PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
August 06, 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 June 30, 2004

or

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

Commission File Number 001-31341

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

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

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

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

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

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

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

As of July 31, 2004, there were outstanding 43,280,525 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 JUNE 30, 2004

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Consolidated Balance Sheets as of June 30, 2004 (Unaudited) and December 31, 2003..

Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2004 and 2003 (Unaudited)..

Consolidated Statements of Changes in Shareholders' Equity for the Six Months Ended June 30, 2004 and 2003 (Unaudited)...

Consolidated Statement of Cash Flows for the Six Months Ended June 30, 2004 and 2003 (Unaudited)..

Notes to Condensed Consolidated Financial Statements (Unaudited) for the Three and Six Months Ended June 30, 2004 and 2003...

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations fo the Three and Six Months Ended June 30, 2004 and 2003................................

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

Item 4. Controls and Procedures..

PART II - OTHER INFORMATION

Item 1. Legal Proceedings..

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

Item 6. Exhibits and Reports on Form 8-K...

(a) Exhibits...

(b) Reports on Form 8-K..

SIGNATURES...

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
($ in thousands, except share data)

	(Unaudited) June 30, 2004	Dece
ASSETS		
Investments:		
Fixed maturities available-for-sale at fair value (amortized cost - $1,942,620 and $1,560,807, respectively)	$ 1,924,185	$ 1,
Fixed maturity trading securities at fair value (amortized cost - $52,792 and $95,926, respectively)	51,091	
Other invested asset	6,886	
Total investments	1,982,162	1,

Cash and cash equivalents	172,227	
Accrued investment income	20,707	
Reinsurance premiums receivable	549,732	
Reinsurance recoverable on ceded losses and loss adjustment expenses	4,066	
Prepaid reinsurance premiums	6,673	
Funds held by ceding companies	81,262	
Deferred acquisition costs	122,146	
Income tax recoverable	-	
Deferred tax assets	7,829	
Other assets	11,226	
Total assets	$ 2,958,030	$ 2,
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 896,449	$
Unearned premiums	483,773	
Reinsurance deposit liabilities	19,913	
Debt obligations	137,500	
Ceded premiums payable	5,365	
Commissions payable	207,306	
Deferred taxes	6,572	
Other liabilities	63,460	
Total liabilities	1,820,338	1,
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, 43,278,525 and 43,054,125 shares issued and outstanding, respectively	433	
Additional paid-in capital	916,638	
Accumulated other comprehensive income (loss)	(14,561)	
Retained earnings	235,182	
Total shareholders' equity	1,137,692	1,
Total liabilities and shareholders' equity	$ 2,958,030	$ 2,

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 and Six Months Ended June 30, 2004 and 2003
($ in thousands, except per share data)

	Three Months Ended June 30,		Six Mo Ju
	2004	2003	2004
Revenue:			
Net premiums earned	$ 310,867	279,376	631,909
Net investment income	19,377	13,431	36,861

Net realized gains (losses) on investments	(1,279)	519	(827)
Other income	605	2,749	1,116
Total revenue	329,570	296,075	669,059
Expenses:			
Losses and loss adjustment expenses	189,466	156,801	351,435
Acquisition expenses	62,694	60,376	151,615
Operating expenses	19,262	32,995	38,036
Net foreign currency exchange losses	1,168	4,736	302
Interest expense	2,324	2,238	4,630
Total expenses	274,914	257,146	546,018
Income before income taxes	54,656	38,929	123,041
Income taxes	4,857	12,324	18,428
Net income	$ 49,799	26,605	104,613
Earnings per share:			
Basic earnings per share	$ 1.15	0.62	2.42
Diluted earnings per share	$ 1.01	0.57	2.12
Comprehensive income (loss):			
Net income	$ 49,799	26,605	104,613
Other comprehensive income:			
Net change in unrealized gains (losses) on available-for-sale securities, net of deferred taxes	(52,356)	20,345	(33,183)
Cumulative translation adjustments, net of deferred taxes	(123)	-	(152)
Comprehensive income (loss)	$ (2,680)	46,950	71,278
Shareholder dividends:			
Dividends declared	$ 3,464	3,440	6,925
Dividends declared per share	$ 0.08	0.08	0.16

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Six Months Ended June 30, 2004 and 2003
($ in thousands)

	Six Months Ended Ju	
	2004	2
Preferred shares:		
Balances at beginning and end of period	$ -	$
Common shares:		

Balances at beginning of period	430	
Exercise of share options	3	
Balances at end of period	433	
Additional paid-in-capital:		
Balances at beginning of period	910,505	
Exercise of share options	5,046	
Share based compensation	1,087	
Balances at end of period	916,638	
Accumulated other comprehensive income (loss):		
Balances at beginning of period	18,774	
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	(33,183)	
Net change in cumulative translation adjustments, net of deferred tax	(152)	
Balances at end of period	(14,561)	
Retained earnings:		
Balances at beginning of period	137,494	
Net income	104,613	
Dividends paid to shareholders	(6,925)	
Balances at end of period	235,182	
Total shareholders' equity	$ 1,137,692	$ 1,

