | -----   | -----     |
| Comprehensive income (loss)   | \$100,990 | (2,680)  | 139,458 | \$ 71,278 |
|   | =====     | =====    | =====   | =====     |
| Shareholder dividends:  |           |          |         |           |
| Dividends declared  | \$ 3,462  | 3,464    | 6,911   | \$ 6,925  |
| Dividends declared per share  | \$ 0.08   | 0.08     | 0.16    | \$ 0.16   |

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 Six Months Ended June 30, 2005 and 2004  
 (\$ in thousands)

|  | 2005    | 2004   |
|--|---------|--------|
|  | -----   | -----  |
| Preferred shares:                              |         |        |
| Balances at beginning and end of period        | \$ --   | \$ --  |
|  | -----   | -----  |
| Common shares:                                 |         |        |
| Balances at beginning of period                | 430     | 43     |
| Exercise of share options                      | 3       | -      |
| Issuance of restricted shares                  | 1       | -      |
|  | -----   | -----  |
| Balances at end of period                      | 434     | 43     |
|  | -----   | -----  |
| Additional paid-in-capital:                    |         |        |
| Balances at beginning of period                | 911,851 | 910,50 |
| Exercise of share options                      | 4,981   | 5,04   |
| Issuance of restricted shares                  | 2,750   | -      |
| Share based compensation                       | 1,689   | 1,08   |
|  | -----   | -----  |
| Balances at end of period                      | 921,271 | 916,63 |
|  | -----   | -----  |
| Unearned share grant compensation:             |         |        |
| Balances at beginning of period                | --      | -      |
| Shares issued                                  | (2,750) | -      |
| Amortization                                   | 504     | -      |
|  | -----   | -----  |
| Balances at end of period                      | (2,246) | -      |
|  | -----   | -----  |
| Accumulated other comprehensive income (loss): |         |        |

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

|   |             |             |
|---|-------------|-------------|
| Balances at beginning of period   | 12,252      | 18,777      |
| Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes | (1,578)     | (33,181)    |
| Net change in cumulative translation adjustments, net of deferred tax                             | (37)        | (15,561)    |
| Balances at end of period   | 10,637      | (14,566)    |
| Retained earnings:  |             |             |
| Balances at beginning of period   | 208,470     | 137,491     |
| Net income  | 141,073     | 104,613     |
| Dividends paid to shareholders  | (6,911)     | (6,921)     |
| Balances at end of period   | 342,632     | 235,183     |
| Total shareholders' equity  | \$1,272,728 | \$1,137,691 |

See accompanying notes to condensed consolidated financial statements.

-3-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
 Consolidated Statement of Cash Flows (Unaudited)  
 For the Six Months Ended June 30, 2005 and 2004  
 (\$ in thousands)

|   | 2005       | 2004       |
|---|------------|------------|
|   | -----      | -----      |
| Operating Activities:   |            |            |
| Net income  | \$ 141,073 | \$ 104,613 |
| Adjustments to reconcile net income to cash used in operations: |            |            |
| Depreciation and amortization                                   | 10,231     | 10,551     |
| Net realized losses on investments                              | 183        | 827        |
| Net foreign currency exchange losses                            | 1,958      | 302        |
| Share-based compensation  | 2,193      | 1,087      |
| Trading securities activities                                   | 4,329      | 41,978     |
| Changes in assets and liabilities:                              |            |            |
| Increase in accrued investment income                           | (4,653)    | (3,215)    |
| (Increase) decrease in reinsurance premiums receivable          | 3,591      | (62,291)   |
| Increase in funds held by ceding companies                      | (73,747)   | (16,202)   |
| Increase in deferred acquisition costs                          | (8,806)    | (42,839)   |
| Increase in net unpaid losses and loss adjustment expenses      | 173,745    | 161,108    |
| Increase in net unearned premiums                               | 69,950     | 177,244    |
| Increase (decrease) in reinsurance deposit liabilities          | (14,368)   | 14,214     |
| Increase (decrease) in ceded premiums payable                   | 15,735     | (840)      |
| Increase in commissions payable                                 | 34,534     | 30,996     |
| Increase in funds withheld                                      | 1,225      | --         |
| Changes in other assets and liabilities                         | 19,002     | 20,030     |
| Other net   | 227        | (621)      |
| Net cash provided by operating activities                       | 376,402    | 436,942    |

Investing Activities:

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

|  |            |            |
|--|------------|------------|
| Proceeds from sale of available-for-sale fixed maturities                | 207,840    | 190,589    |
| Proceeds from maturity or paydown of available-for-sale fixed maturities | 66,796     | 43,927     |
| Acquisition of available-for-sale fixed maturities                       | (696,372)  | (602,816)  |
|  | -----      | -----      |
| Net cash used in investing activities                                    | (421,736)  | (368,300)  |
|  | -----      | -----      |
| <br>Financing Activities:  |            |            |
| Dividends paid to shareholders   | (6,911)    | (6,925)    |
| Proceeds from exercise of share options                                  | 4,984      | 5,049      |
| Proceeds from issuance of debt   | 246,900    | --         |
|  | -----      | -----      |
| Net cash used in financing activities                                    | 244,973    | (1,876)    |
|  | -----      | -----      |
| Net increase in cash and cash equivalents                                | 199,639    | 66,766     |
| Cash and cash equivalents at beginning of period                         | 209,900    | 105,461    |
|  | -----      | -----      |
| Cash and cash equivalents at end of period                               | \$ 409,539 | \$ 172,227 |
|  | =====      | =====      |
| <br>Supplemental disclosures of cash flow information:                   |            |            |
| Income taxes paid  | \$ 28,573  | \$ 4,799   |
| Interest paid  | \$ 3,671   | \$ 3,729   |

See accompanying notes to condensed consolidated financial statements.

-4-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Six Months Ended June 30, 2005 and 2004

(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. ("Platinum Holdings") and its subsidiaries (collectively, the "Company"), including 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, and Platinum Administrative Services, Inc. All material inter-company transactions have been eliminated in preparing these condensed consolidated financial statements. The condensed consolidated financial statements included in this report as of and for the three and six months ended June 30, 2005 and 2004 are unaudited and include adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

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

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

estimates. The results of operations for any interim period are not necessarily indicative of results for the full year.

In November 2002, Platinum Holdings completed an initial public offering of 33,044,000 common shares (the "Initial Public Offering"). Concurrent with the Initial Public Offering, Platinum Holdings sold 6,000,000 common shares to The St. Paul Travelers Companies, Inc., formerly The St. Paul Companies, Inc., ("St. Paul"), and 3,960,000 common shares to RenaissanceRe Holdings Ltd. ("RenaissanceRe") in private placements. St. Paul sold its 6,000,000 common shares in June 2004. As part of the Initial Public Offering, St. Paul and RenaissanceRe received options to purchase up to 6,000,000 and 2,500,000 of additional common shares, respectively, at any time during the ten years following the Initial Public Offering at a price of \$27.00 per share. Both St. Paul and RenaissanceRe have amended their options to provide that in lieu of paying \$27.00 per share, any option exercise will be settled on a net share basis, which will result in Platinum Holdings issuing a number of common shares equal to the excess of the market price per share, determined in accordance with the amendments, over \$27.00 less the par value per share multiplied by the number of common shares issuable upon exercise of the option divided by that market price per share. Also, concurrent with the transactions in November 2002, 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"). In addition to these transactions the Company issued Equity Security Units ("ESU's"), consisting of a contract to purchase common shares of the Company in 2005 and an ownership interest in a senior note due 2007 issued by Platinum Finance, a U.S. based intermediate holding company subsidiary of Platinum Holdings. In May 2005, Platinum Finance issued \$250,000,000 aggregate principal amount of the Series A 7.5% Notes due June 1, 2017 (the "Series A Notes") unconditionally guaranteed by Platinum Holdings. The proceeds of the Series A Notes were used primarily to increase the capital of Platinum Bermuda and Platinum US.

-5-

### PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

#### Share-Based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" ("SFAS 123") and Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148") effective January 1, 2003. SFAS 123 requires that the fair value of share options granted under the Company's share option plan subsequent to the adoption of SFAS 148 be amortized into earnings over the vesting periods. The fair value of the share options granted is determined through the use of an option-pricing model. SFAS 148 provides transition guidance for a voluntary adoption of SFAS 123 and amends the disclosure requirements of SFAS 123. Prior to the adoption of SFAS 123, the Company elected to use the intrinsic value method of accounting for its share-based awards granted to employees established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and continues to use the intrinsic method for share options granted in 2002. Under APB 25, if the exercise price of the Company's employee share options is equal



## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

to or greater than the fair market value of the underlying shares on the date of the grant, no compensation expense is recorded.

Restricted shares awarded are amortized into earnings over the vesting period based on the fair value of the shares at the time of the grant. There are limits on the transferability of the restricted shares and such restricted shares may be forfeited in the event of certain types of terminations of the recipient's employment. The unearned or unvested portion of the restricted shares issued is presented as a separate component of shareholders' equity.

In December 2004, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 123R "Share-Based Payment" ("SFAS 123R"). SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires that, prospectively, compensation costs be recognized for the fair value of all share options over the remaining vesting period, including the cost related to the unvested portion of all outstanding share options as of December 31, 2004. The share-based compensation expense for share options currently outstanding are to be based on the same cost model used to calculate the pro forma disclosures under SFAS 123. Consequently, the pro forma share-based compensation expense and pro forma income below approximates the expense under SFAS 123R.

The following table illustrates the effect on the Company's net income and earnings per share for the three and six months ended June 30, 2005 and 2004 of applying the "fair value" method to all share option grants (\$ in thousands, except per share data):

|                                   | Three Months Ended |               | Six Months Ended |               |
|-----------------------------------|--------------------|---------------|------------------|---------------|
|                                   | June 30,           |               | June 30,         |               |
|                                   | -----<br>2005      | 2004<br>----- | -----<br>2005    | 2004<br>----- |
| Share-based compensation expense: |                    |               |                  |               |
| As reported                       | \$ 507             | 583           | 1,802            | \$1,087       |
| Pro forma                         | 1,595              | 1,587         | 4,116            | 3,345         |

-6-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

|             | Three Months Ended |               | Six Months Ended |               |
|-------------|--------------------|---------------|------------------|---------------|
|             | June 30,           |               | June 30,         |               |
|             | -----<br>2005      | 2004<br>----- | -----<br>2005    | 2004<br>----- |
| Net income: |                    |               |                  |               |
| As reported | 67,985             | 49,799        | 141,073          | 104,613       |
| Pro forma   | 66,897             | 48,795        | 138,759          | 102,355       |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

|                             |         |      |      |         |
|-----------------------------|---------|------|------|---------|
| Basic earnings per share:   |         |      |      |         |
| As reported                 | 1.57    | 1.15 | 3.26 | 2.42    |
| Pro forma                   | 1.55    | 1.11 | 3.21 | 2.40    |
| Diluted earnings per share: |         |      |      |         |
| As reported                 | 1.39    | 1.01 | 2.88 | 2.12    |
| Pro forma                   | \$ 1.37 | 0.98 | 2.83 | \$ 2.10 |

On April 14, 2005, the Securities and Exchange Commission ("SEC") adopted a new rule that allows SEC registrants to implement SFAS 123R as of January 1, 2006. The SEC's new rule does not change the accounting required by SFAS 123R; it delays the date for compliance with the standard. Previously under SFAS 123R, the Company would have been required to implement the standard as of July 1, 2005. The Company plans to adopt the provisions of the SFAS 123R in the first quarter of 2006.

### Reclassifications

Certain reclassifications have been made to the 2004 financial statements in order to conform to the 2005 presentation.

### (2) INVESTMENTS

Investments classified as available-for-sale are carried at fair value as of the balance sheet date. Net change in unrealized investment gains for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|   | 2005       | 2004        |
|---|------------|-------------|
|   | -----      | -----       |
| Fixed maturities                        | \$ (3,179) | \$ (41,134) |
| Less - deferred taxes                   | 1,601      | 7,951       |
|   | -----      | -----       |
| Net change in unrealized gains (losses) | \$ (1,578) | \$ (33,183) |
|   | -----      | -----       |

Gross unrealized gains and losses on available-for-sale fixed maturities as of June 30, 2005 were \$21,275,000 and \$11,215,000, respectively.

-7-

### PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

The unrealized losses on fixed maturities 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, 2005 were as follows (\$ in thousands):

|  |            |                    |
|--|------------|--------------------|
|  | Fair Value | Unrealized<br>Loss |
|--|------------|--------------------|

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

|  |             |          |
|--|-------------|----------|
| Less than twelve months:                     |             |          |
| U.S. Government and U.S. Government agencies | \$ 132,689  | \$ 58    |
| Corporate bonds                              | 589,711     | 5,456    |
| Mortgage and asset backed securities         | 205,043     | 614      |
| Municipal bonds                              | 96,504      | 489      |
| Foreign governments and states               | 18,646      | 109      |
| Redeemable preferred stocks                  | 8,441       | 294      |
|  | -----       | -----    |
| Total  | 1,051,034   | 7,020    |
|  | -----       | -----    |
| Twelve months or more:                       |             |          |
| Corporate bonds                              | 109,388     | 2,274    |
| Mortgage and asset backed securities         | 69,749      | 938      |
| Municipal bonds                              | 40,678      | 713      |
| Foreign governments and states               | 11,290      | 270      |
|  | -----       | -----    |
| Total  | 231,105     | 4,195    |
|  | -----       | -----    |
| Total of securities with unrealized losses:  |             |          |
| U.S. Government and U.S. Government agencies | 132,689     | 58       |
| Corporate bonds                              | 699,099     | 7,730    |
| Mortgage and asset backed securities         | 274,792     | 1,552    |
| Municipal bonds                              | 137,182     | 1,202    |
| Foreign governments and states               | 29,936      | 379      |
| Redeemable preferred stocks                  | 8,441       | 294      |
|  | -----       | -----    |
| Total  | \$1,282,139 | \$11,215 |
|  | -----       | -----    |

The Company routinely reviews its investments to determine whether unrealized losses represent temporary changes in fair value or are the result of "other-than-temporary impairments." The process of determining whether a security is other than temporarily impaired is subjective and involves analyzing many factors. These factors include but are not limited to the length and magnitude of an unrealized loss, specific credit events, overall financial condition of the issuer, and the Company's ability to hold a security for a sufficient period of time for the value to recover the unrealized loss. The Company's ability to hold a security is based on current and anticipated future positive cash flow from operations that generates sufficient liquidity in order to meet its obligations. If the Company has determined that an unrealized loss on a security is other than temporary, the Company writes down the carrying value of the security and records a realized loss in the statement of income. As of June 30, 2005 management believes that the Company's investment portfolio does not contain any securities that have other-than-temporary impairments.

-8-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

Other invested asset represents an investment in Inter-Ocean, Ltd., a non-public reinsurance company. As a result of the routine evaluation of investments, the Company wrote down the carrying value of the investment in

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

Inter-Ocean, Ltd. and recorded a realized loss of \$769,000. The Company has no ceded or assumed reinsurance business with Inter-Ocean, Ltd.

