PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
May 10, 2004

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2004

or

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

Commission File Number 001-31341

PLATINUM UNDERWRITERS HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

Bermuda	98-0416483
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

The Belvedere Building 69 Pitts Bay Road Pembroke, Bermuda	HM 08
(Address of principal executive offices)	(Zip Code)

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

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

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

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

As of April 30, 2004, there were outstanding 43,278,275 common shares, par value $0.01 per share, of the Registrant.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2004

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
($ in thousands, except share data)

	(Unaudited) March 31, 2004	Dec

ASSETS		
Investments:		
Fixed maturities available-for-sale at fair value (amortized cost - $1,696,889 and $1,560,807, respectively)	$ 1,742,821	$
Fixed maturity trading securities at fair value (amortized cost - $78,975 and $95,926, respectively)	78,000	
Other invested asset	6,749	
Total investments	1,827,570	
Cash and cash equivalents	199,523	
Accrued investment income	22,805	
Reinsurance premiums receivable	643,970	
Reinsurance recoverable on ceded losses and loss adjustment expenses	5,268	
Prepaid reinsurance premiums	12,162	
Funds held by ceding companies	71,263	
Deferred acquisition costs	115,924	
Income tax recoverable	-	
Other assets	9,259	
Total assets	$ 2,907,744	$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 835,734	$
Unearned premiums	471,359	
Reinsurance deposit liabilities	19,854	
Debt obligations	137,500	
Ceded premiums payable	10,770	
Commissions payable	228,964	
Current income taxes payable	1,419	
Deferred tax liabilities	10,807	
Other liabilities	48,320	
Total liabilities	1,764,727	
Shareholders' Equity		
Preferred shares, $.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	-	
Common shares, $.01 par value, 200,000,000 shares authorized, 43,268,025 and 43,054,125 shares issued and outstanding, respectively	433	
Additional paid-in capital	915,819	
Accumulated other comprehensive income	37,918	
Retained earnings	188,847	
Total shareholders' equity	1,143,017	
Total liabilities and shareholders' equity	$ 2,907,744	$

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income (Unaudited)
For the Three Months Ended March 31, 2004 and 2003

($ in thousands, except per share data)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Revenue:		
Net premiums earned	$ 321,042	$ 238,069
Net investment income	17,484	14,203
Net realized gains on investments	452	744
Other income	511	1,150
Total revenue	339,489	254,166
Expenses:		
Losses and loss adjustment expenses	161,969	138,803
Acquisition expenses	88,921	51,719
Operating expenses	18,774	20,169
Net foreign currency exchange (gains) losses	(866)	75
Interest expense	2,306	2,468
Total expenses	271,104	213,234
Income before income tax expense	68,385	40,932
Income tax expense	13,571	10,346
Net income	$ 54,814	$ 30,586
Earnings per share:		
Basic earnings per share	$ 1.27	$ 0.71
Diluted earnings per share	$ 1.10	$ 0.66
Comprehensive income:		
Net income	$ 54,814	$ 30,586
Other comprehensive income:		
Net change in unrealized gains on available-for-sale securities, net of deferred taxes	19,173	7,647
Cumulative translation adjustments, net of deferred tax	(29)	-
Comprehensive income	$ 73,958	$ 38,233

See accompanying notes to condensed consolidated financial statements.

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PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three Months Ended March 31, 2004 and 2003

($ in thousands)

	Three Months Ended March 31, 2004	2003
Preferred shares:		
Balances at beginning and end of periods	$ -	$
Common shares:		
Balances at beginning of periods	430	4
Exercise of share options	3	
Balances at end of periods	433	4
Additional paid-in-capital:		
Balances at beginning of periods	910,505	903,7
Exercise of share options	4,810	
Stock based compensation	504	
Balances at end of periods	915,819	903,7
Accumulated other comprehensive income:		
Balances at beginning of periods	18,774	10,5
Net change in unrealized gains on available-for-sale securities, net of deferred taxes	19,173	7,6
Cumulative translation adjustments, net of deferred tax	(29)	
Balances at end of periods	37,918	18,2
Retained earnings:		
Balances at beginning of periods	137,494	6,4
Net income	54,814	30,5
Dividends paid to shareholders	(3,461)	(3,4
Balances at end of periods	188,847	33,5
Total shareholders' equity	$ 1,143,017	$ 956,0

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2004 and 2003

($ in thousands)