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Consolidated Statement of Cash Flows (Unaudited)
For the Six Months Ended June 30, 2004 and 2003
($ in thousands)

	Six Months Ended J	
	2004	
Operating Activities:		
Net income	$ 104,613	$
Adjustments to reconcile net income to cash used in operations:		
Depreciation and amortization	10,551	
Net realized gains (losses) on investments	827	
Net foreign currency exchange losses	302	
Share based compensation	1,087	
Trading securities activities	41,978	
Changes in assets and liabilities:		
Increase in accrued investment income	(3,215)	

Increase in reinsurance premiums receivable	(62,291)	(4
Decrease in amounts receivable from St. Paul	-	
(Increase) decrease in funds held by ceding companies	(16,202)	
Increase in deferred acquisition costs	(42,839)	(
Increase in net unpaid losses and loss adjustment expenses	161,108	2
Increase in net unearned premiums	177,244	1
Increase in commissions payable	30,996	1
Increase in income taxes payable	10,800	
Increase (decrease) in deferred taxes	4,902	(
Increase (decrease) in reinsurance deposit liabilities	14,214	(
Increase (decrease) in ceded premiums payable	(840)	
Increase (decrease) in other assets and liabilities	4,328	
Cash from St. Paul related to the November 1, 2002 assumption of liabilities on reinsurance contracts becoming effective in 2002	-	1
Other net	(621)	
Net cash provided by operating activities	436,942	2
Investing Activities:		
Proceeds from sale of available-for-sale fixed maturities	190,589	2
Proceeds from maturity or paydown of available-for-sale fixed maturities	43,927	
Acquisition of available-for-sale fixed maturities	(602,816)	(7
Net cash used in investing activities	(368,300)	(4
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	66,766	(1
Cash and cash equivalents at beginning of period	105,461	2
Cash and cash equivalents at end of period	$ 172,227	$ 1
Supplemental disclosures of cash flow information:		
Income taxes paid	$ 4,799	$
Interest paid	$ 3,729	$

See accompanying notes to condensed consolidated financial statements.

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended June 30, 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 Reinsurance, Inc., Platinum Underwriters Finance, Inc., Platinum Regency Holdings, and Platinum Administrative Services, Inc. All material inter-company transactions have been eliminated in preparing these consolidated financial statements. The condensed consolidated financial statements included in this report as of and for the three and six months ended June 30, 2004 and 2003 are unaudited and include those adjustments, consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

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

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

Share Based Compensation

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

granted in 2002. Under APB 25, if the exercise price of the Company's employee share options is equal to or greater than the fair market value of the underlying shares on the date of the grant, no compensation expense is recorded.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Share based compensation expense:				
As reported	$ 583	4,339	1,087	$ 4,339
Pro forma	1,587	9,841	3,345	11,474
Net income:				
As reported	49,799	26,605	104,613	57,191
Pro forma	48,795	21,103	102,355	50,056
Basic earnings per share:				
As reported	1.15	0.62	2.42	1.33
Pro forma	1.11	0.49	2.40	1.16
Diluted earnings per share:				
As reported	1.01	0.57	2.12	1.23
Pro forma	$ 0.98	0.46	2.10	$ 1.09

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 six months ended June 30, 2004 and 2003 were as follows ($ in thousands):

	Six Months Ended June 30,	
	2004	2003
Fixed maturities	$(41,134)	$ 36,567
Less - deferred taxes	7,951	(8,575)
Net change in unrealized gains (losses)	$(33,183)	$ 27,992

Gross unrealized gains and losses on available-for-sale fixed maturities as of June 30, 2004 were $8,060,000 and $26,496,000, respectively. The unrealized losses of fixed maturities available-for-sale are aggregated by investment category and length of time that individual securities have been in a continous

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Six Months Ended June 30, 2004 and 2003

unrealized loss position are as follows:

	Fair Value	Unrealized Loss
Less than twelve months:		
U.S. Government and U.S. Government agencies	$ 37,107	$ 554
Corporate bonds	653,762	13,936
Mortgage and asset backed securities	203,119	3,800
Municipal bonds	195,792	3,544
Foreign governments and states	109,562	2,541
Total	1,199,342	24,375
Twelve months or more:		
U.S. Government and U.S. Government agencies	26,387	891
Corporate bonds	11,400	712
Redeemable preferred stocks	3,232	518
Total	41,019	2,121
Total unrealized losses:		
U.S. Government and U.S. Government agencies	63,494	1,445
Corporate bonds	665,162	14,648
Mortgage and asset backed securities	203,119	3,800
Municipal bonds	195,792	3,544
Foreign governments and states	109,562	2,541
Redeemable preferred stocks	3,232	518
Total	$1,240,361	$26,496