### (3) EARNINGS PER SHARE

Following is a calculation of the basic and diluted earnings per share for the three and six months ended June 30, 2005 and 2004 (\$ in thousands, except per share data):

|   | Net<br>Income | Weighted<br>Average<br>Shares<br>Outstanding | Earnings<br>Per Share |
|---|---------------|--|-----------------------|
|   | -----         | -----  | -----                 |
| <b>Three Months Ended June 30, 2005:</b>                                |               |  |                       |
| Basic earnings per share  | \$ 67,985     | 43,293                                       | \$1.57                |
| Diluted earnings per share:   |               |  |                       |
| Share options and restricted share units                                | --            | 1,707  |                       |
| Interest expense related to ESU's, net of related<br>income tax benefit | 1,506         | --   |                       |
| Common share conversion of ESU's  |               | 5,009  |                       |
|   | -----         | -----  |                       |
| Diluted earnings per share:   | \$ 69,491     | 50,009                                       | \$1.39                |
|   | -----         | -----  |                       |
| <b>Three Months Ended June 30, 2004:</b>                                |               |  |                       |
| Basic earnings per share  | \$ 49,799     | 43,290                                       | \$1.15                |
| Diluted earnings per share:   |               |  |                       |
| Share options and restricted share units                                | --            | 2,489  |                       |
| Interest expense related to ESU's, net of related<br>income tax benefit | 1,530         | --   |                       |
| Common share conversion of ESU's  | --            | 5,009  |                       |
|   | -----         | -----  |                       |
| Diluted earnings per share:   | \$ 51,329     | 50,788                                       | \$1.01                |
|   | -----         | -----  |                       |
| <b>Six Months Ended June 30, 2005:</b>                                  |               |  |                       |
| Basic earnings per share  | \$141,073     | 43,224                                       | \$3.26                |
| Diluted earnings per share:   |               |  |                       |
| Share options and restricted share units                                | --            | 1,807  |                       |
| Interest expense related to ESU's, net of related<br>income tax benefit | 2,929         | --   |                       |
| Common share conversion of ESU's  | --            | 5,009  |                       |
|   | -----         | -----  |                       |
| Diluted earnings per share:   | \$144,002     | 50,040                                       | \$2.88                |
|   | -----         | -----  |                       |

-9-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

Weighted  
Average

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

|   | Net<br>Income | Shares<br>Outstanding | Earnings<br>Per Share |
|---|---------------|-----------------------|-----------------------|
|   | -----         | -----                 | -----                 |
| Six Months Ended June 30, 2004:   |               |                       |                       |
| Basic earnings per share  | \$104,613     | 43,216                | \$2.42                |
| Diluted earnings per share:   |               |                       |                       |
| Share options and restricted share units                                | --            | 2,616                 |                       |
| Interest expense related to ESU's, net of<br>related income tax benefit | 3,052         | --                    |                       |
| Common share conversion of ESU's  | --            | 5,009                 |                       |
|   | -----         | -----                 |                       |
| Diluted earnings per share:   | \$107,665     | 50,841                | \$2.12                |
|   | -----         | -----                 |                       |

(4) OPERATING SEGMENT INFORMATION

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

In managing the Company's operating segments, management uses measures such as underwriting income and underwriting ratios to evaluate segment performance. Management does not allocate by segment its assets or certain income and expenses such as investment income, interest expense and certain corporate expenses. Segment underwriting income is reconciled to income before income tax expense. The measures used by management in evaluating the Company's operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the operating segments together with a reconciliation of underwriting income to income before income tax expense for the three and six months ended June 30, 2005 and 2004 (\$ in thousands):

-10-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

|                                   | Property<br>and Marine | Casualty | Finite Ris |
|-----------------------------------|------------------------|----------|------------|
|                                   | -----                  | -----    | -----      |
| Three months ended June 30, 2005: |                        |          |            |

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

|  |           |         |         |
|--|-----------|---------|---------|
| Net premiums written   | \$134,953 | 188,890 | 99,116  |
|  | -----     | -----   | -----   |
| Net premiums earned  | 140,669   | 198,723 | 92,078  |
| Losses and LAE   | 58,499    | 127,531 | 54,822  |
| Acquisition expenses   | 29,695    | 47,963  | 26,270  |
| Other underwriting expenses                                  | 8,240     | 8,972   | 1,333   |
|  | -----     | -----   | -----   |
| Segment underwriting income                                  | \$ 44,235 | 14,257  | 9,653   |
|  | -----     | -----   | -----   |
| Corporate expenses not allocated to segments                 |           |         |         |
| Net foreign currency exchange losses                         |           |         |         |
| Interest expense   |           |         |         |
| Other income   |           |         |         |
| Net investment income and net realized losses on investments |           |         |         |
| Income before income tax expense                             |           |         |         |
| Ratios:  |           |         |         |
| Losses and LAE   | 41.6%     | 64.2%   | 59.5%   |
| Acquisition expense  | 21.1%     | 24.1%   | 28.5%   |
| Other underwriting expense                                   | 5.9%      | 4.5%    | 1.4%    |
|  | -----     | -----   | -----   |
| Combined   | 68.6%     | 92.8%   | 89.4%   |
|  | -----     | -----   | -----   |
| Three months ended June 30, 2004:                            |           |         |         |
| Net premiums written   | \$101,841 | 112,761 | 115,925 |
|  | -----     | -----   | -----   |
| Net premiums earned  | 99,928    | 132,230 | 78,709  |
| Losses and LAE   | 40,974    | 93,391  | 55,101  |
| Acquisition expenses   | 14,905    | 31,994  | 15,795  |
| Other underwriting expenses                                  | 7,174     | 5,305   | 2,567   |
|  | -----     | -----   | -----   |
| Segment underwriting income                                  | \$ 36,875 | 1,540   | 5,246   |
|  | -----     | -----   | -----   |
| Corporate expenses not allocated to segments                 |           |         |         |
| Net foreign currency exchange losses                         |           |         |         |
| Interest expense   |           |         |         |
| Other income   |           |         |         |
| Net investment income and net realized losses on investments |           |         |         |
| Income before income tax expense                             |           |         |         |
| Ratios:  |           |         |         |
| Losses and LAE   | 41.0%     | 70.6%   | 70.0%   |
| Acquisition expense  | 14.9%     | 24.2%   | 20.1%   |
| Other underwriting expense                                   | 7.2%      | 4.0%    | 3.3%    |
|  | -----     | -----   | -----   |
| Combined   | 63.1%     | 98.8%   | 93.4%   |
|  | -----     | -----   | -----   |

-11-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

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

|  | Property<br>and Marine | Casualty | Finite Ris |
|--|------------------------|----------|------------|
|  | -----                  | -----    | -----      |
| Six months ended June 30, 2005:                              |                        |          |            |
| Net premiums written   | \$320,002              | 404,559  | 192,197    |
|  | -----                  | -----    | -----      |
| Net premiums earned  | 268,866                | 383,491  | 190,153    |
| Losses and LAE   | 118,539                | 245,969  | 114,042    |
| Acquisition expenses   | 51,684                 | 93,165   | 52,328     |
| Other underwriting expenses                                  | 15,963                 | 16,285   | 2,904      |
|  | -----                  | -----    | -----      |
| Segment underwriting income                                  | \$ 82,680              | 28,072   | 20,879     |
|  | -----                  | -----    | -----      |
| Corporate expenses not allocated to segments                 |                        |          |            |
| Net foreign currency exchange losses                         |                        |          |            |
| Interest expense   |                        |          |            |
| Other income   |                        |          |            |
| Net investment income and net realized losses on investments |                        |          |            |
| Income before income tax expense                             |                        |          |            |
| Ratios:  |                        |          |            |
| Losses and LAE   | 44.1%                  | 64.1%    | 60.0%      |
| Acquisition expense  | 19.2%                  | 24.3%    | 27.5%      |
| Other underwriting expense                                   | 5.9%                   | 4.2%     | 1.5%       |
|  | -----                  | -----    | -----      |
| Combined   | 69.2%                  | 92.6%    | 89.0%      |
|  | -----                  | -----    | -----      |
| Six months ended June 30, 2004:                              |                        |          |            |
| Net premiums written   | \$273,135              | 336,726  | 200,772    |
|  | -----                  | -----    | -----      |
| Net premiums earned  | 217,993                | 268,452  | 145,464    |
| Losses and LAE   | 89,552                 | 188,175  | 73,708     |
| Acquisition expenses   | 36,657                 | 66,830   | 48,128     |
| Other underwriting expenses                                  | 15,324                 | 10,362   | 5,164      |
|  | -----                  | -----    | -----      |
| Segment underwriting income                                  | \$ 76,460              | 3,085    | 18,464     |
|  | -----                  | -----    | -----      |
| Corporate expenses not allocated to segments                 |                        |          |            |
| Net foreign currency exchange losses                         |                        |          |            |
| Interest expense   |                        |          |            |
| Other income   |                        |          |            |
| Net investment income and net realized losses on investments |                        |          |            |
| Income before income tax expense                             |                        |          |            |
| Ratios:  |                        |          |            |
| Losses and LAE   | 41.1%                  | 70.1%    | 50.7%      |
| Acquisition expense  | 16.8%                  | 24.9%    | 33.1%      |
| Other underwriting expense                                   | 7.0%                   | 3.9%     | 3.6%       |
|  | -----                  | -----    | -----      |
| Combined   | 64.9%                  | 98.9%    | 87.4%      |
|  | -----                  | -----    | -----      |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

### (5) INCOME TAXES

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

A reconciliation of expected income tax expense, computed by applying a 35 % income tax rate to income before income taxes, to actual income tax expense for the three and six months ended June 30, 2005 and 2004 is as follows (\$ in thousands):

|  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|--|--------------------------------|----------|------------------------------|-----------|
|  | 2005                           | 2004     | 2005                         | 2004      |
| Expected income tax expense at 35%                                   | \$ 30,735                      | 19,130   | 59,797                       | \$ 43,064 |
| Effect of foreign income subject to tax at rates other than 35%      | (19,635)                       | (14,233) | (38,258)                     | (24,341)  |
| Tax exempt investment income   | (438)                          | (567)    | (964)                        | (961)     |
| U.S. withholding tax on deemed taxable transfer to foreign affiliate | 9,150                          | --       | 9,150                        | --        |
| Other, net   | 16                             | 527      | 50                           | 666       |
| Income tax expense   | \$ 19,828                      | 4,857    | 29,775                       | \$ 18,428 |

The Company incurred approximately \$9,150,000 of income taxes associated with the transfer from Platinum Finance to Platinum Holdings of \$183,350,000 of the proceeds from the sale of the Series A Notes in May 2005. This transaction is deemed to be a taxable distribution under U.S. tax law and subject to U.S. withholding tax.

### (6) CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In November 2002, the Company issued Equity Security Units ("ESUs") consisting of a contract to purchase common shares of the Company in 2005 and an ownership interest in a senior note due 2007 issued by Platinum Finance, a U.S. based intermediate holding company and indirect wholly owned subsidiary of Platinum Holdings. The senior notes are fully and unconditionally guaranteed by Platinum Holdings on a senior unsecured basis and are pledged to collateralize the holders' obligations to acquire common shares in 2005.

The payment of dividends from the Company's regulated reinsurance



## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

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

-13-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

applicable jurisdictions, the maximum amount available for payment of dividends or other distributions by Platinum US to Platinum Finance in 2005 without prior regulatory approval is \$40,312,000. The maximum amount available for payment of dividends or other distributions by the reinsurance subsidiaries of Platinum Holdings in 2005, including Platinum US, without prior regulatory approval is estimated to be \$139,620,000.

The tables below present condensed consolidating financial information for the period ending June 30, 2005 and 2004 respectively, of Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings (\$ in thousands):

CONDENSED CONSOLIDATING BALANCE SHEET  
JUNE 30, 2005

|   | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Consolidating<br>Adjustments |
|---|----------------------|---------------------|-------------------------------|------------------------------|
|   | -----                | -----               | -----                         | -----                        |
| <b>ASSETS</b>   |                      |                     |                               |                              |
| <b>Investments:</b>                                   |                      |                     |                               |                              |
| Fixed maturities available-for-sale,<br>at fair value | \$ --                | 7,088               | 2,642,033                     | --                           |
| Fixed maturity trading securities<br>at fair value    | --                   | --                  | 73,571                        | --                           |
| Other invested asset                                  | --                   | --                  | 6,000                         | --                           |
|   | -----                | -----               | -----                         | -----                        |
| Total investments                                     | --                   | 7,088               | 2,721,604                     | --                           |
| Investment in subsidiaries                            | 1,270,760            | 472,597             | 413,539                       | (2,156,896)                  |
| Cash and cash equivalents                             | 6,137                | 36,179              | 367,223                       | --                           |
| Reinsurance assets                                    | --                   | --                  | 2,193,584                     | (1,183,800)                  |
| Other assets  | 908                  | 4,082               | 146,231                       | (100,000)                    |
|   | -----                | -----               | -----                         | -----                        |
| Total assets  | \$1,277,805          | 519,946             | 5,842,181                     | (3,440,696)                  |
|   | =====                | =====               | =====                         | =====                        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                      |                     |                               |                              |
| <b>Liabilities:</b>                                   |                      |                     |                               |                              |
| Reinsurance liabilities                               | \$ --                | --                  | 3,582,576                     | (1,194,134)                  |
| Debt obligations                                      | --                   | 387,500             | --                            | --                           |
| Other liabilities                                     | 5,079                | 6,981               | 128,172                       | 10,334                       |
|   | -----                | -----               | -----                         | -----                        |
| Total liabilities                                     | 5,079                | 394,481             | 3,710,748                     | (1,183,800)                  |
|   | -----                | -----               | -----                         | -----                        |
| <b>Shareholders' Equity:</b>                          |                      |                     |                               |                              |
| Preferred shares                                      | --                   | --                  | --                            | --                           |
| Common shares   | 434                  | --                  | 1,250                         | (1,250)                      |

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

|  |             |         |           |             |
|--|-------------|---------|-----------|-------------|
| Additional paid-in capital                 | 921,269     | 51,533  | 1,442,034 | (1,493,565) |
| Unearned share based comp                  | (2,246)     | --      | --        | --          |
| Accumulated other comprehensive income     | 10,637      | 176     | 12,512    | (12,688)    |
| Retained earnings                          | 342,632     | 73,756  | 675,637   | (749,393)   |
|  | -----       | -----   | -----     | -----       |
| Total shareholders' equity                 | 1,272,726   | 125,465 | 2,131,433 | (2,256,896) |
|  | -----       | -----   | -----     | -----       |
| Total liabilities and shareholders' equity | \$1,277,805 | 519,946 | 5,842,181 | (3,440,696) |
|  | =====       | =====   | =====     | =====       |

CONDENSED CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2004

|  | Platinum<br>Holdings | Platinum<br>Finance | Non-guaran<br>Subsidiari |
|--|----------------------|---------------------|--------------------------|
|  | -----                | -----               | -----                    |
| ASSETS   |                      |                     |                          |
| Investments:                                       |                      |                     |                          |
| Fixed maturities available-for-sale, at fair value | \$ -                 | 3,740               | 2,153,78                 |
| Fixed maturity trading securities at fair value    | -                    | -                   | 82,67                    |
| Other invested asset                               | -                    | -                   | 6,76                     |
|  | -----                | -----               | -----                    |
| Total investments                                  | -                    | 3,740               | 2,243,23                 |
| Investment in subsidiaries                         | 1,135,434            | 414,105             | 470,77                   |
| Cash and cash equivalents                          | 1,945                | 8,204               | 199,74                   |
| Reinsurance assets                                 | -                    | -                   | 2,009,24                 |
| Other assets                                       | 1,648                | 1,502               | 142,95                   |
|  | -----                | -----               | -----                    |
| Total assets                                       | \$1,139,027          | 427,551             | 5,065,95                 |
|  | =====                | =====               | =====                    |
| LIABILITIES AND SHAREHOLDERS' EQUITY               |                      |                     |                          |
| Liabilities:                                       |                      |                     |                          |
| Reinsurance liabilities                            | \$ -                 | -                   | 3,233,23                 |
| Debt obligations                                   | -                    | 137,500             |                          |
| Other liabilities                                  | 6,024                | 928                 | 1,52                     |
|  | -----                | -----               | -----                    |
| Total liabilities                                  | 6,024                | 138,428             | 3,234,75                 |
|  | -----                | -----               | -----                    |
| Shareholders' Equity:                              |                      |                     |                          |
| Preferred shares                                   | -                    | -                   |                          |
| Common shares                                      | 430                  | -                   | 1,25                     |
| Additional paid-in capital                         | 911,851              | 147,238             | 1,417,03                 |
| Accumulated other comprehensive income             | 12,252               | 3,309               | 17,06                    |
| Retained earnings                                  | 208,470              | 138,576             | 395,84                   |
|  | -----                | -----               | -----                    |
| Total shareholders' equity                         | 1,133,003            | 289,123             | 1,831,19                 |
|  | -----                | -----               | -----                    |
| Total liabilities and shareholders' equity .       | \$1,139,027          | 427,551             | 5,065,95                 |
|  | =====                | =====               | =====                    |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