	Three Months En March 31, 2004	2

Operating Activities:		
Net income	$ 54,814	$
Adjustments to reconcile net income to cash used in operations:		
Depreciation and amortization	5,679	
Net realized gains on investments	(452)	
Net foreign currency exchange gains	(866)	
Stock based compensation	504	
Trading securities activities	17,520	
Changes in assets and liabilities:		
Increase in accrued investment income	(5,313)	
Increase in reinsurance premiums receivable	(156,529)	(3
Increase in funds held by ceding companies	(6,203)	
Increase in deferred acquisition costs	(36,617)	(
Increase in net unpaid losses and loss adjustment expenses	98,634	1
Increase in net unearned premiums	159,341	1
Increase in commissions payable	52,654	
Increase in income taxes payable	10,779	
Increase in deferred taxes	4,954	
Increase in reinsurance deposit liabilities	14,155	
Increase in ceded premiums payable	4,565	
Decrease in other assets and liabilities	2,961	
Cash from St. Paul related to the November 1, 2002 assumption of liabilities on reinsurance contracts becoming effective in 2002	-	1
Other net	135	
Net cash provided by operating activities	220,715	1
Investing Activities:		
Proceeds from sale of available-for-sale fixed maturities	58,006	
Proceeds from maturity or paydown of available-for-sale fixed maturities	16,164	
Acquisition of available-for-sale fixed maturities	(202,175)	(3
Net cash used in investing activities	(128,005)	(2
Financing Activities:		
Dividends paid to shareholders	(3,461)	
Proceeds from exercise of share options	4,813	
Net cash provided by (used in) financing activities	1,352	
Net increase (decrease) in cash and cash equivalents	94,062	(1
Cash and cash equivalents at beginning of period	105,461	2
Cash and cash equivalents at end of period	$ 199,523	$ 1
Supplemental disclosures of cash flow information:		
Income taxes paid	$ -	$
Interest paid	$ 2,406	$

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2004 and 2003

NOTE 1 BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Platinum Underwriters Holdings, Ltd. and its subsidiaries (the "Company"), including Platinum Re (UK) Limited, Platinum Underwriters Bermuda, Ltd., Platinum Underwriters Finance, Inc., Platinum Regency Holdings and Platinum Underwriters Reinsurance, Inc. All material inter-company transactions have been eliminated in preparing these consolidated financial statements. The amounts included in this report as of and for the three months ended March 31, 2004 and 2003 are unaudited and include those adjustments, consisting of normal recurring items, that management considers necessary for a fair presentation under U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

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

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

Stock-Based Compensation

During 2003, the Company adopted Statement of Financial Accounting Standards No. 123 "Accounting for Awards of Stock Based Compensation to Employees" ("SFAS 123") and Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 123 requires that the fair value of 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 are determined through the use of an option-pricing model. SFAS 148 amends SFAS 123 and provides transitioning guidance for a voluntary adoption of FAS 123 as well as amends the disclosure requirements of SFAS 123. Prior to the adoption of SFAS 123, the Company elected to use the intrinsic value method of accounting for stock-based awards granted to employees established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and continues to use the intrinsic method for share options granted in 2002. Under

APB 25, if the exercise price of the Company's employee share options is equal to or greater than

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

Had the Company calculated and recorded compensation expense for all share option grants based on the "fair value" method described in SFAS 123, net income and earnings per share, net of tax, would have been the pro forma amounts for the three months ended March 31, 2004 and 2003 as indicated below ($ in thousands, except per share data):

	Three Months Ended March 31,	
	2004	2003
Stock-based compensation expense:		
As reported	$ 504	$ -
Pro forma	1,758	1,633
Net income:		
As reported	$ 54,814	$ 30,586
Pro forma	53,560	28,953
Basic earnings per share:		
As reported	$ 1.27	$ 0.71
Pro forma	1.24	0.67
Diluted earnings per share:		
As reported	$ 1.10	$ 0.66
Pro forma	1.08	0.62

Reclassifications

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

NOTE 2 INVESTMENTS

Investments classified as available-for-sale are carried at fair value as of the balance sheet date. Net change in unrealized investment gains for the three months ended March 31, 2004 and 2003 were as follows ($ in thousands):

Three Months Ended
March 31,

	2004	2003
Fixed maturities	$ 23,234	$ 10,090
Less - deferred taxes	(4,061)	(2,443)
Net change in unrealized gains	$ 19,173	$ 7,647

Gross unrealized gains and losses on available-for-sale fixed maturities as of March 31, 2004 were $47,699,000 and $1,767,000, respectively. As of March 31, 2004, there were no available-for-sale fixed maturities that have been in an unrealized loss position for more than twelve months. Since March

31, 2004, interest rates have risen and, consequently, the net unrealized gains on fixed maturities have reversed.

NOTE 3 EARNINGS PER SHARE

Following is a reconciliation of the basic and diluted earnings per share computations for the three months ended March 31, 2004 and 2003 (amounts in thousands, except per share data):

	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
Three Months Ended March 31, 2004:			
Basic earnings per share:			
Income available to common shareholders	$ 54,814	43,143	$ 1.27
Effect of dilutive securities:			
Share options	-	2,759	
Equity Security Units	1,522	5,009	
Restricted Share Units	-	73	
Diluted earnings per share:			
Income available to common shareholders	$ 56,336	50,984	$ 1.10
Three Months Ended March 31, 2003:			
Basic earnings per share:			
Income available to common shareholders	$ 30,586	43,004	$ 0.71
Effect of dilutive securities:			
Share options	-	279	

Equity Security Units	1,633	5,725	
Diluted earnings per share:			
Income available to common shareholders	$ 32,219	49,008	$ 0.66

NOTE 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 and automobile liability. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. The Company focuses on providing such clients with customized solutions for their financial management needs.