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

NOTE 3 EARNINGS PER SHARE

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

	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
Three Months Ended June 30, 2004:			
Basic earnings per share:			
Income available to common shareholders	$ 49,799	43,290	$ 1.15
Effect of dilutive securities:			
Share options	-	2,416	
Interest expense related to Equity Security Units	1,530	-	
Common share conversion of Equity Security Units	-	5,009	
Restricted Share Units	-	73	
Diluted earnings per share:			
Income available to common shareholders	$ 51,329	50,788	$ 1.01
Three Months Ended June 30, 2003:			
Basic earnings per share:			
Income available to common shareholders	$ 26,605	43,004	$ 0.62
Effect of dilutive securities:			
Share options	-	659	
Interest expense related to Equity Security Units	1,481	-	
Common share conversion of Equity Security Units	-	5,208	
Diluted earnings per share:			
Income available to common shareholders	$ 28,086	48,871	$ 0.57
Six Months Ended June 30, 2004:			
Basic earnings per share:			
Income available to common shareholders	$ 104,613	43,216	2.42
Effect of dilutive securities:			
Share options	-	2,575	
Interest expense related to Equity Security Units	3,052	-	
Common share conversion of Equity Security Units	-	5,009	
Restricted Share Units	-	41	
Diluted earnings per share:			
Income available to common shareholders	$ 107,665	50,841	$ 2.12

	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
Six Months Ended June 30, 2003:			
Basic earnings per share:			
Income available to common shareholders	$ 57,191	43,004	$ 1.33
Effect of dilutive securities:			
Share options	-	478	
Interest expense related to Equity Security Units	3,114	-	
Common share conversion of Equity Security Units	-	5,450	
Diluted earnings per share:			
Income available to common shareholders	$ 60,305	48,932	$ 1.23

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, 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 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 and six months ended June 30, 2004 and 2003 ($ in thousands):

	Property and Marine	Casualty	Finit

Three months ended June 30, 2004:			
Net premiums written	$ 101,841	112,761	115
Net premiums earned	99,928	132,230	78
Losses and LAE	40,974	93,391	55
Acquisition expenses	14,905	31,994	15
Other underwriting expenses	7,174	5,305	2
Segment underwriting income	$ 36,875	1,540	5
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 taxes			
Ratios:			
Losses and LAE	41.0%	70.6%	
Acquisition expense	14.9%	24.2%	
Other underwriting expense	7.2%	4.0%	
Combined	63.1%	98.8%	
Three months ended June 30, 2003:			
Net premiums written	$ 83,487	132,320	91
Net premiums earned	94,006	105,951	79
Losses and LAE	52,469	74,530	29
Acquisition expenses	13,186	26,449	20
Other underwriting expenses	10,372	4,542	4
Segment underwriting income	$ 17,979	430	24
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 taxes			
Ratios:			
Losses and LAE	55.8%	70.3%	
Acquisition expense	14.0%	25.0%	
Other underwriting expense	11.0%	4.3%	
Combined	80.8%	99.6%	

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Six Months Ended June 30, 2004 and 2003

	Property and Marine	Casualty	Finit
Six months ended June 30, 2004:			
Net premiums written	$ 273,135	336,726	200
Net premiums earned	217,993	268,452	145
Losses and LAE	89,552	188,175	73
Acquisition expenses	36,657	66,830	48
Other underwriting expenses	15,324	10,362	5
Segment underwriting income	$ 76,460	3,085	18
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 taxes			
Ratios:			
Losses and LAE	41.1%	70.1%	
Acquisition expense	16.8%	24.9%	
Other underwriting expense	7.0%	3.9%	
Combined	64.9%	98.9%	
Six months ended June 30, 2003:			
Net premiums written	$ 201,255	246,014	220
Net premiums earned	183,939	183,677	149
Losses and LAE	94,055	128,437	73
Acquisition expenses	28,804	45,478	37
Other underwriting expenses	20,831	9,160	6
Segment underwriting income	$ 40,249	602	32
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 taxes			
Ratios:			
Losses and LAE	51.1%	69.9%	
Acquisition expense	15.7%	24.8%	
Other underwriting expense	11.3%	5.0%	

Combined	78.1%	99.7%	

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited), continued
For the Three and Six Months Ended June 30, 2004 and 2003

NOTE 5 SHELF REGISTRATION STATEMENT AND SALE OF COMMON SHARES BY ST. PAUL

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

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

BUSINESS OVERVIEW

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

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

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

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

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

- 13 -

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

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

RESULTS OF OPERATIONS

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

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

	Three Months Ended June 30, 2004	2003	Increase (decrease)
Net income	$ 49,799	26,605	$ 23,194

The 87% increase in net income in 2004 as compared with 2003 is primarily attributable to an increase in investment income of $5,946,000, a charge for $9,400,000 in 2003 for the payment to and share option expense of the Company's former chief executive, a decline in foreign currency exchange losses of $3,568,000 and a reduction in the effective income tax rate in 2004 as Platinum Bermuda provides an increasing proportion of income before income taxes.