CONSOLIDATING STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2005

|  | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Co    |
|--|----------------------|---------------------|-------------------------------|------------------------------|-------|
|  | -----                | -----               | -----                         | -----                        | ----- |
| <b>Revenue:</b>  |                      |                     |                               |                              |       |
| Net premiums earned  | \$ --                | --                  | 842,510                       | --                           |       |
| Net investment income  | 72                   | 257                 | 55,480                        | --                           |       |
| Net realized gains on investments                              | --                   | 1                   | (184)                         | --                           |       |
| Other income, net  | --                   | --                  | 97,528                        | (97,296)                     |       |
|  | -----                | -----               | -----                         | -----                        |       |
| Total revenue  | 72                   | 258                 | 995,334                       | (97,296)                     |       |
|  | -----                | -----               | -----                         | -----                        |       |
| <b>Expenses:</b>   |                      |                     |                               |                              |       |
| Losses and loss adjustment expenses                            | --                   | --                  | 478,550                       | --                           |       |
| Acquisition expenses   | --                   | --                  | 200,214                       | (3,037)                      |       |
| Operating expenses   | 7,873                | 308                 | 32,270                        | 3,037                        |       |
| Net foreign currency exchange gains                            | 1                    | --                  | 1,957                         | --                           |       |
| Interest expense   | 53                   | 6,294               | --                            | --                           |       |
|  | -----                | -----               | -----                         | -----                        |       |
| Total expenses   | 7,927                | 6,602               | 712,991                       | --                           |       |
|  | -----                | -----               | -----                         | -----                        |       |
| Income (loss) before income<br>tax expense                     | (7,855)              | (6,344)             | 282,343                       | (97,296)                     |       |
| Income tax expense (benefit)                                   | --                   | (2,221)             | 31,996                        | --                           |       |
|  | -----                | -----               | -----                         | -----                        |       |
| Net income (loss) before equity<br>in earnings of subsidiaries | (7,855)              | (4,123)             | 250,347                       | (97,296)                     |       |
| Equity in earnings of subsidiaries                             | 148,928              | 36,600              | 41,444                        | (226,972)                    |       |
|  | -----                | -----               | -----                         | -----                        |       |
| Net income   | \$141,073            | 32,477              | 291,791                       | (324,268)                    |       |
|  | =====                | =====               | =====                         | =====                        |       |

CONSOLIDATING STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2004

|                                     | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Co    |
|-------------------------------------|----------------------|---------------------|-------------------------------|------------------------------|-------|
|                                     | -----                | -----               | -----                         | -----                        | ----- |
| <b>Revenue:</b>                     |                      |                     |                               |                              |       |
| Net premiums earned                 | \$ --                | --                  | 631,907                       | 2                            |       |
| Net investment income               | 31                   | 79                  | 36,751                        | --                           |       |
| Net realized gains on investments   | --                   | --                  | (827)                         | --                           |       |
| Other income, net                   | 4,500                | --                  | (3,603)                       | 219                          |       |
|                                     | -----                | -----               | -----                         | -----                        |       |
| Total revenue                       | 4,531                | 79                  | 664,228                       | 221                          |       |
|                                     | -----                | -----               | -----                         | -----                        |       |
| <b>Expenses:</b>                    |                      |                     |                               |                              |       |
| Losses and loss adjustment expenses | --                   | --                  | 351,435                       | --                           |       |

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

|   |           |         |         |           |
|---|-----------|---------|---------|-----------|
| Acquisition expenses  | --        | --      | 154,090 | (2,475)   |
| Operating expenses  | 6,949     | 139     | 28,473  | 2,475     |
| Net foreign currency exchange (gain) loss                   | (2)       | --      | 304     | --        |
| Interest expense  | 120       | 4,510   | --      | --        |
| Total expenses  | 7,067     | 4,649   | 534,302 | --        |
| Income (loss) before income tax expense                     | (2,536)   | (4,570) | 129,926 | 221       |
| Income tax expense (benefit)                                | --        | (1,599) | 20,027  | --        |
| Net income (loss) before equity in earnings of subsidiaries | (2,536)   | (2,971) | 109,899 | 221       |
| Equity in earnings of subsidiaries                          | 107,149   | 32,646  | 34,499  | (174,294) |
| Net income  | \$104,613 | 29,675  | 144,398 | (174,073) |

-15-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

CONSOLIDATING STATEMENT OF INCOME  
FOR THE THREE MONTHS ENDED JUNE 30, 2005

|   | Platinum Holdings | Platinum Finance | Non-guarantor Subsidiaries | Consolidated Adjusted |
|---|-------------------|------------------|----------------------------|-----------------------|
| Revenue:  |                   |                  |                            |                       |
| Net premiums earned   | \$ --             | --               | 431,470                    |                       |
| Net investment income                                       | 47                | 180              | 28,677                     |                       |
| Net realized gains on investments                           | --                | --               | (555)                      |                       |
| Other income, net   | --                | --               | 97,884                     | (97,884)              |
| Total revenue   | 47                | 180              | 557,476                    | (97,884)              |
| Expenses:   |                   |                  |                            |                       |
| Losses and loss adjustment expenses                         | --                | --               | 240,852                    |                       |
| Acquisition expenses  | --                | --               | 105,433                    | (1,054,333)           |
| Operating expenses  | 4,633             | 231              | 17,111                     | 1,054,333             |
| Net foreign currency exchange loss                          | 1                 | --               | 159                        |                       |
| Interest expense  | 22                | 4,152            | --                         |                       |
| Total expenses  | 4,656             | 4,383            | 363,555                    |                       |
| Income (loss) before income tax expense                     | (4,609)           | (4,203)          | 193,921                    | (97,884)              |
| Income tax expense (benefit)                                | --                | (1,471)          | 21,299                     |                       |
| Net income (loss) before equity in earnings of subsidiaries | (4,609)           | (2,732)          | 172,622                    | (97,884)              |
| Equity in earnings of subsidiaries                          | 72,594            | 18,647           | 21,555                     | (112,735)             |

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

|            |          |        |         |       |
|------------|----------|--------|---------|-------|
| Net income | \$67,985 | 15,915 | 194,177 | (210, |
|            | =====    | =====  | =====   | ===== |

-16-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

CONSOLIDATING STATEMENT OF INCOME  
FOR THE THREE MONTHS ENDED JUNE 30, 2004

|   | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Consolidati<br>Adjustment |
|---|----------------------|---------------------|-------------------------------|---------------------------|
|   | -----                | -----               | -----                         | -----                     |
| <b>Revenue:</b>   |                      |                     |                               |                           |
| Net premiums earned   | \$ --                | --                  | 310,865                       | 2                         |
| Net investment income                                       | 14                   | 29                  | 19,334                        | --                        |
| Net realized gains on investments                           | --                   | --                  | (1,279)                       | --                        |
| Other income, net   | --                   | --                  | 605                           | --                        |
|   | -----                | -----               | -----                         | -----                     |
| Total revenue   | 14                   | 29                  | 329,525                       | 2                         |
|   | -----                | -----               | -----                         | -----                     |
| <b>Expenses:</b>  |                      |                     |                               |                           |
| Losses and loss adjustment expenses                         | --                   | --                  | 189,466                       | --                        |
| Acquisition expenses  | --                   | --                  | 63,783                        | (1,089)                   |
| Operating expenses  | 4,058                | 60                  | 14,055                        | 1,089                     |
| Net foreign currency loss                                   | --                   | --                  | 1,168                         | --                        |
| Interest expense  | 56                   | 2,268               | --                            | --                        |
|   | -----                | -----               | -----                         | -----                     |
| Total expenses  | 4,114                | 2,328               | 268,472                       | --                        |
|   | -----                | -----               | -----                         | -----                     |
| Income (loss) before income tax expense                     | (4,100)              | (2,299)             | 61,053                        | 2                         |
| Income tax expense (benefit)                                | --                   | (805)               | 5,662                         | --                        |
|   | -----                | -----               | -----                         | -----                     |
| Net income (loss) before equity in earnings of subsidiaries | (4,100)              | (1,494)             | 55,391                        | 2                         |
| Equity in earnings of subsidiaries                          | 53,899               | 7,336               | 9,174                         | (70,409)                  |
|   | -----                | -----               | -----                         | -----                     |
| Net income  | \$49,799             | 5,842               | 64,565                        | (70,407)                  |
|   | =====                | =====               | =====                         | =====                     |

-17-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2005

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

|  | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Con<br>Ad |
|--|----------------------|---------------------|-------------------------------|-----------|
|  | -----                | -----               | -----                         | -----     |
| Net cash provided by (used in) operating activities                      | \$ (5,880)           | (1,157)             | 480,732                       |           |
| Investing Activities:  |                      |                     |                               |           |
| Proceeds from sale of available-for-sale fixed maturities                | --                   | --                  | 207,840                       |           |
| Proceeds from maturity or paydown of available-for-sale fixed maturities | --                   | 221                 | 66,575                        |           |
| Acquisition of available-for-sale fixed maturities                       | --                   | 12                  | (696,384)                     |           |
| Dividends from subsidiaries  | 12,000               | --                  | --                            |           |
| Contributions to subsidiaries  | --                   | (25,000)            | 25,000                        |           |
| Net cash provided by (used in) investing activities                      | 12,000               | (24,767)            | (396,969)                     |           |
| Financing Activities:  |                      |                     |                               |           |
| Dividends paid to shareholders   | (6,911)              | --                  | (12,000)                      |           |
| Proceeds from exercise of share options                                  | 4,984                | --                  | --                            |           |
| Proceeds from issuance of debt   | --                   | 53,900              | 193,000                       |           |
| Net cash provided by (used in) financing activities                      | (1,927)              | 53,900              | 181,000                       |           |
| Net increase (decrease) in cash and cash equivalents                     | 4,193                | 27,976              | 264,763                       |           |
| Cash and cash equivalents at beginning of year                           | 1,945                | 8,204               | 199,751                       |           |
| Cash and cash equivalents at end of year                                 | \$ 6,138             | 36,180              | 464,514                       |           |
|  | =====                | =====               | =====                         |           |

-18-

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2004

|  | Platinum<br>Holdings | Platinum<br>Finance | Non-guarantor<br>Subsidiaries | Con<br>Ad |
|--|----------------------|---------------------|-------------------------------|-----------|
|  | -----                | -----               | -----                         | -----     |
| Net cash provided by (used in) operating activities                      | \$ (449)             | (3,844)             | 441,234                       |           |
| Investing Activities:  |                      |                     |                               |           |
| Proceeds from sale of available-for-sale fixed maturities                | --                   | --                  | 190,589                       |           |
| Proceeds from maturity or paydown of available-for-sale fixed maturities | --                   | 441                 | 43,486                        |           |
| Acquisition of available-for-sale fixed maturities                       | --                   | (2,973)             | (599,842)                     |           |
| Net cash (used in) investing activities                                  | --                   | (2,532)             | (365,767)                     |           |
|  | -----                | -----               | -----                         |           |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

### Financing Activities:

|  |          |         |         |
|--|----------|---------|---------|
| Dividends paid to shareholders                       | (6,925)  | --      | --      |
| Proceeds from exercise of share options              | 5,049    | --      | --      |
|  | -----    | -----   | -----   |
| Net cash (used in) financing activities              | (1,876)  | --      | --      |
|  | -----    | -----   | -----   |
| Net increase (decrease) in cash and cash equivalents | (2,325)  | (6,376) | 75,467  |
| Cash and cash equivalents at beginning of year       | 3,414    | 9,917   | 92,130  |
|  | -----    | -----   | -----   |
| Cash and cash equivalents at end of year             | \$ 1,089 | 3,541   | 167,597 |
|  | =====    | =====   | =====   |

### (7) SERIES A NOTES

In May 2005, Platinum Finance issued \$250,000,000 aggregate principal amount of Series A Notes due June 1, 2017, unconditionally guaranteed by Platinum Holdings. The Series A Notes were issued in a transaction exempt from the registration requirements under the Securities Act of 1933, as amended. The proceeds of the Series A Notes were used primarily to increase the capital of Platinum Bermuda and Platinum US. Interest at a per annum rate of 7.5% is payable on the Series A Notes on each June 1 and December 1 commencing on December 1, 2005. Platinum Finance may redeem the Series A Notes, at its option, at any time in whole, or from time to time in part, prior to maturity. The redemption price will be equal to the greater of: (i) 100 percent of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest, discounted to the redemption date on a semiannual basis at a comparable treasury rate plus 50 basis points, plus in each case, interest accrued but not paid to the date of redemption.

Pursuant to the registration rights agreement executed in connection with the offering of the Series A Notes, Platinum Holdings and Platinum Finance have filed with the SEC a registration statement on Form S-4 to enable holders to exchange the Series A Notes for publicly registered notes. Platinum Holdings and Platinum Finance have agreed to: (i) use reasonable best efforts to cause the registration statement to become or be declared effective within 180 days after the issue date of the Series A Notes; (ii) use reasonable best efforts to commence and complete the exchange offer within 45 days after the effective date of the registration statement and keep the exchange offer open for a period of not less than 30 days after notice is mailed to holders; and (iii) file a shelf registration statement for the resale of the

-19-

### PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued  
For the Three and Six Months Ended June 30, 2005 and 2004

Series A Notes if, under the circumstances specified in the registration rights agreement, Platinum Holdings and Platinum Finance are unable to effect the exchange offer. If Platinum Holdings and Platinum Finance do not comply with certain obligations under the registration rights agreement, additional interest shall accrue at a per annum rate of 0.25% of the aggregate principal amount of the outstanding Series A Notes during the first 90-day period following the occurrence of such registration default and at a per annum rate of 0.50% thereafter for any remaining period during which a registration default continues.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

### (8) REGULATORY EXAMINATION

In connection with its examination of the statutory financial statements of Platinum US as of December 31, 2003, the Maryland Insurance Administration (the "Administration") reached a different conclusion from that of the Company regarding the accounting for one health reinsurance contract written by Platinum US, which was effective from January 1 to December 31, 2003. Platinum US accounted for this contract as reinsurance under statutory accounting principles and U.S. GAAP. While the examination report has not been issued, the Administration has advised Platinum US that due to the immaterial effect, no changes or adjustments would be required with respect to its previously filed statutory financial statements nor would the financial statements in the examination report be adjusted for the accounting for this contract.

-20-

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

#### BUSINESS OVERVIEW

Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") is a Bermuda holding company organized in 2002. Platinum Holdings and its subsidiaries (collectively, the "Company") operate through three licensed reinsurance subsidiaries: Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), Platinum Underwriters Reinsurance, Inc. ("Platinum US"), Platinum Re (UK) Limited ("Platinum UK"). The Company provides property and marine, casualty and finite risk reinsurance coverages, through reinsurance intermediaries, to a diverse clientele of insurers and select reinsurers on a worldwide basis.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. 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 ("the Initial Public Offering"). Concurrent with the Initial Public Offering, Platinum Holdings sold 6,000,000 common shares to The St. Paul Travelers Companies, Inc., formerly The St. Paul Companies, Inc. ("St. Paul"), and 3,960,000 common shares to RenaissanceRe Holdings Ltd. ("RenaissanceRe") in private placements. St. Paul sold its 6,000,000 common shares in June 2004. As part of the Initial Public Offering, St. Paul and RenaissanceRe received options to purchase up to 6,000,000 and 2,500,000 of additional common shares, respectively, at any time during the ten years following the Initial Public Offering at a price of \$27.00 per share. Both St. Paul and RenaissanceRe have amended their options to provide that in lieu of paying \$27.00 per share, any option exercise will be settled on a net share basis, which will result in Platinum Holdings issuing a number of common shares equal to the excess of the market price per share, determined in accordance with the amendments, over \$27.00 less the par value per share multiplied by the number of common shares issuable upon exercise of the option divided by that market price per share. Also, concurrent with the transactions in November 2002, 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



## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

adjustment expenses ("LAE"), unearned premiums and certain other liabilities on reinsurance contracts becoming effective in 2002 (the "Quota Share Retrocession Agreements"). In addition to these transactions the Company issued Equity Security Units ("ESU's"), consisting of a contract to purchase common shares of the Company in 2005 and an ownership interest in a senior note due 2007 issued by Platinum Underwriters Finance, Inc. ("Platinum Finance"), a U.S. based intermediate holding company subsidiary of Platinum Holdings. In May 2005, Platinum Finance issued \$250,000,000 aggregate principal amount of Series A 7.5% Notes due June 1, 2017 (the "Series A Notes") unconditionally guaranteed by Platinum Holdings. The proceeds of the Series A Notes were used primarily to increase the capital of Platinum Bermuda and Platinum US.