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 taxes. 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 taxes for the three months ended March 31, 2004 and 2003 ($ in thousands):

	Property and Marine	Casualty	Fini
Three months ended March 31, 2004:			
Net premiums written	$ 171,294	223,965	
Net premiums earned	118,065	136,222	
Losses and LAE	48,578	94,784	
Acquisition expenses	21,752	34,836	
Other underwriting expenses	8,150	5,057	

Segment underwriting income	$ 39,585	1,545	
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	41.1%	69.6%	
Acquisition expense	18.4%	25.6%	
Other underwriting expense	6.9%	3.7%	
Combined	66.4%	98.9%	

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2004 and 2003

	Property and Marine	Casualty	Fini
Three months ended March 31, 2003:			
Net premiums written	$ 117,767	113,694	
Net premiums earned	89,932	77,726	
Losses and LAE	41,585	53,907	
Acquisition expenses	15,618	19,029	
Other underwriting expenses	10,459	4,618	
Segment underwriting income	$ 22,270	172	
Corporate expenses not allocated to segments			
Net foreign currency exchange losses			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	46.2%	69.4%	
Acquisition expense	17.4%	24.5%	
Other underwriting expense	11.6%	5.9%	
Combined	75.2%	99.8%	

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

BUSINESS OVERVIEW

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

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

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

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2004 and 2003 was $54,814,000 and $30,586,000, respectively. The increase in net income is primarily attributable to an increase in underwriting income. Underwriting income for the three months ended March 31, 2004 and 2003 was $54,348,000 and $30,333,000, respectively. The increase in underwriting income was principally the result of favorable development of prior years' losses in the Property and Marine and Finite Risk segments. Both periods were favorably impacted by the absence of any major catastrophe losses during the quarters.

Net premiums written for the three months ended March 31, 2004 and 2003 were $480,106,000 and $360,091,000, respectively. Net premiums written increased due to rate increases and the growth in business underwritten in 2003 and 2004 in the Casualty and Property and Marine segments, partially offset by a decline in the net premiums written in the Finite Risk segment.

Net premiums earned for the three months ended March 31, 2004 and 2003 were $321,042,000 and $238,069,000, respectively. Net premiums earned for the three months ended March 31, 2004

increased over the three months ended March 31, 2003 consistent with the increase in net premiums written. Net premiums earned as a percentage of net premiums written for the three months ended March 31, 2004 and 2003 were 66.9%, and 66.1%, respectively.

Net investment income for the three months ended March 31, 2004 and 2003 was $17,484,000 and $14,203,000, respectively. Net investment income increased during 2004 as invested assets increased from positive cash flow. Net investment income in the three months ended March 31, 2003 included $1,357,000 of interest received from St. Paul on balances due relating to the Quota Share Retrocession Agreements. Net realized gains on investments of $452,000 and $744,000 for the three months ended March 31, 2004 and 2003, respectively, were the result of investment sale activity to manage the credit quality and duration of the investment portfolio.

Other income for the three months ended March 31, 2004 and 2003 was $511,000 and $1,150,000, respectively. Other income included net earnings on a small number of reinsurance contracts in the Finite Risk segment accounted for as deposits. Other income in the three months ended March 31, 2004 also includes net unrealized gains relating to changes in fair value of fixed maturities classified as trading. There were no unrealized gains included in other income for the three months ended March 31, 2003.

Net foreign currency exchange gain (losses) for the three months ended March 31, 2004 and 2003 were $866,000 and ($75,000), respectively. Gains and losses result from the re-valuation into U.S. dollars of insurance liabilities and invested assets denominated in foreign currencies. The Company seeks to match its significant foreign currency denominated assets and liabilities to manage exposures to foreign currency exchange rate fluctuations.

Losses and LAE incurred for the three months ended March 31, 2004 and 2003 were $161,969,000 and $138,803,000, respectively. The increase is consistent with the increased claim exposures due to the growth in business in the three months ended March 31, 2004 over the three months ended March 31, 2003. The ratios of losses and LAE incurred to premiums earned, also referred to as loss ratios, for the three months ended March 31, 2004 and 2003 were 50.5%, and 58.3%, respectively. Losses incurred for the three months ended March 31, 2004 and 2003 were favorably impacted by the absence of catastrophe losses. Additionally, losses incurred for the three months ended March 31, 2004 included a reduction of a case loss reserve of $7,500,000 and a reduction of $9,700,000 related to the commutation of a reinsurance contract, which together represent approximately 5.4% of the 7.8% loss ratio decrease. Additionally, losses and LAE include approximately $14,200,000 of favorable development of prior years' unpaid losses and LAE in the Property and Marine segment.