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

	Three Months Ended June 30, 2004	2003	Increase (decrease)
Net premiums written	$ 330,527	307,243	$ 23,284
Net premiums earned	$ 310,867	279,376	$ 31,491

The increase in net premiums written in 2004 as compared with 2003 is primarily in the Property and Marine segment. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the three months ended June 30, 2004 and 2003 was $19,377,000 and $13,431,000, respectively. Net investment income increased in 2004 primarily due to increased invested assets attributable to positive cash flow from operations, exclusive of trading securities activities, of $191,769,000 during 2004. Net investment income for the three months ended June 30, 2003 included $1,357,000 of interest received from St. Paul on balances due relating to the Quota Share Retrocession Agreements. Net realized gains (losses) on investments of ($1,279,000) and $519,000 for the three

months ended June 30, 2004 and 2003, respectively, were the result of investment sale activity to manage the credit quality and duration of the investment portfolio and to increase investments in municipal bonds.

Other income for the three months ended June 30, 2004 and 2003 was $ 605,000 and $2,749,000, respectively. Other income includes 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 June 30, 2004 also includes $727,000 of net unrealized losses relating to changes in the fair value of approximately $51 million of fixed maturities classified as trading at June 30, 2004 and a gain of $1,000,000 on the sale of assets. There were no fixed maturities classified as trading and no unrealized gains or losses included in other income for the three months ended June 30, 2003.

Net foreign currency exchange losses for the three months ended June 30, 2004 and 2003 were $1,168,000 and $4,736,000, respectively. Foreign currency exchange gains and losses result from the re-valuation into U.S. dollars of insurance related assets and liabilities as well as invested assets denominated in foreign currencies. The principal foreign currencies re-valued into U.S. dollars are the British pound and Euros. The decrease in net foreign currency exchange losses in 2004 as compared with 2003 is due to less fluctuation of the foreign currency exchange rates in 2004 as compared with 2003 as well as efforts to better manage exposures to foreign currency exchange rate fluctuations by holding invested assets denominated in the foreign currencies in which the related net insurance assets and liabilities are denominated.

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Losses and LAE	$ 189,466	156,801	$ 32,665
Losses and LAE ratio	60.9%	56.1%	4.8 points

The increase in losses and LAE in 2004 as compared with 2003 is consistent with the growth in business in the Casualty segment in 2004 and favorable development in the Finite Risk segment in 2003, partially offset by the absence of catastrophe losses in the Property and Marine segment in 2004. The increase in the loss and LAE ratio in 2004 as compared with 2003 is due primarily to favorable development during the three months ended June 30, 2003 related to the 2002 underwriting year, principally in the Finite Risk segment.

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Acquisition expenses	$ 62,694	60,376	$ 2,318
Acquisition expense ratio	20.2%	21.6%	(1.4) points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The decrease in the acquisition expense ratio is primarily related to lower commissions in the Finite Risk segment, which may fluctuate depending upon profit commissions. Profit commissions have an inverse relationship to the level of losses. The acquisition expense ratio is also impacted by the mix of business and terms and conditions on various contracts.

Operating expenses for the three months ended June 30, 2004 and 2003 were $19,262,000 and $32,995,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses for the three months ended June 30, 2003 include a charge of $9.4 million for the payment to and share option expense of the Company's former chief executive as well as various start-up costs that are not recurring in 2004.

Interest expense for the three months ended June 30, 2004 and 2003 was $2,324,000 and $2,238,000, respectively, and relates to the Company's Equity Security Units, which are classified as debt obligations on the Company's balance sheet.

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Income taxes	$ 4,857	12,324	$ (7,467)
Effective income tax rate	8.9%	31.7%	(22.8) points

The decrease in the effective income tax rate in 2004 as compared with 2003 is the result of Platinum Bermuda providing an increasing proportion of income before income taxes. During the three months ended June 30, 2004, management revised its estimate of the annual effective tax rate for 2004 to 15%, resulting in an effective tax rate of 8.9% for the three months ended June 30, 2004. Additionally, the effective tax rate for the three months ended June 30, 2003 reflects expenses related to the payment to and share option expense of the Company's former chief executive that were incurred by Platinum Holdings without tax benefit thereby increasing the 2003 effective tax rate.

Six Months Ended June 30, 2004 as Compared with the Six Months Ended June 30, 2003

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

	Six Months Ended June 30,		Increase
	2004	2003	(decrease)
Net income	$ 104,613	57,191	$ 47,422

The 83% increase in net income in 2004 as compared with 2003 is principally due to the following: the increase in underwriting income of $25 million, the increase in investment income of $9.2 million, a charge for $9.4 million in 2003 for the payment to and share option expense of the Company's former chief executive, a decline in foreign currency exchange losses of $4.5 million and a reduction in the effective income tax rate in 2004 as Platinum Bermuda provides an increasing proportion of income before income taxes.

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

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Increase (decrease)
Net premiums written	$ 810,633	667,335	$ 143,298
Net premiums earned	$ 631,909	517,446	$ 114,463

The increase in net premiums written in 2004 as compared with 2003 is due to increases in the Property and Marine and Casualty segments, partially offset by a decrease in the Finite Risk segment. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net investment income for the six months ended June 30, 2004 and 2003 was $36,861,000 and $27,634,000, respectively. Net investment income increased during 2004 primarily due to increased invested assets attributable to positive cash flow from operations, excluding trading securities activities, of $394,964,000 during 2004. Net investment income for the six months ended June 30, 2003 included $1,357,000 of interest received from St. Paul on balances due relating to the Quota Share Retrocession Agreements. Net realized gains (losses) on investments of ($827,000) and $1,263,000 for the six months ended June 30, 2004 and 2003, respectively, were the result of investment sale activity to manage the credit quality and duration of the investment portfolio and to increase investments in municipal bonds.