The Company writes property and casualty reinsurance. Property reinsurance protects a ceding company against financial loss arising out of damage to property or loss of its use caused by an insured peril. Examples of property reinsurance are property catastrophe and property per-risk coverages. Property catastrophe reinsurance protects a ceding company against losses arising out of multiple claims

-21-

for a single event while property per-risk reinsurance protects a ceding company against loss arising out of a single claim for a single event. Casualty reinsurance protects a ceding company against financial loss arising out of the obligation to others for loss or damage to persons or property. Examples of casualty reinsurance are reinsurance treaties that cover umbrella liability, general and product liability, professional liability, directors and officers liability, workers' compensation, casualty clash, automobile liability, surety and trade credit. Casualty reinsurance also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products.

The property and casualty reinsurance industry is highly competitive. The Company competes with reinsurers worldwide, many of which have greater financial, marketing and management resources. The Company's competitors can vary by type of business. Large multi-national and multi-line reinsurers represent some of the Company's competitors in all lines and classes, while other specialty reinsurance companies in the United States compete in selective lines. Financial institutions have also created alternative capital market products that compete with reinsurance products, such as reinsurance securitization. Bermuda-based reinsurers tend to be the significant competitors on property catastrophe business. Lloyd's of London syndicates are significant competitors on marine business. For casualty and other international classes of business, the large U.S. and European reinsurers are significant competitors.

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

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

### RESULTS OF OPERATIONS

Three Months Ended June 30, 2005 as Compared with the Three Months Ended June 30, 2004

Net income for the three months ended June 30, 2005 and 2004 was as follows (\$ in thousands):

|            | 2005     | 2004   | Increase |
|------------|----------|--------|----------|
|            | -----    | -----  | -----    |
| Net income | \$67,985 | 49,799 | \$18,186 |

The increase in net income in 2005 as compared with 2004 is attributable to an increase in underwriting income of \$24,484,000 and an increase in investment income of \$9,527,000, partially offset by an increase in operating expenses of \$4,218,000 and an increase in income tax expense of \$14,971,000. Underwriting income includes net favorable development of \$15,157,000 and \$9,210,000 in 2005 and 2004, respectively. Net favorable development includes the development of prior years unpaid losses and LAE and the related impact on premiums and profit commissions.

Net premiums written and net premiums earned for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

-22-

|                      | 2005      | 2004    | Increase  |
|----------------------|-----------|---------|-----------|
|                      | -----     | -----   | -----     |
| Net premiums written | \$422,959 | 330,527 | \$ 92,432 |
| Net premiums earned  | \$431,470 | 310,867 | \$120,603 |

The increase in net premiums written in 2005 is attributable to growth in both the Property and Marine and Casualty segments, partially offset by a decline in the Finite segment. The increase in net premium earned is related to the growth in current and prior periods' net premiums written in the Property and Marine and Casualty segments and is also affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the three months ended June 30, 2005 and 2004 was \$28,904,000 and \$19,377,000, respectively. Net investment income increased in 2005 primarily due to increased invested assets. The increase in invested assets is attributable to positive cash flow from operations in 2005 and 2004 and the proceeds from the Series A Notes. Net investment income includes interest earned on funds held of \$3,183,000 and \$178,000 in 2005 and 2004, respectively. Net realized losses on investments were \$555,000 and \$1,279,000 for the three months ended June 30, 2005 and 2004, respectively. Net realized losses on investments in 2005 include a provision of \$769,000 for the permanent impairment of an investment in Inter-Ocean, Ltd., a non-public reinsurance company, included in other invested asset. Exclusive of this provision, net realized gains and losses on investments were the result of the Company's efforts to manage the credit

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

quality and duration of the investment portfolio.

Other income for the three months ended June 30, 2005 and 2004 was \$588,000 and \$605,000, respectively. Other income is comprised primarily of changes in fair value of fixed maturities classified as trading, net earnings or expense on several reinsurance contracts in the Finite Risk segment that are accounted for as deposits and interest expense or other charges related to funds withheld. Other income for the three months ended June 30, 2005 includes \$865,000 of net unrealized gains relating to fixed maturities classified as trading, \$225,000 of net income on reinsurance contracts accounted for as deposits and \$502,000 of interest expense related to funds withheld. Other income for the three months ended June 30, 2004 includes \$727,000 of net unrealized losses relating to fixed maturities classified as trading, \$162,000 of net income on reinsurance contracts accounted for as deposits and a gain of \$1,000,000 on the sale of assets.

Net foreign currency exchange losses for the three months ended June 30, 2005 and 2004 were \$160,000 and \$1,168,000, respectively. The Company routinely does business in various foreign currencies. Foreign currency exchange gains and losses result from the re-valuation into U.S. dollars of assets and liabilities denominated in foreign currencies. The Company periodically monitors its largest foreign currency exposures and purchases or sells foreign currency denominated invested assets to match these exposures. Net foreign currency exchange gains and losses arise as a result of fluctuations in the amounts of assets and liabilities denominated in foreign currencies as well as fluctuations in the currency exchange rates.

Losses and LAE and the resulting loss ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                       | 2005      | 2004    | Increase<br>(decrease) |
|-----------------------|-----------|---------|------------------------|
|                       | -----     | -----   | -----                  |
| Losses and LAE        | \$240,852 | 189,466 | \$ 51,386              |
| Losses and LAE ratios | 55.8%     | 60.9%   | (5.1) points           |

The increase in losses and LAE in 2005 as compared with 2004 is due primarily to the increased net premiums earned. The loss and LAE ratio decreased in 2005 as compared with 2004 due primarily to

-23-

more favorable loss development in 2005 than in 2004 in all segments. Losses and LAE included net favorable loss development of approximately \$17,256,000 representing 4.0% of net premiums earned in 2005 and approximately \$3,029,000 representing 1.0% of net premiums earned in 2004.

Acquisition expenses and resulting acquisition expense ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|  | 2005  | 2004  | Increase |
|--|-------|-------|----------|
|  | ----- | ----- | -----    |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

|                            |           |        |            |
|----------------------------|-----------|--------|------------|
| Acquisition expenses       | \$103,928 | 62,694 | \$ 41,234  |
| Acquisition expense ratios | 24.1%     | 20.2%  | 3.9 points |

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2005 as compared with 2004 as well as shifts in the mix of business. As a result of loss experience from prior years, profit commissions were increased in 2005, primarily in the Property and Marine segment, and decreased in 2004, primarily in the Finite Risk segment. Profit commission increases in 2005 related to prior years were approximately \$3,293,000, representing 0.8% of net premiums earned and profit commission reductions in 2004 related to prior years were approximately \$6,181,000, representing 2.0% of net premiums earned. Exclusive of profit commissions, the increase in the acquisition expense ratio in 2005 as compared with 2004 is primarily due to shifts in the mixes of business in the Property and Marine segment toward proportional business and in the Finite Risk segment toward proportional casualty business that generally has higher acquisition costs.

Operating expenses for the three months ended June 30, 2005 and 2004 were \$23,480,000 and \$19,262,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses in 2005 increased as compared with 2004 primarily due to increased salaries and benefits, increased regulatory compliance costs and an increase in incentive-based compensation in 2005 as compared with 2004 due to increased net income. Regulatory compliance costs were higher in 2005 than in 2004 as the majority of such costs in 2004 were incurred in the third and fourth quarters of 2004.

Interest expense for the three months ended June 30, 2005 and 2004 was \$4,174,000 and \$2,324,000, respectively and includes interest on the ESU's as well as the Series A Notes. The increase in 2005 as compared with 2004 is due to interest on the Series A Notes issued in May 2005.

Income tax expense and the effective income tax rate for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005     | 2004  | Increase    |
|----------------------------|----------|-------|-------------|
|                            | -----    | ----- | -----       |
| Income tax expense         | \$19,828 | 4,857 | \$ 14,971   |
| Effective income tax rates | 22.6%    | 8.9%  | 13.7 points |

The increase in income tax expense in 2005 as compared with 2004 is due, in part, to the increase in income before income tax expense. An increasing percentage of the Company's income before income taxes is generated by Platinum Bermuda, which is not subject to corporate income tax. However, the Company incurred approximately \$9,150,000 of income taxes associated with the transfer from Platinum Finance to Platinum Holdings of \$183,350,000 of the proceeds from the sale of the Series A Notes. This transaction is deemed to be a taxable distribution under U.S. tax law and subject to U.S. withholding tax. The effective tax rate in 2004 was favorably affected by a reduction in the estimated annual effective tax rate.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

2004

Net income for the six months ended June 30, 2005 and 2004 was as follows (\$ in thousands):

|            | 2005      | 2004    | Increase |
|------------|-----------|---------|----------|
|            | -----     | -----   | -----    |
| Net income | \$141,073 | 104,613 | \$36,460 |

The 34.9% increase in net income in 2005 as compared with 2004 is principally attributable to the increase in underwriting income of \$33,622,000 and an increase in investment income of \$18,948,000, offset by an increase in operating expenses of \$5,452,000 and income tax expense of \$11,347,000. Underwriting income in 2005 as compared with 2004 was impacted by more favorable net development in 2005. Net favorable development was \$35,633,000 and \$23,547,000 in 2005 and 2004, respectively. Net favorable development includes the development of prior years unpaid losses and LAE and the related impact on premiums and profit commissions.

Net premiums written and net premiums earned for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005      | 2004    | Increase  |
|----------------------|-----------|---------|-----------|
|                      | -----     | -----   | -----     |
| Net premiums written | \$916,758 | 810,633 | \$106,125 |
| Net premiums earned  | \$842,510 | 631,909 | \$210,601 |

The increase in net premiums written in 2005 as compared with 2004 is primarily attributable to growth in the Property and Marine and Casualty segments. The increase in net premiums earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the six months ended June 30, 2005 and 2004 was \$55,809,000 and \$36,861,000, respectively. Net investment income increased during 2005 primarily due to increased invested assets. The increase in invested assets is attributable to positive cash flow from operations in 2005 and 2004 and the proceeds from the Series A Notes. Net cash flow from operations, excluding trading securities activities, was \$372,073,000 for the six months ended June 30, 2005 and \$698,223,000 for the year ended December 31, 2004, respectively. Net investment income includes interest earned on funds held of \$5,494,000 and \$220,000 in 2005 and 2004, respectively. Net realized losses on investments were \$183,000 and \$827,000 for the six months ended June 30, 2005 and 2004, respectively. Net realized losses on investments in 2005 also include a provision of \$769,000 for the permanent impairment of an investment in Inter-Ocean, Ltd. included in other invested asset. Exclusive of this provision, net realized gains and losses on investments were the result of the Company's efforts to manage the quality, diversity, currency exposure, duration and tax profile of the investment portfolio.

Other income for the six months ended June 30, 2005 and 2004 was \$232,000 and \$1,116,000, respectively. Other income is comprised primarily of changes in fair value of fixed maturities classified as trading, net earnings on several reinsurance contracts in the Finite Risk segment that are accounted for as

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

deposits and interest expense or other charges related to funds withheld. Other income for the six months ended June 30, 2005 includes \$531,000 of net unrealized gains relating to changes in fair value of fixed maturities classified as trading, \$203,000 of earnings on reinsurance contracts accounted for as deposits and \$502,000 of interest expense related to funds withheld. Other income for the six months ended June 30, 2004 includes \$409,000 of net unrealized losses relating to fixed maturities classified as trading, \$259,000 of earnings on reinsurance contracts accounted for as deposits and a gain of \$1,000,000 on the sale of assets.

-25-

Net foreign currency exchange losses for the six months ended June 30, 2005 and 2004 were \$1,958,000 and \$302,000, respectively. Net foreign currency exchange gains and losses arise as a result of fluctuations in the amounts of assets and liabilities denominated in foreign currencies as well as fluctuations in the currency exchange rates.

Losses and LAE and the resulting loss ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                     | 2005<br>----- | 2004<br>----- | Increase<br>----- |
|---------------------|---------------|---------------|-------------------|
| Losses and LAE      | \$478,550     | 351,435       | \$ 127,115        |
| Loss and LAE ratios | 56.8%         | 55.6%         | 1.2 points        |

The increase in losses and LAE in 2005 as compared with 2004 is due to the increased net premiums earned. Losses and LAE included net favorable loss development of approximately \$33,119,000 representing 3.9% of net premiums earned in 2005 and approximately \$28,239,000 representing 4.5% of net premiums earned in 2004. The loss and LAE ratio increased in 2005 as compared with 2004 due to less favorable loss development in 2005 as well as a shift in the mix of business in the Finite Risk segment from finite property to finite casualty contracts that generally have higher loss ratios.

Acquisition expenses and resulting acquisition expense ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005<br>----- | 2004<br>----- | Increase<br>(decrease)<br>----- |
|----------------------------|---------------|---------------|---------------------------------|
| Acquisition expenses       | \$197,177     | 151,615       | \$ 45,562                       |
| Acquisition expense ratios | 23.4%         | 24.0%         | (0.6) points                    |

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2005 as compared with 2004. While the ratios in 2005 and 2004 are comparable, the ratios are affected by profit commissions, including approximately \$215,000 in 2005 and \$4,692,000 in 2004 relating to favorable loss development from prior years primarily in the Finite Risk segment.

Operating expenses for the six months ended June 30, 2005 and 2004 were

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

\$43,488,000 and \$38,036,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses in 2005 increased as compared with 2004 primarily due to increased salaries and benefits, increased regulatory compliance costs and an increase in incentive-based compensation in 2005 as compared with 2004 due to increased net income. Regulatory compliance costs were higher in 2005 than in 2004 as the majority of such costs in 2004 were incurred in the third and fourth quarters of 2004.

Interest expense for the six months ended June 30, 2005 and 2004 was \$6,347,000 and \$4,630,000, respectively and includes interest on the ESU's as well as the Series A Notes. The increase in 2005 as compared with 2004 is due to interest on the Series A Notes issued in May 2005.

Income tax expense and the effective income tax rate for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005     | 2004   | Increase   |
|----------------------------|----------|--------|------------|
|                            | -----    | -----  | -----      |
| Income tax expense         | \$29,775 | 18,428 | \$ 11,347  |
| Effective income tax rates | 17.4%    | 15.0%  | 2.4 points |

-26-

The increase in income tax expense in 2005 as compared with 2004 is due, in part, to the increase in income before income tax expense. An increasing percentage of the Company's income before income taxes is generated by Platinum Bermuda, which is not subject to corporate income tax. However, the Company incurred approximately \$9,150,000 of income taxes associated with the transfer from Platinum Finance to Platinum Holdings of \$183,350,000 of the proceeds from the Series A Notes. This transaction is deemed to be a taxable distribution under U.S. tax law and subject to U.S. withholding tax.