Acquisition expenses for the three months ended March 31, 2004 and 2003 were $88,921,000 and $51,719,000, respectively. The increase is due primarily to the increase in net premiums earned in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting ratios of acquisition expenses to net premiums earned for the three months ended March 31, 2004 and 2003 were 27.7% and 21.7%, respectively. The increase in the ratio in 2004 over 2003 is due to profit commissions of $8,700,000 related to the commutation mentioned above, as well as additional profit commissions in the Property and

Marine segment as a result of favorable development.

Operating expenses for the three months ended March 31, 2004 and 2003 were $18,774,000 and $20,169,000, respectively, and represent costs such as salaries, rent and like items. Operating expenses include other underwriting expenses related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses for the three months ended March 31, 2003 were higher due to the additional expenses that were required to be incurred in connection with our start-up in late 2002 and the early stage of our operations.

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Interest expense for the three months ended March 31, 2004 and 2003 was $2,306,000 and $2,468,000, respectively, and is due to the Company's Equity Security Units, which are classified as debt obligations on the Company's balance sheet.

Income tax expense for the three months ended March 31, 2004 and 2003 was $13,571,000 and $10,346,000, respectively. The resulting effective tax rates were 19.8% and 25.3%, respectively. The effective tax rate in 2004 decreased as a greater portion of the Company's income before income taxes was derived from Platinum Bermuda, which pays no corporate income taxes.

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 taxes. 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 months ended March 31, 2004 and 2003 ($ in thousands):

	Property and Marine	Casualty	Finite
Three months ended March 31, 2004:			
Net premiums written	$ 171,294	223,965	8
Net premiums earned	118,065	136,222	6
Losses and LAE	48,578	94,784	1
Acquisition expenses	21,752	34,836	3
Other underwriting expenses	8,150	5,057	
Segment underwriting income	$ 39,585	1,545	1
Corporate expenses not allocated to segments			
Net foreign currency exchange gains			
Interest expense			
Other income			
Net investment income and net realized gains on investments			

Income before income tax expense			
Ratios:			
Losses and LAE	41.1%	69.6%	
Acquisition expense	18.4%	25.6%	
Other underwriting expense	6.9%	3.7%	
Combined	66.4%	98.9%	

	Property and Marine	Casualty	Finite
Three months ended March 31, 2003:			
Net premiums written	$ 117,767	113,694	12
Net premiums earned	89,932	77,726	7
Losses and LAE	41,585	53,907	4
Acquisition expenses	15,618	19,029	1
Other underwriting expenses	10,459	4,618	
Segment underwriting income	$ 22,270	172	
Corporate expenses not allocated to segments			
Net foreign currency exchange losses			
Interest expense			
Other income			
Net investment income and net realized gains on investments			
Income before income tax expense			
Ratios:			
Losses and LAE	46.2%	69.4%	
Acquisition expense	17.4%	24.5%	
Other underwriting expense	11.6%	5.9%	
Combined	75.2%	99.8%	

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 35.7% and 32.7% of the Company's net premiums written for the three months ended March 31, 2004 and 2003, respectively.

Net premiums written for the three months ended March 31, 2004 and 2003 were $171,294,000 and $117,767,000, respectively. Net premiums written increased in the three months ended March 31, 2004 over the three months ended March 31, 2003 as a result of the growth in business underwritten in both 2003 and 2004 that together generate net premiums written in 2004.

Net premiums earned for the three months ended March 31, 2004 and 2003 were $118,065,000 and $89,932,000, respectively. The increase in net premiums earned is consistent with the increase in net premiums written and normal recognition of premiums earned over the exposure periods for the business written.

Losses and LAE incurred for the three months ended March 31, 2004 and 2003 were $48,578,000 and $41,585,000, respectively. The increase is consistent with the increased claim exposures due to the growth in business in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting loss ratios for the three months ended March 31, 2004 and 2003 were 41.1% and 46.2%, respectively. Losses incurred for the three months ended March 31, 2004 and 2003 were favorably impacted by the absence of catastrophe losses. Additionally, losses and LAE incurred for the three months ended March 31, 2004 included approximately $14,200,000 of favorable development of prior years' unpaid losses and LAE. Losses and LAE incurred for the three months ended March 31, 2003 included approximately $6,200,000 of favorable development.

Acquisition expenses for the three months ended March 31, 2004 and 2003 were $21,752,000 and $15,618,000, respectively. The increase is due primarily to the increase in net premiums earned in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting ratios of acquisition expenses to net premiums earned for the three months ended March 31, 2004 and 2003 were 18.4%, and 17.4%, respectively. The increase in the acquisition ratio is due to profit commissions in 2004 related to contracts experiencing favorable development.

Other underwriting expenses for the three months ended March 31, 2004 and 2003 were $8,150,000 and $10,459,000, respectively, and represent costs such as salaries, rent and like items. Other underwriting expenses included fees of $2,406,000 and $2,822,000 for the three months ended March 31, 2004 and 2003, respectively, relating to an agreement with RenaissanceRe that provides for a periodic review of aggregate property catastrophe exposures. The resulting other underwriting expense ratios for the three months ended March 31, 2004 and 2003 were 6.9% and 11.6%, respectively. The decrease in the ratio in the three months ended March 31, 2004 over the three months ended March 31, 2003 is due primarily to the increase in net premiums earned as well as cost reductions in the Property and Marine segment.