Other income for the six months ended June 30, 2004 and 2003 was $1,116,000 and $3,900,000, respectively. Other income for the six months ended June 30, 2004 includes $409,000 of net unrealized losses relating to changes in fair value of 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. There were no fixed maturities classified as trading or unrealized gains or losses included in other income for the six months ended June 30, 2003. Other income for the six months ended June 30, 2003 represents earnings on reinsurance contracts accounted for as deposits. Earnings on reinsurance contracts accounted for as deposits decreased in 2004 as compared with 2003 due to lower margin reinsurance contracts accounted for as deposits.

Net foreign currency exchange losses for the six months ended June 30, 2004 and 2003 were $302,000 and $4,812,000, respectively. Gains and losses result from the re-valuation into U.S. dollars of insurance related assets and liabilities as well as invested assets denominated in foreign currencies. The decrease in net foreign currency exchange losses is due to efforts to better manage exposures to foreign currency exchange rate fluctuations by holding invested assets denominated in the foreign currencies in which the related net insurance assets and liabilities are denominated.

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

	Six Months Ended June 30, 2004	2003	Increase (decrease)
Losses and LAE	$ 351,435	295,605	$ 55,830
Losses and LAE ratio	55.6%	57.1%	(1.5) points

The increase in losses and LAE in 2004 as compared with 2003 is consistent with the growth in business in the Casualty segment offset by the absence of catastrophe losses in the Property and Marine segment in 2004. The decrease in the loss ratio in 2004 as compared with 2003 is due primarily to the absence of catastrophe losses in 2004.

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

	Six Months Ended June 30, 2004	2003	Increase (decrease)
Acquisition expenses	$ 151,615	112,095	$ 39,520
Acquisition expense ratio	24.0%	21.7%	2.3 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business in the Property and Marine and Casualty segments as well as an increase in profit commissions in the Finite Risk segment. The increase in the acquisition expense ratio in 2004 as compared with 2003 is primarily due to an increase in profit commissions in the Finite Risk segment. The increased profit commissions in Finite Risk contracts are the direct result of favorable loss development experienced in 2004.

Operating expenses for the six months ended June 30, 2004 and 2003 were $38,036,000 and $53,164,000, respectively. Operating expenses include costs such as salaries, rent and like items related to reinsurance operations as well as costs associated with Platinum Holdings. Operating expenses in 2003 include a charge for $9.4 million for the payment to and share option expense of the Company's former chief executive as well as various start-up costs that are not recurring in 2004.

Interest expense for the six months ended June 30, 2004 and 2003 was $4,630,000 and $4,706,000, respectively, and relates to the Company's Equity Security Units, which are classified as debt obligations on the Company's balance sheet.

Income taxes and the effective income tax rate for the six months ended June 30, 2004 and 2003 were as follows ($ in thousands):

Six Months Ended June 30, 2004	2003	Increase (decrease)

Income taxes	$ 18,428	22,670	$ (4,242)
Effective income tax rate	15.0%	28.4%	(13.4) points

The decrease in the effective income tax rate in 2004 as compared with 2003 is the result of Platinum Bermuda providing an increasing proportion of income before income taxes Additionally, the effective tax rate in 2003 reflects expenses related to the payment to and share option expense of the Company's former chief executive that were incurred by Platinum Holdings without tax benefit thereby increasing the 2003 effective tax rate.

SEGMENT INFORMATION

The Company conducts its worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. In managing the Company's operating segments, management uses measures such as underwriting income and underwriting ratios to evaluate segment performance. Management does not allocate by segment its assets or certain income and expenses such as investment income, interest expense and certain corporate expenses. Segment underwriting income is reconciled to income before income 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 and six months ended June 30, 2004 and 2003 ($ in thousands):

	Property and Marine	Casualty	Finit
Three months ended June 30, 2004:			
Net premiums written	$ 101,841	112,761	115
Net premiums earned	99,928	132,230	78
Losses and LAE	40,974	93,391	55
Acquisition expenses	14,905	31,994	15
Other underwriting expenses	7,174	5,305	2
Segment underwriting income	$ 36,875	1,540	5
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 taxes			
Ratios:			
Losses and LAE	41.0%	70.6%	
Acquisition expense	14.9%	24.2%	
Other underwriting expense	7.2%	4.0%	

Combined	63.1%	98.8%	
Three months ended June 30, 2003:			
Net premiums written	$ 83,487	132,320	91
Net premiums earned	94,006	105,951	79
Losses and LAE	52,469	74,530	29
Acquisition expenses	13,186	26,449	20
Other underwriting expenses	10,372	4,542	4
Segment underwriting income	$ 17,979	430	24
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 taxes			
Ratios:			
Losses and LAE	55.8%	70.3%	
Acquisition expense	14.0%	25.0%	
Other underwriting expense	11.0%	4.3%	
Combined	80.8%	99.6%	