### SEGMENT INFORMATION

The Company conducts its worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. In managing the Company's operating segments, management uses measures such as underwriting income and underwriting ratios to evaluate segment performance. Management does not allocate by segment its assets or certain income and expenses such as investment income, interest expense and certain corporate expenses. Segment underwriting income is reconciled to income before income tax expense. The measures used by management in evaluating the Company's operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the three operating segments for the three and six months ended June 30, 2005 and 2004 (\$ in thousands):

|  | Property<br>and Marine | Casualty | Finite Risk | Total |
|--|------------------------|----------|-------------|-------|
|  | -----                  | -----    | -----       | ----- |

Three months ended June 30, 2005:

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

|  |           |         |        |           |
|--|-----------|---------|--------|-----------|
| Net premiums written   | \$134,953 | 188,890 | 99,116 | \$422,959 |
| Net premiums earned  | 140,669   | 198,723 | 92,078 | 431,470   |
| Losses and LAE   | 58,499    | 127,531 | 54,822 | 240,852   |
| Acquisition expenses   | 29,695    | 47,963  | 26,270 | 103,928   |
| Other underwriting expenses                                  | 8,240     | 8,972   | 1,333  | 18,545    |
| Segment underwriting income                                  | \$ 44,235 | 14,257  | 9,653  | \$ 68,145 |
| Corporate expenses not allocated to segments                 |           |         |        | (4,935)   |
| Net foreign currency exchange losses                         |           |         |        | (160)     |
| Interest expense   |           |         |        | (4,174)   |
| Other income   |           |         |        | 588       |
| Net investment income and net realized losses on investments |           |         |        | 28,349    |
| Income before income tax expense                             |           |         |        | \$ 87,813 |
| Ratios:  |           |         |        |           |
| Losses and LAE   | 41.6%     | 64.2%   | 59.5%  | 55.8%     |
| Acquisition expense  | 21.1%     | 24.1%   | 28.5%  | 24.1%     |
| Other underwriting expense                                   | 5.9%      | 4.5%    | 1.4%   | 4.3%      |
| Combined   | 68.6%     | 92.8%   | 89.4%  | 84.2%     |

-27-

|  | Property and Marine | Casualty | Finite Risk | Total     |
|--|---------------------|----------|-------------|-----------|
| Three months ended June 30, 2004:                            |                     |          |             |           |
| Net premiums written   | \$101,841           | 112,761  | 115,925     | \$330,527 |
| Net premiums earned  | 99,928              | 132,230  | 78,709      | 310,867   |
| Losses and LAE   | 40,974              | 93,391   | 55,101      | 189,466   |
| Acquisition expenses   | 14,905              | 31,994   | 15,795      | 62,694    |
| Other underwriting expenses                                  | 7,174               | 5,305    | 2,567       | 15,046    |
| Segment underwriting income                                  | \$ 36,875           | 1,540    | 5,246       | \$ 43,661 |
| Corporate expenses not allocated to segments                 |                     |          |             | (4,216)   |
| Net foreign currency exchange losses                         |                     |          |             | (1,168)   |
| Interest expense   |                     |          |             | (2,324)   |
| Other income   |                     |          |             | 605       |
| Net investment income and net realized losses on investments |                     |          |             | 18,098    |
| Income before income tax expense                             |                     |          |             | \$ 54,656 |
| Ratios:  |                     |          |             |           |
| Losses and LAE   | 41.0%               | 70.6%    | 70.0%       | 60.9%     |
| Acquisition expense  | 14.9%               | 24.2%    | 20.1%       | 20.2%     |
| Other underwriting expense                                   | 7.2%                | 4.0%     | 3.3%        | 4.8%      |



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

| Combined   | 63.1%     | 98.8%   | 93.4%   | 85.9%     |
|--|-----------|---------|---------|-----------|
|  | -----     | -----   | -----   | -----     |
| Six months ended June 30, 2005:                              |           |         |         |           |
| Net premiums written   | \$320,002 | 404,559 | 192,197 | \$916,758 |
|  | -----     | -----   | -----   | -----     |
| Net premiums earned  | 268,866   | 383,491 | 190,153 | 842,510   |
| Losses and LAE   | 118,539   | 245,969 | 114,042 | 478,550   |
| Acquisition expenses   | 51,684    | 93,165  | 52,328  | 197,177   |
| Other underwriting expenses                                  | 15,963    | 16,285  | 2,904   | 35,152    |
|  | -----     | -----   | -----   | -----     |
| Segment underwriting income                                  | \$ 82,680 | 28,072  | 20,879  | \$131,631 |
|  | -----     | -----   | -----   | -----     |
| Corporate expenses not allocated to segments                 |           |         |         | (8,336)   |
| Net foreign currency exchange losses                         |           |         |         | (1,958)   |
| Interest expense   |           |         |         | (6,347)   |
| Other income   |           |         |         | 232       |
| Net investment income and net realized losses on investments |           |         |         | 55,626    |
|  |           |         |         | -----     |
| Income before income tax expense                             |           |         |         | \$170,848 |
|  |           |         |         | -----     |
| Ratios:  |           |         |         |           |
| Losses and LAE   | 44.1%     | 64.1%   | 60.0%   | 56.8%     |
| Acquisition expense  | 19.2%     | 24.3%   | 27.5%   | 23.4%     |
| Other underwriting expense                                   | 5.9%      | 4.2%    | 1.5%    | 4.2%      |
|  | -----     | -----   | -----   | -----     |
| Combined   | 69.2%     | 92.6%   | 89.0%   | 84.4%     |
|  | -----     | -----   | -----   | -----     |

-28-

|  | Property and Marine | Casualty | Finite Risk | Total     |
|--|---------------------|----------|-------------|-----------|
|  | -----               | -----    | -----       | -----     |
| Six months ended June 30, 2004:                              |                     |          |             |           |
| Net premiums written   | \$273,135           | 336,726  | 200,772     | \$810,633 |
|  | -----               | -----    | -----       | -----     |
| Net premiums earned  | 217,993             | 268,452  | 145,464     | 631,909   |
| Losses and LAE   | 89,552              | 188,175  | 73,708      | 351,435   |
| Acquisition expenses   | 36,657              | 66,830   | 48,128      | 151,615   |
| Other underwriting expenses                                  | 15,324              | 10,362   | 5,164       | 30,850    |
|  | -----               | -----    | -----       | -----     |
| Segment underwriting income                                  | \$ 76,460           | 3,085    | 18,464      | \$ 98,009 |
|  | -----               | -----    | -----       | -----     |
| Corporate expenses not allocated to segments                 |                     |          |             | (7,186)   |
| Net foreign currency exchange losses                         |                     |          |             | (302)     |
| Interest expense   |                     |          |             | (4,630)   |
| Other income   |                     |          |             | 1,116     |
| Net investment income and net realized losses on investments |                     |          |             | 36,034    |
|  |                     |          |             | -----     |
| Income before income tax expense                             |                     |          |             | \$123,041 |
|  |                     |          |             | -----     |
| Ratios:  |                     |          |             |           |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

|                            |       |       |       |  |       |
|----------------------------|-------|-------|-------|--|-------|
| Losses and LAE             | 41.1% | 70.1% | 50.7% |  | 55.6% |
| Acquisition expense        | 16.8% | 24.9% | 33.1% |  | 24.0% |
| Other underwriting expense | 7.0%  | 3.9%  | 3.6%  |  | 4.9%  |
|                            | ----- | ----- | ----- |  | ----- |
| Combined                   | 64.9% | 98.9% | 87.4% |  | 84.5% |
|                            | ----- | ----- | ----- |  | ----- |

### PROPERTY AND MARINE

The Property and Marine operating segment includes principally property and marine reinsurance coverages that are written in the United States and international markets. This business includes property per-risk excess-of-loss treaties, property proportional treaties and catastrophe excess-of-loss reinsurance treaties. This operating segment generated 31.9% and 30.8% of the Company's net premiums written for the three months ended June 30, 2005 and 2004, respectively, and 34.9% and 33.7% of the Company's net premiums written for the six months ended June 30, 2005 and 2004, respectively.

Three Months Ended June 30, 2005 as Compared with the Three Months Ended June 30, 2004

Net premiums written and net premiums earned for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005      | 2004    | Increase |
|----------------------|-----------|---------|----------|
|                      | -----     | -----   | -----    |
| Net premiums written | \$134,953 | 101,841 | \$33,112 |
| Net premiums earned  | \$140,669 | 99,928  | \$40,741 |

Net premiums written and earned increased in 2005 as compared with 2004 across most property classes. The most significant increase was in the property pro-rata class where the Company increased its net premiums written in catastrophe exposed business in Florida. The increases in the property classes were partially offset by a decrease in the marine class, primarily attributable to one significant contract that was not renewed.

Losses and LAE and the resulting loss ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

-29-

|                     | 2005     | 2004   | Increase   |
|---------------------|----------|--------|------------|
|                     | -----    | -----  | -----      |
| Losses and LAE      | \$58,499 | 40,974 | \$ 17,525  |
| Loss and LAE ratios | 41.6%    | 41.0%  | 0.6 points |

The increase in losses and LAE and the related loss and LAE ratio in 2005 as compared with 2004 is due to the increase in net premiums earned as well as the effects of net favorable loss development. Losses and LAE included net favorable loss development of approximately \$5,237,000 representing 3.7% of net

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

premiums earned in 2005 and approximately \$9,056,000 representing 9.1% of net premiums earned in 2004.

Acquisition expenses and resulting acquisition expense ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005     | 2004   | Increase   |
|----------------------------|----------|--------|------------|
|                            | -----    | -----  | -----      |
| Acquisition expenses       | \$29,695 | 14,905 | \$ 14,790  |
| Acquisition expense ratios | 21.1%    | 14.9%  | 6.2 points |

The increase in acquisition expenses in 2005 as compared with 2004 is due to the growth in business, a shift in the mix of business and increased profit commissions. The increase in the acquisition expense ratio is primarily due to profit commissions as a result of favorable loss experience as well as an increase in pro-rata business that generally has higher commission ratios. Profit commission increases in 2005 related to prior years were approximately \$2,441,000, representing 1.7% of net premiums earned as compared with no prior year profit commission adjustments in 2004.

Other underwriting expenses for the three months ended June 30, 2005 and 2004 were \$8,240,000 and \$7,174,000, respectively. Other underwriting expenses include costs such as salaries, rent and like items related to property and marine underwriting operations. Other underwriting expenses for the three months ended June 30, 2005 and 2004 include fees of \$774,000 and \$1,242,000, respectively, relating to the Services and Capacity Reservation Agreement dated November 1, 2002 with RenaissanceRe (the "RenRe Agreement") that provides for a periodic review of aggregate property catastrophe exposures by RenaissanceRe. The decline in the fee in 2005 as compared with 2004 is due to a decline in net premiums written in the catastrophe classes of business subject to the fee.

Six Months Ended June 30, 2005 as Compared with the Six Months Ended June 30, 2004

Net premiums written and net premiums earned for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005      | 2004    | Increase |
|----------------------|-----------|---------|----------|
|                      | -----     | -----   | -----    |
| Net premiums written | \$320,002 | 273,135 | \$46,867 |
| Net premiums earned  | \$268,866 | 217,993 | \$50,873 |

Net premiums written and earned increased in 2005 as compared with 2004 across most property classes. The most significant increase was in the property pro-rata class where the Company increased its net premiums written in catastrophe exposed business in Florida. The increases in the property classes were partially offset by a decrease in the marine class, primarily attributable to one significant contract that was not renewed.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

Losses and LAE and the resulting loss ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                     | 2005<br>----- | 2004<br>----- | Increase<br>----- |
|---------------------|---------------|---------------|-------------------|
| Losses and LAE      | \$118,539     | 89,552        | \$ 28,987         |
| Loss and LAE ratios | 44.1%         | 41.1%         | 3.0 points        |

The increase in losses and LAE in 2005 as compared with 2004 is due primarily to the increase in net premiums earned. The increase in the loss and LAE ratio is due primarily to the effects of net favorable loss development. Losses and LAE included net favorable loss development of approximately \$9,086,000 representing 3.4% of net premiums earned in 2005 and approximately \$23,211,000 representing 10.6% of net premiums earned in 2004.

Acquisition expenses and resulting acquisition expense ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005<br>----- | 2004<br>----- | Increase<br>----- |
|----------------------------|---------------|---------------|-------------------|
| Acquisition expenses       | \$51,684      | 36,657        | \$ 15,027         |
| Acquisition expense ratios | 19.2%         | 16.8%         | 2.4 points        |

The increase in acquisition expenses in 2005 as compared with 2004 is due to the growth in business in the segment, a shift in the mix of business and increased profit commissions. The acquisition expense ratio increased due to profit commissions in the marine class and an increase in property pro-rata business that generally has higher commission ratios. Profit commission increases in 2005 related to prior years were approximately \$2,441,000, representing 0.9% of net premiums earned as compared with no prior year profit commission adjustments in 2004.

Other underwriting expenses for the six months ended June 30, 2005 and 2004 were \$15,963,000 and \$15,324,000, respectively. The increase in other underwriting expenses is due to increased salaries and benefits, increased regulatory compliance costs and an increase in incentive-based compensation in 2005 as compared with 2004 due to increased net income. Other underwriting expenses for the six months ended June 30, 2005 and 2004 include fees of \$3,561,000 and \$3,648,000, respectively, relating to the RenRe Agreement. The decline in the fee in 2005 as compared with 2004 is due to a decline in net premiums written in the catastrophe classes of business subject to the fee.

### CASUALTY

The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general and product liability, professional liability, directors and officers liability, workers' compensation, casualty clash, automobile liability, surety and trade credit. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. This operating segment generated 44.7% and 34.1% of the Company's net premiums written for the three months ended June 30, 2005 and 2004, respectively, and 44.1% and 41.5% of the Company's net premiums written for the six months ended June 30, 2005 and 2004, respectively.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

Three Months Ended June 30, 2005 as Compared with the Three Months Ended June 30, 2004

Net premiums written and net premiums earned for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

-31-

|                      | 2005      | 2004    | Increase |
|----------------------|-----------|---------|----------|
|                      | -----     | -----   | -----    |
| Net premiums written | \$188,890 | 112,761 | \$76,129 |
| Net premiums earned  | \$198,723 | 132,230 | \$66,493 |

During the three months ended June 30, 2004, based on audits and information received from ceding companies, the Company revised its estimates of Casualty premiums and, consequently, the Company reduced its net premiums written previously estimated and accrued. The effect of this change in estimate was a reduction in net premiums written of approximately \$27,000,000 and a reduction in net premiums earned of approximately \$15,800,000. Also during the three months ended March 31, 2004, approximately \$17,000,000 of net premiums written and net premiums earned of approximately \$4,400,000 related to a quota share contract was included in the Casualty segment based on the expected terms and conditions of the contract. Based on the final terms and conditions, the contract was reclassified to the Finite Risk segment. Consequently, during the three months ended June 30, 2004, this reclassification resulted in a reduction of approximately \$17,000,000 of Casualty net premiums written and approximately \$4,400,000 of net premiums earned and an equivalent increase in Finite Risk net premiums written and earned. The net effect of these items on underwriting income, after related reductions in losses, LAE and acquisition expenses, was not material. Exclusive of these items, net premiums written and earned in the Casualty segment increased by approximately \$32,129,000 and \$46,293,000, respectively in 2005 as compared with 2004. This increase in net premiums written is primarily in prior underwriting years' excess-of-loss classes due to greater than expected premiums being reported from ceding companies. The increase in net premium earned is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Losses and LAE and the resulting loss ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                     | 2005      | 2004   | Increase<br>(decrease) |
|---------------------|-----------|--------|------------------------|
|                     | -----     | -----  | -----                  |
| Losses and LAE      | \$127,531 | 93,391 | \$ 34,140              |
| Loss and LAE ratios | 64.2%     | 70.6%  | (6.4) points           |

The increase in losses and LAE in 2005 as compared with 2004 is consistent with the growth in business. The decrease in the loss and LAE ratio in 2005 as compared with 2004 is due, in part, to favorable loss development in 2005 as compared to 2004 and, in part, to changes in the mix of business toward classes with lower loss ratios. Losses and LAE included net favorable loss development

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

of approximately \$4,935,000 representing 2.5% of net premiums earned in 2005 and approximately \$561,000 of unfavorable net loss development representing 0.4% of net premiums earned in 2004.