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 and automobile liability. This segment also includes accident and health reinsurance treaties, which are predominantly reinsurance of health insurance products. This operating segment generated 46.6% and 31.6% of the Company's net premiums written for the three months ended March 31, 2004 and 2003, respectively.

Net premiums written for the three months ended March 31, 2004 and 2003 were $223,965,000 and $113,694,000, respectively. The increase in premiums written is due to rate increases and the growth in business underwritten in both 2003 and 2004 that together generate net premiums written in 2004. In response to market conditions, the Company previously increased its involvement in the directors and officers and umbrella lines of business that generate net premiums written. The Company expanded its participation with existing clients and formed new client relationships.

Net premiums earned for the three months ended March 31, 2004 and 2003 were $136,222,000 and $77,726,000, respectively. The increase in net premiums earned is consistent with the increase in premiums written and normal recognition of premiums earned over the exposure periods for the business written.

Losses and LAE incurred for the three months ended March 31, 2004 and 2003 were $94,784,000 and $53,907,000, respectively. The increase is consistent with the increased claim exposures due to the growth in business in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting loss ratios incurred for the Casualty segment for the three months ended March 31, 2004 and 2003 were 69.6% and 69.4%, respectively. Improvements in the loss ratio for the three months ended March 31, 2004 due to increased profitability of the 2003 underwriting year over the 2002 underwriting year were offset by adverse development in the U.K. Motor class of the Casualty segment.

Acquisition costs for the three months ended March 31, 2004 and 2003 were $34,836,000 and $19,029,000, respectively. The increase is due primarily to the increase in net premiums earned in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting acquisition expense ratios for the three months ended March 31, 2004 and 2003 were 25.6% and 24.5%, respectively.

Other underwriting expenses for the three months ended March 31, 2004 and 2003 were $5,057,000 and $4,618,000, respectively, and represent costs such as salaries, rent and like items. The resulting other underwriting expense ratios for the three months ended March 31, 2004 and 2003 were 3.7% and 5.9%, respectively. The decrease in the ratio in the three months ended March 31, 2004 over the three months ended March 31, 2003 is due primarily to the increase in net premiums earned.

FINITE RISK

The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. The Company focuses on providing such clients with customized solutions for their financial management needs. This operating segment generated 17.7% and 35.7% of the Company's net premiums written for the three months ended March 31, 2004 and 2003, respectively. For this segment, the Company believes it is especially important to evaluate the overall combined ratio, not its component parts of loss and expense ratios.

Net premiums written for the three months ended March 31, 2004 and 2003 were $84,847,000 and $128,630,000, respectively. The Finite Risk portfolio consists of a small number of contracts that can be large in premium size and are written on an intermittent basis. Consequently, net premiums written can be expected to vary significantly from year to year. Two significant finite quota share treaties were written in the three months ended March 31, 2003 and were not renewed in 2004.

Net premiums earned for the three months ended March 31, 2004 and 2003 were $66,755,000 and $70,411,000, respectively. Net premiums earned tend to lag net premiums written and consequently, are impacted by net premiums written in prior quarters.

Losses and LAE incurred for the three months ended March 31, 2004 and 2003 were $18,607,000 and $43,311,000, respectively. The decrease is consistent with the decreased claim exposures due to the decline in net premiums earned in the three months ended March 31, 2004 over the three months ended March 31, 2003. The loss ratios incurred for the Finite Risk segment for the three months ended March 31, 2004 and 2003 were 27.9% and 61.5%, respectively. Losses incurred for the three months ended March 31, 2004 and 2003 were favorably impacted by the absence of catastrophe losses. Additionally, losses incurred for the three months ended March 31, 2004 included a reduction of case loss reserve of $7,500,000 and a reduction of $9,700,000 related to the commutation of a reinsurance contract, which together represent approximately 25.8% of the 33.6% loss ratio decrease.

Acquisition costs for the three months ended March 31, 2004 and 2003 were $32,333,000 and $17,072,000, respectively. The increase is due primarily to the decrease in net premiums earned in the three months ended March 31, 2004 over the three months ended March 31, 2003. The resulting acquisition expense ratios for the three months ended March 31, 2004 and 2003 were 48.4% and 24.2%, respectively. The increase in the ratio in the three months ended March 31, 2004 over the three months ended March 31, 2003 is due primarily to a profit commission of $8,700,000 related to the commutation of a reinsurance contract in the three months ended March 31, 2004 mentioned above.