	Property and Marine	Casualty	Finit
Six months ended June 30, 2004:			
Net premiums written	$ 273,135	336,726	200
Net premiums earned	217,993	268,452	145
Losses and LAE	89,552	188,175	73
Acquisition expenses	36,657	66,830	48
Other underwriting expenses	15,324	10,362	5
Segment underwriting income	$ 76,460	3,085	18
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 taxes			
Ratios:			

Losses and LAE	41.1%	70.1%	
Acquisition expense	16.8%	24.9%	
Other underwriting expense	7.0%	3.9%	
Combined	64.9%	98.9%	

Six months ended June 30, 2003:

Net premiums written	$ 201,255	246,014	220
Net premiums earned	183,939	183,677	149
Losses and LAE	94,055	128,437	73
Acquisition expenses	28,804	45,478	37
Other underwriting expenses	20,831	9,160	6
Segment underwriting income	$ 40,249	602	32
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 taxes			
Ratios:			
Losses and LAE	51.1%	69.9%	
Acquisition expense	15.7%	24.8%	
Other underwriting expense	11.3%	5.0%	
Combined	78.1%	99.7%	

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 30.8% and 27.1% of the Company's net premiums written for

the three months ended June 30, 2004 and 2003, respectively, and 33.7% and 30.2% of the Company's net premiums written for the six months ended June 30, 2004 and 2003, respectively.

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

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

Three Months Ended June 30,	Increase

	2004	2003	(decrease)
Net premiums written	$101,841	83,487	$18,354
Net premiums earned	$ 99,928	94,006	$ 5,922

Net premiums written increased as a result of the growth in contracts bound in both 2003 and 2004, which together generate net premiums written in 2004. The increase in net premiums written is also the result of a more efficient use of catastrophe capacity through enhanced modeling capabilities, an increase of property pro-rata business and a transfer of catastrophe capacity from the Finite Risk segment to the Property and Marine segment.

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

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Losses and LAE	$ 40,974	52,469	$ (11,495)
Losses and LAE ratio	41.0%	55.8%	(14.8) points

The decline in the loss ratio in 2004 as compared with 2003 is primarily due to the difference in catastrophe experience in 2004 as compared with 2003. There were no significant catastrophe losses in 2004, while catastrophe losses in 2003 include losses arising from storms and flooding in the southeast United States in April 2003 and tornadoes in the midwest United States in May 2003. Additionally, losses and LAE incurred in 2004 include approximately $9,100,000 of favorable development of prior years' unpaid losses and LAE as compared with approximately $4,600,000 of favorable development in 2003. During 2004 and 2003, actual reported losses were significantly less than expected for these short-tailed property lines resulting in reductions in estimated ultimate losses.

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Acquisition expenses	$ 14,905	13,186	$ 1,719
Acquisition expense ratio	14.9%	14.0%	0.9 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business in the Property and Marine segment and the increase in the acquisition expense ratio. The increase in the acquisition expense ratio in 2004 as compared with 2003 is attributable to lower loss ratios, which result in increased profit commissions in 2004 as compared with 2003, as well as mix of business changes.

Other underwriting expenses for the three months ended June 30, 2004 and 2003 were $7,174,000 and $10,372,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the Property and Marine segment as well as various start-up costs incurred in 2003 that are not recurring in 2004. Other underwriting expenses for the three months ended June 30, 2004 and 2003 include fees of $825,000 and $1,322,000, respectively, relating to an agreement with RenaissanceRe that provides for a periodic review of aggregate property catastrophe exposures by RenaissanceRe.

Six Months Ended June 30, 2004 as Compared with the Six Months Ended June 30, 2003

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

	Six months ended June 30,		Increase
	2004	2003	(decrease)
Net premiums written	$273,135	201,255	$71,880
Net premiums earned	$217,993	183,939	$34,054

Net premiums written increased as a result of the growth in contracts bound in both 2003 and 2004 which together generate net premiums written in 2004. The increase in net premiums written is also the result of a more efficient use of catastrophe capacity through enhanced modeling capabilities, an increase of property pro-rata business and a transfer of catastrophe capacity from the Finite Risk segment to the Property and Marine segment.

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

	Six months ended June 30,		Increase
	2004	2003	(decrease)
Losses and LAE	$ 89,552	94,055	$ (4,503)
Losses and LAE ratio	41.1%	51.1%	(10.0) points

The decline in the loss ratio in 2004 as compared with 2003 is primarily due to the difference in catastrophe experience in 2004 as compared with 2003. There were no significant catastrophe losses in 2004, while catastrophe losses in 2003 include losses arising from storms and flooding in the southeast United States in April 2003 and tornadoes in the midwest United States in May 2003. Additionally, losses and LAE incurred in 2004 include approximately $23,200,000 of favorable development of prior years' unpaid losses and LAE as compared with approximately $10,800,000 of favorable development in 2003. During 2004 and 2003, actual reported losses were significantly less than expected for these short-tailed property lines resulting in reductions in estimated ultimate losses.