Acquisition expenses and resulting acquisition expense ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005     | 2004   | Increase<br>(decrease) |
|----------------------------|----------|--------|------------------------|
|                            | -----    | -----  | -----                  |
| Acquisition expenses       | \$47,963 | 31,994 | \$ 15,969              |
| Acquisition expense ratios | 24.1%    | 24.2%  | (0.1) points           |

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2005 as compared with 2004. The resulting acquisition expense ratios are comparable.

Other underwriting expenses for the three months ended June 30, 2005 and 2004 were \$8,972,000 and \$5,305,000, respectively, and represent costs such as salaries, rent and like items. The resulting other

-32-

underwriting expense ratios for the three months ended June 30, 2005 and 2004 were 4.5% and 4.0%, respectively. The increase in operating costs and resulting other underwriting expense ratios is due to the increase in business as well as the allocation of a greater percentage of common operating and administrative costs to the Casualty segment due to a decline in underwriting activity in the Finite Risk segment.

Six Months Ended June 30, 2005 as Compared with the Six Months Ended June 30, 2004

Net premiums written and net premiums earned for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005      | 2004    | Increase  |
|----------------------|-----------|---------|-----------|
|                      | -----     | -----   | -----     |
| Net premiums written | \$404,559 | 336,726 | \$ 67,833 |
| Net premiums earned  | \$383,491 | 268,452 | \$115,039 |

Net premiums in 2004 include revisions of estimates of Casualty premiums that resulted in reductions of net premiums written of approximately \$16,300,000 and a reduction in net premiums earned of approximately \$10,800,000. The net effect of the revisions of estimates on underwriting income, after related reductions in losses, LAE and acquisitions expenses, was not material. Exclusive of the reduction of estimates in 2004, casualty net premiums written and earned increased by approximately \$51,533,000 and \$104,239,000, respectively in 2005 as compared with 2004. This increase is due to growth in the casualty business and increased ultimate premiums from prior underwriting years' excess-of-loss classes due to greater than expected premiums being reported from ceding

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

companies. The increase in net premium earned is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Losses and LAE and the resulting loss ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                     | 2005      | 2004    | Increase<br>(decrease) |
|---------------------|-----------|---------|------------------------|
|                     | -----     | -----   | -----                  |
| Losses and LAE      | \$245,969 | 188,175 | \$ 57,794              |
| Loss and LAE ratios | 64.1%     | 70.1%   | (6.0) points           |

The increase in losses and LAE in 2005 as compared with 2004 is consistent with the growth in business. Losses and LAE included net favorable loss development of approximately \$11,809,000 representing 3.1% of net premiums earned in 2005 and approximately \$6,006,000 of net unfavorable loss development representing 2.2% of net premiums earned in 2004. The decrease in the loss and LAE ratio in 2005 is due to the net favorable loss development in 2005 that relates primarily to the 2002 and 2003 underwriting years' experience.

Acquisition expenses and resulting acquisition expense ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                            | 2005     | 2004   | Increase<br>(decrease) |
|----------------------------|----------|--------|------------------------|
|                            | -----    | -----  | -----                  |
| Acquisition expenses       | \$93,165 | 66,830 | \$ 26,335              |
| Acquisition expense ratios | 24.3%    | 24.9%  | (0.6) points           |

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2005 as compared with 2004. The resulting acquisition expense ratios are comparable.

-33-

Other underwriting expenses for the six months ended June 30, 2005 and 2004 were \$16,285,000 and \$10,362,000, respectively. Other underwriting expenses include costs such as salaries, rent and like items related to casualty underwriting operations. The resulting other underwriting expense ratios for the six months ended June 30, 2005 and 2004 were 4.2% and 3.9%, respectively. The increases in operating costs and resulting other underwriting expense ratios are due to the increase in business as well as the allocation of a greater percentage of common operating and administrative costs to the Casualty segment due to a decline in the underwriting activity in the Finite Risk 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 classes of risks underwritten through finite risk contracts are fundamentally the same as the

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

classes covered by traditional products. Typically, the potential amount of losses paid is finite or capped. In return for this limit on losses, there is typically a cap on the potential profit margin specified in the treaty. Profits above this margin are returned to the ceding company. The three main categories of finite risk contracts are quota share, multi-year excess-of-loss and whole account aggregate stop loss. The ongoing investigations by the SEC, the office of the Attorney General for the State of New York and the U.S. Attorney for the Southern District of New York and non-U.S. regulatory authorities such as the Bermuda Monetary Authority and the U.K. Financial Services Authority has significantly diminished demand for finite risk products. This operating segment generated 23.4% and 35.1% of the Company's net premiums written for the three months ended June 30, 2005 and 2004, respectively, and 21.0% and 24.8% of the Company's net premiums written for the six months ended June 30, 2005 and 2004, respectively. For this segment, because of the inter-relationship between losses and expenses, the Company believes it is more meaningful to evaluate the overall combined ratio, rather than its component parts of loss and acquisition expense ratios.

Three Months Ended June 30, 2005 as Compared with the Three Months Ended June 30, 2004

Net premiums written and net premiums earned for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005     | 2004    | Increase<br>(decrease) |
|----------------------|----------|---------|------------------------|
|                      | -----    | -----   | -----                  |
| Net premiums written | \$99,116 | 115,925 | \$(16,809)             |
| Net premiums earned  | \$92,078 | 78,709  | \$ 13,369              |

The Finite Risk portfolio consists of a small number of contracts that can be large in premium size and, consequently, overall premium volume may vary significantly from year to year. While net premiums written in 2005 decreased as compared with 2004, net premiums written were impacted by the reclassification of premiums written relating to the quota share reinsurance contract referred to in the discussion of the results of the Casualty segment. During the three months ended March 31, 2004, approximately \$17,000,000 of premiums written and approximately \$4,400,000 of net premiums earned related to this contract was included in the Casualty segment based on the expected terms and conditions of the contract. After the final terms and conditions were established, the contract was subsequently reclassified to the Finite Risk segment. The net effect of this item on underwriting income, after related reductions in losses, LAE and acquisition expenses, was not material. Exclusive of this quota share reinsurance contract, net premiums written in the Finite Risk segment in 2005 are comparable with 2004. The mix of finite business has shifted significantly toward casualty which now represents nearly all of the net premiums written in the segment. Net premiums written and earned in 2005 are derived primarily from several casualty capped quota share contracts underwritten in 2004 and January 2005.

-34-

Losses and LAE, acquisition expenses and the resulting ratios for the three months ended June 30, 2005 and 2004 were as follows (\$ in thousands):



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

|  | 2005     | 2004   | Increase<br>(decrease) |
|--|----------|--------|------------------------|
|  | -----    | -----  | -----                  |
| Losses and LAE                           | \$54,822 | 55,101 | \$ (279)               |
| Loss and LAE ratios                      | 59.5%    | 70.0%  | (10.5) points          |
| Acquisition expenses                     | \$26,270 | 15,795 | \$ 10,475              |
| Acquisition expense ratios               | 28.5%    | 20.1%  | 8.4 points             |
| Losses, LAE and acquisition expenses     | \$81,092 | 70,896 | \$ 10,196              |
| Loss, LAE and acquisition expense ratios | 88.0%    | 90.1%  | (2.1) points           |

The increase in losses, LAE and acquisition expenses in 2005 as compared with 2004 is due to the increase in net premiums earned. The decrease in the loss, LAE and acquisition expense ratio is due to net favorable development which was \$6,279,000 or 6.8% of net premiums earned in 2005 as compared to insignificant net favorable development in 2004. The net favorable development was partially offset by a shift of business to finite casualty, which generally has a higher loss, LAE and acquisition expense ratio than finite property.

Other underwriting expenses for the three months ended June 30, 2005 and 2004 were \$1,333,000 and \$2,567,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the segment as a result of the decline in underwriting activity in the segment. In addition, due to the decline in the volume of underwriting activity in the segment, the percentage of common operating and administrative costs that are allocated to the segment has also declined.

Six Months Ended June 30, 2005 as Compared with the Six Months Ended June 30, 2004

Net premiums written and net premiums earned for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

|                      | 2005      | 2004    | Increase<br>(decrease) |
|----------------------|-----------|---------|------------------------|
|                      | -----     | -----   | -----                  |
| Net premiums written | \$192,197 | 200,772 | \$ (8,575)             |
| Net premiums earned  | \$190,153 | 145,464 | \$44,689               |

The decrease in net premiums written is primarily attributable to reduced finite accident and health and property business, substantially offset by an increase in finite casualty business. Net premium earned is related to current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts. The increase in net premiums earned in 2005 as compared with 2004 is due primarily to growth in net premiums written in prior years.

Losses and LAE, acquisition expenses and the resulting ratios for the six months ended June 30, 2005 and 2004 were as follows (\$ in thousands):

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

|  | 2005      | 2004    | Increase<br>(decrease) |
|--|-----------|---------|------------------------|
|  | -----     | -----   | -----                  |
| Losses and LAE                           | \$114,042 | 73,708  | \$ 40,334              |
| Loss and LAE ratios                      | 60.0%     | 50.7%   | 9.3 points             |
| Acquisition expenses                     | \$ 52,328 | 48,128  | \$ 4,200               |
| Acquisition expense ratios               | 27.5%     | 33.1%   | (5.6) points           |
| Losses, LAE and acquisition expenses     | \$166,370 | 121,836 | \$ 44,534              |
| Loss, LAE and acquisition expense ratios | 87.5%     | 83.8%   | 3.7 points             |

The increase in losses, LAE and acquisition expenses in 2005 as compared with 2004 is due to the increase in net premiums earned. Net favorable development impacted losses, LAE and acquisition expenses and the related ratios in both 2005 and 2004. Net favorable development amounted to \$14,496,000 representing 7.6% of net premiums earned in 2005 and \$6,466,000 representing 4.4% of net premiums earned in 2004. Exclusive of net favorable development, the overall loss, LAE and acquisition expense ratio increased in 2005 as compared with 2004 due to the shift toward casualty business that generally has a higher combined ratio.

Other underwriting expenses for the six months ended June 30, 2005 and 2004 were \$2,904,000 and \$5,164,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the segment as a result of the decline in underwriting activity in the segment. In addition, due to the decline in underwriting activity in the segment, the percentage of common operating and administrative costs that are allocated to the Finite Risk segment has also declined.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

Cash and cash equivalents were \$409,539,000 and \$209,897,000 as of June 30, 2005 and December 31, 2004, respectively. Fixed maturities were \$2,722,692,000 and \$2,240,202,000 as of June 30, 2005 and December 31, 2004, respectively. Cash and cash equivalents and the investment portfolio increased due to positive cash flow from operations, excluding trading securities activities. The Company's fixed maturity available-for-sale and trading portfolios are comprised entirely of publicly traded fixed maturity investments. The investment portfolio, including cash and cash equivalents, had a weighted average duration of 3.2 years as of June 30, 2005. Management monitors the composition of the investment portfolio and cash flows from the portfolio to maintain the liquidity necessary to meet the Company's obligations. The Company believes it has sufficient cash on hand to meet its short-term obligations and to maintain the liquidity necessary for portfolio management.

Certain assets and liabilities associated with underwriting include significant estimates. Premiums receivable as of June 30, 2005 of \$576,457,000 include \$492,826,000 that is based upon estimates. Premiums receivable as of December 31, 2004 of \$580,048,000 include \$530,066,000 that is based upon estimates. Unpaid losses and LAE as of June 30, 2005 of \$1,559,092,000 includes \$1,281,922,000 of estimates of claims that were incurred but not reported ("IBNR"). Unpaid losses and LAE as of December 31, 2004 of \$1,380,955,000 includes \$1,151,500,000 of IBNR. Commissions payable as of June 30, 2005 of

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

\$216,459,000 include \$187,944,000 that is based upon estimates. Commissions payable as of December 31, 2004 of \$181,925,000 include \$165,050,000 that is based upon estimates. Deferred acquisition costs and unearned premiums are also based upon estimates.

-36-

### SOURCES OF LIQUIDITY

The consolidated sources of funds of the Company consist primarily of premiums written, investment income, proceeds from sales and redemption of investments, losses recovered from retrocessionaires, and cash and cash equivalents held by the Company. Net cash flow provided by operations, excluding trading securities activities, for the six months ended June 30, 2005 was \$372,073,000 and was used primarily to acquire additional investments.

Platinum Holdings is a holding company that conducts no reinsurance operations of its own. All of its reinsurance operations are conducted through its wholly owned operating subsidiaries, Platinum Bermuda, Platinum US and Platinum UK. As a holding company, the cash flow of Platinum Holdings consists primarily of dividends, interest and other permissible payments from its subsidiaries. Platinum Holdings depends on such payments for general corporate purposes and to meet its obligations, including the contract adjustment payments related to the ESU's and the payment of any dividends to its shareholders.

The Company has filed an allocated universal shelf registration statement with the Securities and Exchange Commission ("SEC"), which the SEC declared effective on April 5, 2004. The securities registered under the shelf registration statement for possible future sales include up to \$750,000,000 of common shares, preferred shares and various types of debt securities. Common shares held by St. Paul and RenaissanceRe and common shares issuable upon exercise of options owned by St. Paul and RenaissanceRe accounts for \$586,381,900 of the \$750,000,000 of securities registered under the registration statement with the remaining \$163,618,100 available for securities offerings by the Company. On June 25, 2004, the Company announced St. Paul's intent to sell 6,000,000 of the Company's common shares in an underwritten public offering, which was effected pursuant to a prospectus supplement to the shelf registration statement dated June 28, 2004 and completed on June 30, 2004. The 6,000,000 common shares sold by St. Paul amounted to \$177,330,000 of the \$750,000,000 securities registered under the shelf registration statement. The Company did not sell any common shares in the offering and did not receive any proceeds from the sale of the common shares by St Paul.

The Company issued the ESU's in November 2002, each of which consists of a contract to purchase common shares from the Company in 2005 (collectively, the "Purchase Contracts") and an ownership interest in a senior note due 2007 issued by Platinum Finance (collectively, the "Senior Notes"). During the third quarter of 2005, the Company expects to remarket the Senior Notes with a reset interest rate, which will generate no proceeds for the Company. During the fourth quarter of 2005, the Company expects to issue common shares pursuant to the Purchase Contracts, which is expected to generate cash proceeds to the Company of approximately \$137,500,000, less fees and expenses associated with the remarketing.

In May 2005, Platinum Finance issued \$250,000,000 aggregate principal amount of Series A Notes, unconditionally guaranteed by Platinum Holdings. The Series A Notes were issued in a transaction exempt from the registration requirements under the Securities Act of 1933, as amended. The proceeds of the Series A Notes were used primarily to increase the capital of Platinum Bermuda

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

and Platinum US. Interest at a per annum rate of 7.5% is payable on the Series A Notes on each June 1 and December 1 commencing on December 1, 2005. Platinum Finance may redeem the Series A Notes, at its option, at any time in whole, or from time to time in part, prior to maturity. The redemption price will be equal to the greater of: (i) 100 percent of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest, discounted to the redemption date on a semiannual basis at a comparable treasury rate plus 50 basis points, plus in each case, interest accrued but not paid to the date of redemption.