Other underwriting expenses for the three months ended March 31, 2004 and 2003 were $2,597,000 and $2,137,000, respectively, and represent costs such as salaries, rent and like items. The resulting other underwriting expense ratios for the three months ended March 31, 2004 and 2003 were 3.9% and 3.0%, respectively. The increase in the ratio in the three months ended March 31, 2004 over the three months ended March 31, 2003 is due primarily to the decline in net premiums earned.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

Cash and cash equivalents were $199,523,000 as of March 31, 2004. Fixed maturities were $1,820,821,000 as of March 31, 2004. The Company's fixed maturity investment portfolio is comprised entirely of publicly traded investment grade bonds. The investment portfolio, including cash and cash equivalents, had a weighted average duration of 3.5 years as of March 31, 2004. Management monitors the composition of the investment portfolio and cash flows from the portfolio to maintain liquidity necessary to meet the Company's obligations. The Company believes it has sufficient cash on hand to meet its short-term obligations and to maintain the liquidity necessary for portfolio management. All cash flow in excess of this requirement is invested in a timely manner. Since March 31, 2004, interest rates have risen and, consequently, the net unrealized gains on fixed maturities have reversed.

Certain assets and liabilities associated with underwriting have increased significantly, some of which include significant estimates. Premiums receivable, deferred acquisition costs, unpaid losses and LAE, unearned premiums and commissions payable all include significant estimates. Premiums receivable of $643,970,000 includes $594,951,000 of estimates of premiums that are earned but not reported ("EBNR"). Premiums receivable increased by approximately $156,529,000 from December 31, 2003 to March 31, 2004, of which $198,410,000 represents increases in EBNR. Unpaid losses and LAE, net of reinsurance recoverable of $830,466,000 includes $717,468,000 of estimates of losses that were incurred but not reported ("IBNR"). Unpaid losses and LAE, net of reinsurance recoverable on ceded losses and LAE, increased by approximately $98,548,000 from December 31, 2003 to March 31, 2004, of which $79,202,000 represents increases in IBNR. Commissions payable of $228,964,000 includes $203,303,000 which are estimated or contingent commissions payable.

SOURCES OF LIQUIDITY

The consolidated sources of funds of the Company consist primarily of premiums written, losses recovered from retrocessionaires, investment income and proceeds from sales and redemption of investments and actual cash and cash equivalents held by the Company. Net cash flow provided by operations for the three months ended March 31, 2004 was $220,715,000 and was used primarily to acquire additional investments. Our cash flows are derived from our premium volume and the relatively low level of claim payments we have made to date due, in part, to the start-up nature of our business and the less than expected level of catastrophe losses we have incurred during the current year.

The Company actively manages the cash and cash equivalent component of its overall investment portfolio in order to manage the overall duration of its investment portfolio and to ensure there is adequate cash on hand to meet ongoing operational requirements along with other potential liquidity requirements.

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

The Company has filed an unallocated universal shelf registration statement with the Securities and Exchange Commission ("SEC"), which the SEC declared effective on April 5, 2004. The securities registered under the shelf registration statement for possible future sales include up to $750,000,000 of

common shares, preferred shares and various types of debt securities. The registration statement also includes common shares held by St. Paul and RenaissanceRe and common shares issuable upon exercise of options owned by St. Paul and RenaissanceRe. The common shares held by and issuable upon exercise of options by St. Paul and RenaissanceRe account for $586,381,900 of the $750,000,000 of securities registered under the shelf registration statement, with the remaining $163,618,100 available for securities offerings by the Company. To effect any such sales from time to time, Platinum Holdings will file one or more supplements to the registration statement, which will provide details of any proposed offering or sale.

LIQUIDITY REQUIREMENTS

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

Platinum UK and Platinum Bermuda are not licensed, approved or accredited as reinsurers anywhere in the United States and therefore, under the terms of most of their contracts with United States ceding companies, they are required to provide security to these ceding companies for unpaid ceded liabilities in a form acceptable to state insurance commissioners. Typically, this type of security takes the form of a letter of credit issued by an acceptable bank, the establishment of a trust, or a cash advance. Platinum UK and Platinum Bermuda expect to obtain letters of credit through commercial banks and may be required to provide the banks a security interest in certain of Platinum UK's and Platinum Bermuda's investments.

The payment of dividends and other distributions from the Company's regulated reinsurance subsidiaries is limited by applicable laws and statutory requirements of the jurisdictions in which the subsidiaries operate, including Bermuda, the United States and the United Kingdom. Based on the regulatory restrictions of the applicable jurisdictions, the maximum amount available for payment of dividends or other distributions by the reinsurance subsidiaries of the Company in 2004 without prior regulatory approval is estimated to be $139,190,000.