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

	Six months ended June 30,		Increase
	2004	2003	(decrease)
Acquisition expenses	$ 36,657	28,804	$ 7,853
Acquisition expense ratio	16.8%	15.7%	1.1 points

The increase in acquisition expenses in 2004 as compared with 2003 is consistent with the growth in business in the Property and Marine segment and the increase in the acquisition expense ratio. The increase in the acquisition expense ratio is due to higher profit commissions in 2004 related to contracts with favorable loss experience.

Other underwriting expenses for the six months ended June 30, 2004 and 2003 were $15,324,000 and $20,831,000, respectively. The decrease in other underwriting expenses is due to cost reductions in the Property and Marine segment as well as various start-up costs incurred in 2003 that are not recurring in 2004. Other underwriting expenses for the six months ended June 30, 2004 and 2003 include fees of $3,648,000 and $3,728,000, respectively, relating to an agreement with RenaissanceRe that provides for a periodic review of aggregate property catastrophe exposures.

CASUALTY

The Casualty operating segment includes principally reinsurance treaties that cover umbrella liability, general 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 34.1% and 43.1% of the Company's net premiums written for the three months ended June 30, 2004 and 2003, respectively. This operating segment generated 41.5% and 36.8% of the Company's net premiums written for the six months ended June 30, 2004 and 2003, respectively.

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

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

Three Months Ended June 30,		Increase
2004	2003	(decrease)

Net premiums written	$112,761	132,320	$(19,559)
Net premiums earned	$132,230	105,951	$ 26,279

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. Additionally, during the three months ended March 31, 2004, approximately $17,000,000 of net written premium 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 as a Finite Risk contract. 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 an equivalent increase in Finite Risk net premiums written. The net effect of these items on underwriting income, after related reductions in losses, LAE and acquisitions expenses, was not material. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

- 23 -

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Losses and LAE	$ 93,391	74,530	$ 18,861
Losses and LAE ratio	70.6%	70.3%	0.3 points

The increase in losses and LAE in 2004 as compared with 2003 is consistent with the growth in business. The resulting loss ratios are reflective of management's estimates of losses incurred for the Casualty segment.

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

	Three Months Ended June 30,		Increase
	2004	2003	(decrease)
Acquisition expenses	$ 31,994	26,449	$ 5,545
Acquisition expense ratio	24.2%	25.0%	(0.8) points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The resulting acquisition expense ratios for the three months ended June 30, 2004 and 2003 were comparable.

Other underwriting expenses for the three months ended June 30, 2004 and 2003 were $5,305,000 and $4,542,000, respectively, and represent costs such as salaries, rent and like items. The resulting other underwriting expense ratios for the three months ended June 30, 2004 and 2003 were 4.0% and 4.3%, respectively. The decrease in the ratio in 2004 as compared with 2003 is due primarily to the increase in net premiums earned.

Six Months Ended June 30, 2004 as Compared with the Six Months Ended June 30, 2003

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

	Six months ended June 30, 2004	Six months ended June 30, 2003	Increase (decrease)
Net premiums written	$336,726	246,014	$90,712
Net premiums earned	$268,452	183,677	$84,775

The increase in premiums written is due to the growth in contracts bound in both 2003 and 2004 that together generate net premiums written in 2004. In response to market conditions, the Company previously increased its involvement in the directors and officers and umbrella lines of business. The Company expanded its participation with existing clients and formed new client relationships. Additionally, in 2004 the Company expanded its participation in surety and entered the trade credit line. Offsetting these increases were 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. The increase in net premium earned is related to the growth in current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

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

	Six months ended June 30, 2004	Six months ended June 30, 2003	Increase (decrease)
Losses and LAE	$ 188,175	128,437	$ 59,738
Losses and LAE ratio	70.1%	69.9%	0.2 points

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

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

	Six months ended June 30, 2004	Six months ended June 30, 2003	Increase (decrease)
Acquisition expenses	$ 66,830	45,478	$ 21,352
Acquisition expense ratio	24.9%	24.8%	0.1 points

The increase in acquisition expenses is due primarily to the increase in net premiums earned in 2004 as compared with 2003. The resulting acquisition expense ratios in 2004 and 2003 are comparable.

Other underwriting expenses for the six months ended June 30, 2004 and 2003 were $10,362,000 and $9,160,000, respectively. The resulting other underwriting expense ratios for the six months ended June 30, 2004 and 2003 were 3.9% and 5.0%, respectively. The decrease in the ratio in 2004 as compared with 2003 is due primarily to the increase in net premiums earned.

FINITE RISK

The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. The Company focuses on providing such clients with customized solutions for their financial management needs. This operating segment generated 35.1% and 29.8% of the Company's net premiums written for the three months ended June 30, 2004 and 2003, respectively. This operating segment generated 24.8% and 33.0% of the Company's net premiums written for the six months ended June 30, 2004 and 2003, respectively. For this segment, the Company believes it is especially important to evaluate the overall combined ratio, rather than its component parts of loss and expense ratios.