-37-

Pursuant to the registration rights agreement executed in connection with the offering of the Series A Notes, Platinum Holdings and Platinum Finance have filed with the SEC a registration statement on Form S-4 to enable holders to exchange the Series A Notes for publicly registered notes. Platinum Holdings and Platinum Finance have agreed to (i) use reasonable best efforts to cause the registration statement to become or be declared effective within 180 days after the issue date of the Series A Notes; (ii) use reasonable best efforts to commence and complete the exchange offer within 45 days after the effective date of the registration statement and keep the exchange offer open for a period of not less than 30 days after notice is mailed to holders; and (iii) file a shelf registration statement for the resale of the Series A Notes if, under the circumstances specified in the registration rights agreement, Platinum Holdings and Platinum Finance are unable to effect the exchange offer. If Platinum Holdings and Platinum Finance do not comply with certain obligations under the registration rights agreement, additional interest shall accrue at a per annum rate of 0.25% of the aggregate principal amount of the outstanding Series A Notes during the first 90-day period following the occurrence of such registration default and at a per annum rate of 0.50% thereafter for any remaining period during which a registration default continues. The Company intends to establish a committed credit facility with a group of banks that will provide up to \$200 million of aggregate borrowing capacity.

### LIQUIDITY REQUIREMENTS

The principal 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 Series A Notes and contract adjustment payments on the Purchase Contracts included in the Company's ESU's), the acquisition of and investment in businesses, capital expenditures, premiums retroceded and taxes. The contract adjustment payments will cease upon issuance of the common shares in accordance with the Purchase Contracts during 2005.

It is increasingly common for our reinsurance contracts to contain terms that allow ceding companies to cancel the contract or require collateral to be posted for a portion of our obligations if the Company's reinsurance subsidiaries are downgraded below a certain rating level. Whether a client would exercise this cancellation right would depend, among other factors, on the reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Therefore, we cannot predict in advance the extent to which this cancellation right would be exercised, if at all, or what effect such cancellations would have on our financial condition or future operations, but such effect potentially could be material.

We may from time to time secure our obligations under our various reinsurance contracts using trusts and letters of credit. We have entered into

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

agreements with several ceding companies that require us to provide collateral for our obligations under certain reinsurance contracts with these ceding companies under various circumstances, including where our obligations to these ceding companies exceed negotiated thresholds. These thresholds may vary depending on our rating from A.M. Best or other rating agencies and a downgrade of our ratings or a failure to achieve a certain rating may increase the amount of collateral we are required to provide. We may provide the collateral by delivering letters of credit to the ceding company, depositing assets into trusts for the benefit of the ceding companies or permitting the ceding companies to withhold funds that would otherwise be delivered to us under the reinsurance contract. The amount of collateral we are required to provide typically represents a portion of the obligations we may owe the ceding company, often including estimates of IBNR made by the ceding company. Since we may be required to provide collateral based on the ceding company's estimate, we may be obligated to provide collateral that exceeds our estimates of the ultimate liability to the ceding company.

-38-

A.M. Best is generally considered to be a significant rating agency with respect to the evaluation of insurance and reinsurance companies. Ratings are used by ceding companies and reinsurance intermediaries as an important means of assessing the financial strength and quality of reinsurers. In addition, the rating of a ceding company may be adversely affected by a downgrade in the rating of its reinsurer. Therefore, a downgrade of our rating may dissuade a ceding company from reinsuring with us and may influence a ceding company to reinsure with a competitor of ours that has a higher insurance rating.

On March 31, 2005 A.M. Best Company ("A. M. Best ") issued a press release announcing that it had placed under review with negative implications the financial strength ratings of "A" (Excellent) of Platinum Bermuda, Platinum US and Platinum UK, that it had downgraded and placed under review with negative implications the debt rating of the equity security units issued by Platinum Finance to "bbb" from "bbb+" and that it had downgraded and placed under review with negative implications the indicative ratings assigned to securities available under our shelf registration statement to "bbb" from "bbb+" on senior unsecured debt, to "bbb-" from "bbb" on subordinated debt and to "bb+" from "bbb-" on preferred shares. After completing a plan to increase the capital of the Company's reinsurance subsidiaries, including the issuance of the Series A Notes, A.M. Best issued a press release on May 26, 2005, affirming the financial strength ratings of "A" (Excellent) of Platinum Bermuda, Platinum US and Platinum UK.

The Company does not have a financial strength rating issued by any rating agency other than A.M. Best. In the future we may obtain financial strength ratings from other rating agencies, though we are unable to predict the impact of any such ratings at this time. The Company has a senior unsecured debt rating of BBB from Standard & Poors.

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 2005 without prior regulatory approval is estimated to be \$238,338,000. While the Company's reinsurance subsidiaries could legally pay such an aggregate amount, management believes that dividends in such an amount would reduce the capital of its reinsurance subsidiaries to a level that would

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

result in a downgrade of its various ratings. Management also believes that Platinum Holdings can receive dividends from its reinsurance subsidiaries in sufficient amounts necessary to meet the obligations of Platinum Holdings without risk of a downgrade.

On August 4, 2004, the board of directors of the Company approved a plan to purchase up to \$50,000,000 of its common shares, of which \$40,015,000 remains available under the plan.

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 expected liquidity needs over the next twelve months. Beyond the next twelve months, cash flow available to the Company may be influenced by a variety of factors, including economic conditions in general and in the insurance and reinsurance markets, legal and regulatory changes as well as fluctuations from year to year in claims experience and the presence or absence of large catastrophic events. If the Company's liquidity needs accelerate beyond our ability to fund such obligations from current operating cash flows, the Company may need to liquidate a portion of its investment portfolio. The Company's ability to meet its liquidity needs by selling investments is subject to the timing and pricing risks inherent in the capital markets.

-39-

### ECONOMIC CONDITIONS

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

### CURRENT OUTLOOK

We expect that terms and conditions on most reinsurance treaties will remain acceptable to reinsurers, while rate level adequacy will decline thereby reducing expected profitability. Given our strategy of underwriting for profitability, not market share, a decline in expected treaty profitability may eventually result in lower net premiums written. We anticipate that our total net premiums written in 2005 will be approximately the same as for 2004. If rates deteriorate more quickly than we anticipate, then our 2005 net premiums written will likely be lower than the 2004 level.

For the Property and Marine segment, underlying primary rates are declining at a rapid pace for large commercial properties in the U.S. and abroad, rendering some proportional business unattractive in light of the catastrophe risks assumed. The most notable exception is the Florida property market. Rate increases in Florida property business as a result of the 2004 hurricanes were significant. In addition, terms and conditions on reinsurance contracts have improved making the premium for Florida property business sufficient for the risk assumed. Consequently, proportional business written in Florida and the related exposures to smaller Florida hurricanes and overall U.S. windstorm losses have increased. We anticipate premium volume for 2005 that is substantially similar to 2004.

For the Casualty segment, we believe that differences of opinion between primary insurers and reinsurers regarding the profitability of casualty business will persist. Accordingly, we anticipate that well-capitalized primary carriers

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

will retain more of their business. Although the overall quantity of casualty reinsurance ceded may decrease in 2005 versus 2004, we believe that our capitalization and reputation as a lead casualty reinsurer will allow us to write approximately the same level of premium for 2005 as for 2004 at acceptable levels of expected profitability, provided that rate levels do not deteriorate more rapidly than we anticipate.

In the Finite Risk segment, we expect that the ongoing investigations by the SEC, the office of the Attorney General for the State of New York and the U.S. Attorney for the Southern District of New York and non-U.S. regulatory authorities such as the Bermuda Monetary Authority and the U.K. Financial Services Authority will significantly diminish demand for limited risk transfer products in the short term. Although we cannot predict the ultimate outcome of these investigations, we believe that if the buyers and sellers of these products perceive that the accounting, headline and regulatory risk has receded, demand will return. Accordingly, we expect to write less new finite business in 2005 than 2004. During the three months ended June 30, 2005 we did not write any new or renewal contracts in our Finite Risk segment. However, our existing portfolio of finite risk contracts is expected to generate net premiums earned volume for 2005 that is substantially the same as for 2004.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

It is important to understand the Company's accounting policies in order to understand its financial position and results of operations. Management considers certain of these policies to be critical to the presentation of the financial results since they require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues,

-40-

expenses, and related disclosures at the financial reporting date and throughout the relevant periods. Certain of the estimates and assumptions result from judgments that can be subjective and complex, and consequently actual results may differ from these estimates. The Company's most critical accounting policies involve written and unearned premium, unpaid losses and LAE, reinsurance, investments, income tax expense and share-based compensation. The critical accounting policies presented herein are discussed in more detail in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

### PREMIUMS

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

Due to the nature of reinsurance, ceding companies routinely report and remit premiums subsequent to the contract coverage period. Consequently, reinsurance premiums written include amounts reported by the ceding companies, supplemented by estimates of premiums that are written but not reported ("WBNR"). In addition to estimating WBNR, the Company estimates the portion of premium earned but not reported ("EBNR"). The Company also estimates the expenses associated with these premiums in the form of losses, LAE and commissions. The time lag involved in the process of reporting premiums is shorter than the lag in reporting losses. Premiums are generally reported within

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

two years. The net impact on the results of operations of changes in estimated premiums is reduced by the losses and acquisition expenses related to such premiums. When estimating premiums written and earned, each of the Company's reinsurance subsidiaries segregates business into classes by type of coverage and type of contract (approximately 80 classes). Within each class, business is further segregated by the year in which the contract inception (the "underwriting year"), starting with 2002. Estimates of WBNR and EBNR are made for each class and underwriting year. Premiums are estimated based on ceding company estimates and the Company's own judgment after considering factors such as the ceding company's historical premium versus projected premium, the ceding company's history of providing accurate estimates, anticipated changes in the marketplace and the ceding company's competitive position therein, reported premiums to date and the anticipated impact of proposed underwriting changes. The appropriateness of the premium estimates is evaluated in light of the actual premium reported by the ceding companies and any adjustments to these estimates are accounted for as changes in estimates and are reflected in results of operations in the period in which they are made. The initial estimates of premiums derived by the Company's underwriting function in respect of the six months ending June 30, 2005 were reviewed based upon the foregoing considerations. The cumulative impact of this review was to reduce the estimate by approximately \$49 million or 8.5% of reinsurance premiums receivable at June 30, 2005. At June 30, 2005, the Company recorded reinsurance premiums receivable of \$576,457,000. As an illustration, the Company had one contract that, at June 30, 2005, represented approximately \$43 million of its total reinsurance premiums receivable. With respect to that contract, the Company reduced reinsurance premiums receivable by approximately \$5 million because it did not expect the ceding company to meet its production estimates or to achieve its estimated rate increases. The Company believes that it reasonably could have made an adjustment of between \$0 and \$5 million with respect to that contract at June 30, 2005. Had it made a \$0 adjustment, the reinsurance premiums receivable for that contract at June 30, 2005 would have been \$48 million. It made the \$5 million adjustment, resulting in reinsurance premiums receivable for that contract of \$43 million. While an adjustment of greater than \$5 million is possible with respect to that contract, the Company does not consider such circumstance to be reasonably likely. Reinsurance premiums receivable under a particular contract can vary significantly from estimates derived from the Company's underwriting function depending upon its assessment of the production and rate changes likely to be achieved by the ceding

-41-

company. Due to the time lag inherent in the reporting of premiums by ceding companies, a significant portion of amounts included as premiums written and premiums earned represents estimated premiums and are not currently due based on the terms of the underlying contracts. Earned premiums, including EBNR, are a measure of exposure to losses, LAE and acquisition expenses. Consequently, when previous estimates of premiums earned are increased or decreased, the related provisions for losses and LAE and acquisition costs previously recorded are also increased or decreased.

Certain of our reinsurance contracts include provisions that adjust premiums or acquisition expenses based upon the loss experience under the contracts. Reinstatement premiums and additional premiums are recognized in accordance with the provisions of assumed reinsurance contracts, based on loss experience under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment by the reinsurer of losses. These premiums relate to the future coverage obtained for the remainder of the initial policy term and are earned over the remaining policy term. Additional



## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

premiums are those premiums triggered by losses and not related to reinstatement of limits and are earned immediately. An allowance for uncollectible premiums is established for possible non-payment of such amounts due, as deemed necessary. As of June 30, 2005, no such allowances was made based on the Company's historical experience, the general profile of its ceding companies and its ability in most cases to contractually affect those premium receivables with losses and loss adjustment expense or other amounts payable to the same parties.

### UNPAID LOSSES AND LAE

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

Unpaid losses and LAE include estimates of the cost of claims that were reported but not yet paid ("case reserves") and the cost of claims that were incurred but not reported ("IBNR"). Case reserves are usually based upon claim reports received from ceding companies. The information the Company receives varies by ceding company and may include paid losses, estimated case reserves, and an estimated provision for IBNR reserves. Case reserves may be increased or reduced by the Company's claims personnel based on receipt of additional information, including information received from ceding companies. IBNR is based on actuarial methods including the loss ratio method, the Bornhuetter-Ferguson method and the chain ladder method. IBNR related to a specific event may be based on the Company's estimated exposure to an industry loss and may include the use of catastrophe modeling software.

When estimating unpaid losses and LAE, each of the Company's reinsurance subsidiaries segregates business into classes by type of coverage and type of contract (approximately 80 classes). Within each class the business is further segregated by the year in which the contract incepted ("underwriting year"), starting with 2002.

The gross liabilities recorded on the Company's balance sheet as of June 30, 2005 for unpaid losses and LAE were \$1,559,092,000. The following table sets forth a breakdown between case reserves and IBNR by segment at June 30, 2005 (\$ in thousands):

-42-

|                                 | Property<br>and Marine | Casualty | Finite<br>Risk | Total       |
|---------------------------------|------------------------|----------|----------------|-------------|
|                                 | -----                  | -----    | -----          | -----       |
| Case reserves .....             | \$ 26,449              | 120,536  | 130,185        | \$ 277,170  |
| IBNR .....                      | 258,725                | 794,253  | 228,944        | 1,281,922   |
|                                 | -----                  | -----    | -----          | -----       |
| Total unpaid losses and LAE ... | \$285,174              | 914,789  | 359,129        | \$1,559,092 |
|                                 | -----                  | -----    | -----          | -----       |

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

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

Over time, as a greater number of claims are reported, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses and expected patterns of reported losses, taking the initial expected ultimate losses into account to determine an estimate of expected ultimate losses. This technique is most appropriate when there are few reported claims and a relatively less stable pattern of reported losses. The chain ladder technique utilizes actual reported losses and expected patterns of reported losses to determine an estimate of expected ultimate losses that is independent of the initial expected ultimate losses. This technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable pattern of reported losses. Multiple point estimates using a variety of actuarial techniques are calculated for many, but not all, of the Company's 80 classes of coverage for each underwriting year. The Company does not believe that these multiple point estimates are or should be considered a range. The Company's actuaries look at each class and determine the most appropriate point estimate based on the characteristics of the particular class and other relevant factors such as historical ultimate loss ratios, the presence of individual large losses, and known occurrences that have not yet resulted in reported losses. For some classes of business the Company's actuaries believe that a review of individual contract information improves the loss reserve estimate. For example, individual contract review is particularly important for the Finite Risk segment and the Accident and Health class within the Casualty segment. Once the actuaries make their determinations of the most appropriate point estimate for each class, this information is aggregated and presented to executive management for review and approval. At June 30, 2005 the liability for unpaid losses and LAE that the Company recorded reflected the point estimates of IBNR prepared by the Company's actuaries.

Generally, North American casualty excess business has the longest pattern of reported losses and therefore the greatest uncertainty. IBNR for these classes at June 30, 2005 was \$575 million which was 45% of the total IBNR for the Company at that date. Because North American casualty excess business has the greatest uncertainty, the Company would not consider a variance of five percentage points from the initial expected loss ratio to be unusual. As an example, a change in the initial expected loss ratio from 65% to 70% would result in an increase of the IBNR for these classes by \$48 million. This equates to approximately 7% of the liability for total unpaid losses and LAE for these classes at June 30, 2005. As another example, if the estimated pattern of reported losses was accelerated by 5% the IBNR for these classes would decrease by \$3 million which is less than 1%. Because the Company believes the two most important inputs to the reserve estimation methodologies described above are the initial expected loss

ratio and the estimated pattern of reported losses, the Company has selected these two inputs as the basis for the sensitivity analyses in this paragraph.