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

ECONOMIC CONDITIONS

Periods of moderate economic recession or inflation tend not to have a significant direct effect on the Company's underwriting operations. Significant inflationary or recessionary periods can, however, impact the Company's underwriting operations and investment portfolio. Management considers the potential impact of economic trends in estimating its unpaid losses and LAE. Management believes that the underwriting controls it maintains assist in estimating ultimate claim costs and lessen the potential adverse impact of the economy on the Company.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

It is important to understand the Company's accounting policies in order to understand its financial position and results of operations. Management considers certain of these policies to be critical to the presentation of the financial results since they require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the financial reporting date and throughout the relevant periods. Certain of the estimates and assumptions result from judgments that can be subjective and complex, and consequently actual results may differ from these estimates. The Company's most critical accounting policies involve written and unearned premium, unpaid losses and LAE, reinsurance, investments, income taxes and stock-based compensation. The critical accounting policies discussed herein are discussed in more detail in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

PREMIUMS

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

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

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

Reinstatement premiums and additional premiums are recognized in accordance with the provisions of assumed reinsurance contracts, based on losses recorded under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment by the reinsurer of losses. These premiums relate to the future coverage obtained during the remainder of the initial policy term and are earned over the remaining policy term. Additional 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.

UNPAID LOSSES AND LAE

The most significant judgment made by management in the preparation of financial statements is the estimation of unpaid losses and LAE liabilities also referred to as "loss reserves." These liabilities are

balance sheet estimates of future amounts required to pay losses and LAE for reinsured claims which have occurred at or before the balance sheet date. Every quarter, the Company's actuaries prepare estimates of 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. Company management reviews these estimates and determines its best estimate of the liabilities to record in the Company's financial statements.

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

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

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

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

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

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

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

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

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

REINSURANCE

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

INVESTMENTS

In accordance with our investment guidelines, our investments consist largely of high-grade marketable fixed income securities. Fixed maturities 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 are classified as trading securities and reported at fair value, with unrealized gains and losses included in other income. Securities classified as trading securities are generally foreign currency denominated securities intended to match foreign currency denominated assets and liabilities in order to minimize net exposures arising from fluctuations in foreign currency exchange rates. Realized gains and losses on sales of investments are determined on a specific identification basis. In addition, unrealized depreciation in the value of individual securities considered by management to be other than temporary is charged to income in the period it is determined. Investment income is recorded when earned and includes the amortization of premiums and discounts on investments.

INCOME TAXES

Platinum Holdings and Platinum Bermuda are domiciled in Bermuda. 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.

STOCK-BASED COMPENSATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET AND CREDIT RISK

The Company's principal invested assets are fixed maturities, which are subject to the risk of potential losses from adverse changes in market rates and prices and credit risk resulting from adverse changes in the borrower's ability to meet its debt service obligations. The Company's strategy to limit this risk is to place its investments in high quality credit issues and to limit the amount of credit exposure with respect to any one issuer or industry. The Company also selects investments with characteristics such as duration, yield, currency and liquidity to reflect the underlying characteristics of related estimated claim liabilities. The Company attempts to minimize the credit risk by actively monitoring the portfolio and requiring a minimum average credit rating of A2 as defined by Moody's Investor Service. As of March 31, 2004, the portfolio has a dollar weighted average rating of Aa3.

The Company has other receivable amounts subject to credit risk. The most significant of these are reinsurance premiums receivable from ceding companies and losses recoverable from retrocessionaires. To mitigate credit risk related to losses recoverable from retrocessionaires, we establish business and financial standards for retrocessionaire approval, incorporate ratings by major rating agencies, consider current market information, and obtain letters of credit or other forms of security where deemed necessary. To mitigate credit risk related to premium receivables, we have established

standards for ceding companies and, in most cases, have a contractual right of offset thereby allowing the Company to settle claims net of any premium receivable.

INTEREST RATE RISK

The Company is exposed to fluctuations in interest rates. Movements in rates can result in changes in the market value of our fixed income portfolio and can cause changes in the actual timing of when we expect to receive certain principal payments. Rising interest rates result in a decline in the market value of our fixed income portfolio and can expose our portfolio, in particular our mortgage backed securities, to extension risk. Conversely, a decline in interest rates will result in a rise in the market value of our fixed income portfolio and can expose our portfolio, in particular our mortgage backed securities, to prepayment risk. The aggregate hypothetical impact on our fixed income portfolio, generated from an immediate parallel shift in the treasury yield curve, as of March 31, 2004 is approximately as follows ($ in thousands):

	Interest Rate Shift in Basis Points			
	- 100 bp	- 50 bp	Current	+ 50 bp
Total market value	$ 1,884,632	1,852,736	1,820,821	1,788,53
Percent change in market value	3.5%	1.8%	-	(1.
Resulting unrealized appreciation / (depreciation)	$ 109,743	77,847	45,932	13,64

FOREIGN CURRENCY RISK

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

SOURCES OF FAIR VALUE

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of March 31, 2004 ($ in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Fixed maturities	$1,820,821	$1,820,821
Other invested asset	6,749	6,749
Financial liabilities:		
Debt obligations	$ 137,500	$ 178,750

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

CURRENT OUTLOOK

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

We believe that the additional capacity provided to the reinsurance market subsequent to September 11, 2001, as well as light catastrophe losses in 2002 and 2003 have begun to cause pricing in the property catastrophe market to decrease. Decreases to date have been modest and we believe that rates remain at attractive levels. Significant time and effort has been invested in developing sophisticated catastrophe modeling tools that assist us in identifying profitable business opportunities. We believe we can improve the risk/reward relationship in our portfolio and grow the Property and Marine segment while managing our catastrophe exposure risk within acceptable levels.