The pattern of reported losses is determined utilizing actuarial analysis, including management's judgment, and is based on historical patterns of the recording of paid losses and case reserves to the Company, as well as industry patterns. Information that may cause historical patterns to differ from future patterns is considered and reflected in expected patterns as appropriate. For property and health coverages these patterns indicate that a substantial portion of the ultimate losses are reported within 2 to 3 years after the contract is effective. Casualty patterns can vary from 3 years to over 20 years depending on the type of business.

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

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

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

Unpaid losses and LAE represent management's best estimates, at a given point in time, of the ultimate settlement and administration costs of claims incurred, and it is possible that the ultimate liability may materially differ from such estimates. Such estimates are not precise due to the fact that, among other things, they are based on predictions of future developments and estimates of future trends in claim severity and frequency and other factors. Because of the degree of reliance that the Company necessarily places on ceding companies for claims reporting, the associated time lag, the low frequency/high severity nature of some of the business that the Company underwrites and the varying reserving practices among ceding companies, the Company's reserve estimates are highly dependent on management judgment and are therefore uncertain.

In property classes, there can be additional uncertainty in loss estimation related to large catastrophe events. With wind events, such as hurricanes, the damage assessment process may take more than a year. The cost of rebuilding is subject to increase due to supply shortages for construction materials and labor. In the case of earthquakes, the damage assessment process may take several years as buildings are discovered to have structural weaknesses not initially detected. The uncertainty inherent in loss estimation is particularly pronounced for casualty coverages, such as umbrella liability, general and product liability, professional liability, directors and officers liability and automobile liability, where information, such as required medical treatment and costs for bodily injury claims, only emerges over time. In the overall loss reserving process, provisions for economic inflation and changes in the social and legal environment are considered.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

Loss reserve calculations for direct insurance business are not precise in that they deal with the inherent uncertainty of future developments. Primary insurers must estimate their own losses, often based

-44-

on incomplete and changing information. Reserving for reinsurance business introduces further uncertainties compared with reserving for direct insurance business. The uncertainty in the reserving process for reinsurers is due, in part, to the time lags inherent in reporting from the original claimant to the primary insurer to the reinsurer. As predominantly a broker market reinsurer for both excess-of-loss and proportional contracts, the Company is subject to a potential additional time lag in the receipt of information as the primary insurer reports to the broker who in turn reports to the Company.

Since the Company relies on information regarding paid losses, case reserves, and IBNR reserves provided by ceding companies in order to assist the Company in estimating its own liability for unpaid losses and LAE, the Company maintains certain procedures in order to help determine the completeness and accuracy of such information. Periodically, management assesses the reporting activities of these companies on the basis of qualitative and quantitative criteria. In addition to managing reported claims and conferring with ceding companies on claims matters, the Company's claims personnel conduct periodic audits of specific claims and the overall claims procedures of its ceding companies at their offices. The Company relies on its ability to effectively monitor the claims handling and claims reserving practices of ceding companies in order to establish the proper reinsurance premium for reinsurance agreements and to establish proper loss reserves. Disputes with ceding companies have been rare and generally have been resolved through negotiation.

Estimates of unpaid losses and LAE are periodically re-estimated and adjusted as new information becomes available. Any such adjustments are accounted for as changes in estimates and are reflected in results of operations in the period in which they are made.

As of June 30, 2005, the Company did not have any significant back-log related to its processing of assumed reinsurance information.

### REINSURANCE

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

### INVESTMENTS

In accordance with our investment guidelines, our investments consist largely of high-grade marketable fixed income securities. Fixed maturities owned that the Company may not have the positive intent to hold until maturity are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from net income and reported in other comprehensive income as a separate component of shareholders' equity, net of deferred taxes. Fixed maturities owned that the Company has the intent to sell prior to maturity

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

are classified as trading securities and reported at fair value, with unrealized gains and losses included in other income. Securities classified as trading securities are generally denominated in foreign currencies and are intended to match foreign net liabilities denominated in foreign currencies in order to minimize net exposures arising from fluctuations in foreign currency exchange rates. Realized gains and losses on sales of investments are determined on a specific identification basis. Investment income is recorded when earned and includes the amortization of premiums and discounts on investments.

-45-

The Company believes it has the ability to hold any specific security to maturity. This is based on current and anticipated future positive cash flow from operations that generates sufficient liquidity in order to meet our obligations. However, in the course of managing investment credit risk, asset liability duration or other aspects of the investment portfolio, the Company may decide to sell any specific security. The Company routinely reviews its available-for-sale investments to determine whether unrealized losses represent temporary changes in fair value or are the result of "other than temporary impairments." The process of determining whether a security is other than temporarily impaired is subjective and involves analyzing many factors. These factors include, but are not limited to, the length and magnitude of an unrealized loss, specific credit events, the overall financial condition of the issuer, and the Company's intent to hold a security for a sufficient period of time for the value to recover the unrealized loss. If the Company has determined that an unrealized loss on a security is other than temporary, the Company writes down the carrying value of the security to its current fair value and records a realized loss in the statement of income.

### INCOME TAX EXPENSE

Platinum Holdings and Platinum Bermuda are incorporated in Bermuda. Under current Bermuda law, they are not taxed on any Bermuda income or capital gains and they have received an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings or Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 28, 2016. The Company also has subsidiaries in the United States, United Kingdom and Ireland that are subject to the tax laws thereof.

The Company applies the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted. A valuation allowance is established for deferred tax assets where it is more likely than not that future tax benefits will not be realized.

### SHARE-BASED COMPENSATION

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" ("SFAS 123") and Statement of Financial Accounting Standards No.

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 123 requires that the fair value of shares granted under the Company's share option plan subsequent to adoption of SFAS 148 be amortized in earnings over the vesting periods. The fair value of the share options granted is determined through the use of an option-pricing model. SFAS 148 amends SFAS 123 and provides transition guidance for a voluntary adoption of FAS 123 as well as amends the disclosure requirements of SFAS 123. For the period from November 1, 2002 through December 31, 2002, the Company used 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. For share options granted in 2002, the Company continues to use APB 25.

-46-

In December 2004, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 123R "Share-Based Payment" ("SFAS 123R"). SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires that, prospectively, compensation costs be recognized for the fair value of all share options over the remaining vesting period, including the cost related to the unvested portion of all outstanding share options as of December 31, 2004. The share-based compensation expense for share options currently outstanding are to be based on the same cost model used to calculate the pro forma disclosures under SFAS 123.

On April 14, 2005, the SEC adopted a new rule that allows SEC registrants to implement SFAS 123R as of January 1, 2006. The SEC's new rule does not change the accounting required by SFAS 123R; it delays the date for compliance with the standard. Previously under SFAS 123R, the Company would have been required to implement the standard as of July 1, 2005. Consequently, the Company's consolidated financial statements filed with the SEC do not need to comply with SFAS 123R until January 1, 2006. The Company plans to adopt the provisions of the SFAS 123R in the first quarter of 2006.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### MARKET AND CREDIT RISK

The Company's principal invested assets are fixed maturities, which are subject to the risk of potential losses from adverse changes in market rates and prices and credit risk resulting from adverse changes in the borrower's ability to meet its debt service obligations. The Company's strategy to limit this risk is to place its investments in high quality credit issues and to limit the amount of credit exposure with respect to any one issuer or industry. The Company also selects investments with characteristics such as duration, yield, currency and liquidity to reflect the underlying characteristics of related estimated claim liabilities. The Company attempts to minimize the credit risk by actively monitoring the portfolio and requiring a minimum average credit rating for its portfolio of A2 as defined by Moody's Investor Service. As of June 30, 2005, the portfolio has a dollar weighted average rating of Aa2.

The Company has other receivable amounts subject to credit risk. The most significant of these are reinsurance premiums receivable from ceding companies. To mitigate credit risk related to premium receivables, we have established standards for ceding companies and, in most cases, have a contractual right of

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

offset thereby allowing the Company to settle claims net of any premium receivable. While management does not consider credit risk related to amounts recoverable from retrocessionaires to be material as of June 30, 2005, we consider the financial strength of retrocessionaires when determining whether to purchase coverage from them. Retrocessional coverage is generally obtained from companies rated "A" or better by A. M. Best unless the retrocessionaires' obligations are fully collateralized. For exposures where losses become known and are paid in a relatively short period of time, we may obtain retrocessional coverage from companies rated "A-" or better by A. M. Best. The financial performance and rating status of all material retrocessionaires is routinely monitored.

In accordance with industry practice, the Company frequently pays amounts in respect of claims under contracts to reinsurance brokers, for payment over to the ceding companies. In the event that a broker fails to make such a payment, depending on the jurisdiction, the Company may remain liable to the ceding company for the payment. Further, in certain jurisdictions, when premiums for such contracts are paid to reinsurance brokers for payment over to the Company, such premiums will be deemed to have been paid and the ceding company will no longer be liable to the Company for those amounts whether or not actually received by the Company. Consequently, the Company assumes a degree of credit risk

-47-

associated with its brokers during the payment process. To mitigate credit risk related to reinsurance brokers, the Company has established guidelines for brokers and intermediaries.

### 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 receipt of 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 June 30, 2005 is approximately as follows (\$ in thousands):

|   | Interest Rate Shift in Basis Points |           |           |           |            |
|---|-------------------------------------|-----------|-----------|-----------|------------|
|   | - 100 bp                            | - 50 bp   | Current   | + 50 bp   | + 100 bp   |
| Total market value                                    | \$2,819,694                         | 2,771,576 | 2,722,692 | 2,673,066 | \$2,623,05 |
| Percent change in market value                        | 3.6%                                | 1.8%      | --        | (1.8%)    | (3.        |
| Resulting unrealized appreciation /<br>(depreciation) | \$ 107,332                          | 59,214    | 10,330    | (39,296)  | \$ (89,30  |

### FOREIGN CURRENCY RISK

The Company writes business on a worldwide basis. Consequently, the

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

Company's principal exposure to foreign currency risk is its transaction of business 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 exposure to its largest foreign currency risks by holding invested assets denominated in foreign currencies to offset liabilities denominated in foreign currencies. The Company measures its liabilities, including those denominated in foreign currencies, on a quarterly basis. The timing of the evaluation and determination of foreign currency denominated liabilities and the investment of assets in the same foreign currency also presents an element of foreign currency risk.

### SOURCES OF FAIR VALUE

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of June 30, 2005 (\$ in thousands):

|                        | Carrying<br>Amount | Fair Value  |
|------------------------|--------------------|-------------|
|                        | -----              | -----       |
| Financial assets:      |                    |             |
| Fixed maturities       | \$2,722,692        | \$2,722,692 |
| Other invested asset   | 6,000              | 6,000       |
| Financial liabilities: |                    |             |
| Debt obligations       | \$ 387,500         | \$ 412,855  |

The fair value of fixed maturities is based on quoted market prices at the reporting date for those or similar investments. The fair values of debt obligations are based on quoted market prices. Other

-48-

invested asset represents a strategic investment in a non-public reinsurance company and is carried at estimated fair value.

### ITEM 4. CONTROLS AND PROCEDURES

#### DISCLOSURE CONTROLS AND PROCEDURES

Our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and timely reported as specified in the SEC's rules and forms.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes occurred during the quarter ended June 30, 2005 in our internal control over financial reporting that have materially affected, or are



## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

reasonably likely to materially affect, our internal control over financial reporting.

### 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 Exchange Act. 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. 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 forward-looking statements, including the following:

- (1) conducting operations in a competitive environment;
  - (2) our ability to maintain our A.M. Best Company rating;
  - (3) significant weather-related or other natural or man-made disasters over which the Company has no control;
  - (4) the effectiveness of our loss limitation methods and pricing models;
- 49-
- (5) the adequacy of the Company's liability for unpaid losses and loss adjustment expenses;
  - (6) the availability of retrocessional reinsurance on acceptable terms;
  - (7) our ability to maintain our business relationships with reinsurance brokers;
  - (8) general political and economic conditions, including the effects of civil unrest, war or a prolonged U.S. or global economic downturn or recession;
  - (9) the cyclicity of the property and casualty reinsurance business;
  - (10) market volatility and interest rate and currency exchange rate fluctuation;

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

- (11) tax, regulatory or legal restrictions or limitations applicable to the Company or the property and casualty reinsurance business generally; and
- (12) 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, which are discussed in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 should not be construed as exhaustive. Additionally, forward-looking statements speak only as of the date they are made, and we undertake no obligation to release publicly the results of any future revisions or updates we may make to forward-looking statements to reflect new information or circumstances after the date hereof or to reflect the occurrence of future events.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

As previously disclosed, in November and December 2004, the Company received subpoenas from the SEC and the Office of the Attorney General for the State of New York for documents and information relating to certain non-traditional, or loss mitigation, insurance products. The Company is fully cooperating in responding to all such requests. Other reinsurance companies have reported receiving similar subpoenas and requests. This investigation appears to be at a very preliminary stage and, accordingly, it is not possible to predict the direction the investigation will take and the impact, if any, it may have on the Company's business. In view of the ongoing industry investigations, the Company retained the law firm of Dewey Ballantine LLP to conduct a review of its finite reinsurance practices. They recently informed the Company that their review was complete and that they have identified no evidence of improprieties.

On June 14, 2005, we received a grand jury subpoena from the United States Attorney for the Southern District of New York requesting documents relating to our finite reinsurance products. We have been informed that other companies in the industry have received similar subpoenas. We intend to fully cooperate in responding to this request.

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.

-50-

#### 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 April 26, 2005. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Exchange Act. There was no solicitation in opposition to management's nominees as listed in the Company's proxy statement, dated March 22, 2005. The Company's shareholders (1) elected eight directors to the Company's Board of Directors to serve until the 2006 annual general meeting of shareholders and (2) ratified the selection of KPMG

## Edgar Filing: PLATINUM UNDERWRITERS HOLDINGS LTD - Form 10-Q/A

LLP as the Company's independent registered public accounting firm for the 2005 fiscal year. Set forth below are the voting results for these proposals:

### ELECTION OF DIRECTORS OF THE COMPANY

|                       | For<br>----- | Withheld<br>----- |
|-----------------------|--------------|-------------------|
| H. Furlong Baldwin    | 40,115,148   | 100,610           |
| Jonathan F. Bank      | 40,117,673   | 98,085            |
| Dan R. Carmichael     | 39,275,422   | 940,336           |
| Neill A. Currie       | 39,279,086   | 936,672           |
| Robert V. Deutsch     | 39,267,164   | 948,594           |
| Gregory E.A. Morrison | 39,725,185   | 490,573           |
| Steven H. Newman      | 39,275,422   | 940,336           |
| Peter T. Pruitt       | 39,272,897   | 942,861           |

### RATIFICATION OF SELECTION OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2005 FISCAL YEAR

| For<br>----- | Against<br>----- | Abstain<br>----- | Broker Non-Votes<br>----- |
|--------------|------------------|------------------|---------------------------|
| 40,188,565   | 23,430           | 3,763            | 0                         |

### ITEM 6. EXHIBITS

| Exhibit<br>Number<br>----- | Description<br>-----  |
|----------------------------|---|
| 10.1                       | First Amendment dated July 14, 2005 to the Platinum Underwriters Holdings, Ltd. Guaranty dated December 31, 2003 between Platinum Holdings, as Guarantor, and Platinum US. (1)                  |
| 31.1                       | Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.   |
| 31.2                       | Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.  |
| 32.1                       | Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2                       | Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.      |

(1) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q, filed with the Commission on August 5, 2005.

-51-

SIGNATURES

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

PLATINUM UNDERWRITERS HOLDINGS, LTD

Date: September 21, 2005

/s/ GREGORY E.A. MORRISON

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

Date: September 21, 2005

/s/ JOSEPH F. FISHER

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

-52-