We believe that the Finite Risk segment has performed exceptionally well in 2003. Profitability was favorably influenced by a relatively low level of current losses and contractual terms and conditions that provided for greater profit opportunity as a result of significant losses incurred in prior periods by St. Paul Re. We believe opportunities to write finite contracts will remain though the terms and conditions of the contracts will not allow the same profit opportunity as we move farther away from the adverse loss experience of St. Paul Re.

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

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic reports to be filed with the Securities and Exchange Commission. In addition, there have been no significant changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are subject to

change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us.

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

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

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

(2) conducting operations in a competitive environment;

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

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

(5) the effectiveness of our loss limitation methods;

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

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

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

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

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

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

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

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	Description
10.1*	Annual Incentive Plan.
10.2*	Executive Incentive Plan.
10.3*	2002 Share Incentive Plan
10.4*	Section 162(m) Performance Incentive Plan
10.5*	Amendment dated March 12, 2004, to the Employment

	Agreement dated July 5, 2002, between Michael E. Lombardozzi and Platinum Holdings.
10.6*	Amendment dated March 12, 2004, to the Employment Agreement dated July 3, 2002, between William A. Robbie and Platinum Holdings.
10.7*	Amendment dated March 12, 2004, to the Consulting Agreement dated March 1, 2002, between SHN Enterprises, Inc. and Platinum US.
10.8	Excess of Loss Retrocession Agreement dated as of April 15, 2004 between Platinum UK and Platinum US.
10.9	Registration Rights Demand Letter dated March 22, 2004 between St. Paul and Platinum Holdings.
10.10	Reimbursement Letter Agreement dated March 25, 2004 between St. Paul and Platinum Holdings.
10.11	Novation and Transfer Agreement for the Property Catastrophe Excess of Loss Reinsurance Agreement, dated February 19, 2004, among Platinum US, St. Paul Fire and Marine Insurance Company and Germantown Mutual Insurance Company, effective as of January 1, 2003.
10.12	Novation and Transfer Agreement for the Workers' Compensation and Employer's Liability Excess of Loss Reinsurance Agreement, dated February 19, 2004, among Platinum US, St. Paul Fire and Marine Insurance Company and Germantown Mutual Insurance Company, effective as of January 1, 2003.
10.13	Novation and Transfer Agreement for the Property Per Risk Excess of Loss Reinsurance Agreement, dated February 19, 2004, among Platinum US, St. Paul Fire and Marine Insurance Company and Germantown Mutual Insurance Company, effective as of January 1, 2003.

Exhibit Number	Description
10.14	Novation and Transfer Agreement for the Casualty Excess of Loss Reinsurance Agreement, dated February 19, 2004, among Platinum US, St. Paul Fire and Marine Insurance Company and Germantown Mutual Insurance Company, effective as of January 1, 2003.
10.15	Property Catastrophe Excess of Loss Reinsurance Contract dated September 10, 2003 between the Glencoe Group of Companies and Platinum US (15% participation).
10.16	Property Catastrophe Excess of Loss Reinsurance Contract dated September 10, 2003 between the Glencoe Group of Companies and Platinum US (5% participation).
10.17	Addendum No. 1 effective January 1, 2004, to the Security Agreement dated as of November 26, 2002, between Platinum

Bermuda and Platinum UK.

10.18	Quota Share Retrocession Agreement dated as of March 27, 2003 between Platinum UK and Platinum Bermuda.
10.19	Addendum No. 1 effective April 1, 2003, to the Quota Share Retrocession Agreement dated as of March 27, 2003, between Platinum UK and Platinum Bermuda.
10.20	Addendum No. 2 effective March 27, 2003, to the Quota Share Retrocession Agreement dated as of March 27, 2003, between Platinum UK and Platinum Bermuda.
10.21*	Executive Retirement Savings Plan.
10.22*	Executive Bonus Deferral Plan of Platinum Holdings. (The Executive Bonus Deferral Plans of Platinum Bermuda and Platinum US are omitted pursuant to Instruction 2 of Item 601 of Regulation S-K.)
31.1	Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of William A. Robbie, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of William A. Robbie, 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.

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* Items denoted with an asterik represent management contracts or compensatory plans or arrangements

(b) Reports on Form 8-K

On February 12, 2004, Platinum Holdings filed with the SEC a report on Form 8-K containing a press release, issued on February 11, 2004, reporting its financial results as of and for the fourth quarter and year ended December 31, 2003.

On February 17, 2004, Platinum Holdings filed with the SEC a report on Form 8-K containing slides utilized in presentations to analysts and investors.

SIGNATURES

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

PLATINUM UNDERWRITERS HOLDINGS, LTD

Date: May 7, 2004 /s/ GREGORY E. A. MORRISON

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

Date: May 7, 2004 /s/ WILLIAM A. ROBBIE

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