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

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Increase (decrease)
Net premiums written	$115,925	91,436	$ 24,489
Net premiums earned	$ 78,709	79,419	$ (710)

The Finite Risk portfolio consists of a small number of contracts that can be large in premium size and are written on an intermittent basis. Consequently, net premiums written can be expected to vary significantly from period to period. The increase in net premiums written for the three months ended June 30, 2004 is due primarily to several capped quota share contracts written in the current year. During the three months ended March 31, 2004, approximately $17,000,000 of net written premium 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 as a Finite Risk contract. 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 an equivalent increase in Finite Risk net premiums written. The net effect of the reclassification on underwriting income, after related reductions in losses, LAE and acquisitions expenses, was not material. Net premium earned is related to current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

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

	Three Months Ended June 30,		
	2004	2003	Increase (decrease)
Losses and LAE	$ 55,101	29,802	$ 25,299
Losses and LAE ratio	70.0%	37.5%	32.5 points
Acquisition expenses	$ 15,795	20,741	$ (4,946)
Acquisition expense ratio	20.1%	26.1%	(6.0) points
Losses, LAE and aquisition expenses	$ 70,896	50,543	$ 20,353
Losses, LAE and aquisition expense ratio	90.1%	63.6%	26.5 points

The results of the Finite Risk segment in 2004 and 2003 were favorably impacted by low levels of catastrophe losses. The results of the Finite Risk segment in 2003 include the effects of a significant change to a reinsurance program that resulted in an underwriting gain of $7,209,000. Favorable experience on certain contracts resulted in $8,554,000 of underwriting gain in 2003 for the Finite Risk segment. The current Finite Risk book of business has a greater proportion of lower risk and lower margin capped quota share contracts and a lower proportion of higher margin catastrophe contracts than in 2003. Consequently, the loss, LAE and acquisition expense ratio is higher in 2004 than in 2003.

Other underwriting expenses for the three months ended June 30, 2004 and 2003 were $2,567,000 and $4,732,000, respectively, and represent costs such as salaries, rent and like items. The decrease in other underwriting expenses is due to cost reductions in the Finite Risk segment as well as various start-up costs incurred in 2003 that are not recurring in 2004.

Six Months Ended June 30, 2004 as Compared with the Six Months Ended June 30, 2003

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

	Six Months Ended June 30, 2004	2003	Increase (decrease)
Net premiums written	$200,772	220,066	$(19,294)
Net premiums earned	$145,464	149,830	$ (4,366)

The decrease in net premiums written and net premiums earned is primarily attributable to two significant finite quota share treaties that were written in 2003 and were not renewed in 2004, partially offset by other new business production. Net premium earned is related to current and prior periods' net premiums written and is affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

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

	Six Months Ended June 30, 2004	2003	Increase (decrease)
Losses and LAE	$ 73,708	73,113	$ 595
Losses and LAE ratio	50.7%	48.8%	1.9 points
Acquisition expenses	$ 48,128	37,813	$ 10,315
Acquisition expense ratio	33.1%	25.2%	7.9 points
Losses, LAE and acquisition expenses	$ 121,836	110,926	$ 10,910
Losses, LAE and acquisition expense ratio	83.8%	74.0%	9.8 points

Losses and LAE in both 2004 and 2003 include favorable development. Losses and LAE incurred in 2004 include 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. The increase in the acquisition expense ratio in 2004 as compared with 2003 is due primarily to a profit commission of $8,700,000 related to the commutation. The results of the Finite Risk segment in 2003 include the effects of a significant change to a reinsurance program that resulted in an underwriting gain of $7,209,000 as well as favorable experience on certain contracts that resulted in an underwriting gain of approximately $8,500,000.

Other underwriting expenses for the six months ended June 30, 2004 and 2003 were $5,164,000 and $6,869,000, respectively. The decrease in other underwriting expenses is due to cost reductions in the Finite Risk segment as well as various start-up costs incurred in 2003 that are not recurring in 2004.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

Cash and cash equivalents were $172,227,000 as of June 30, 2004. Fixed maturities were $1,975,276,000 as of June 30, 2004. The Company's fixed maturity investment portfolio is comprised entirely of publicly traded investment grade bonds. The investment portfolio, including cash and cash equivalents, had a weighted average duration of 3.8 years as of June 30, 2004. Management monitors the composition of the investment portfolio and cash flows from the portfolio to maintain liquidity necessary to meet the Company's obligations. The Company believes it has sufficient cash on hand to meet its short-term obligations and to maintain the liquidity necessary for portfolio management.

Certain assets and liabilities associated with underwriting have increased significantly, some of which include significant estimates. Premiums receivable, deferred acquisition costs, unpaid losses and LAE, unearned premiums and commissions payable all include significant estimates. Premiums receivable of $549,732,000 includes $461,898,000 of estimates of premiums that are accrued. Unpaid losses and LAE, net of reinsurance recoverable, of $892,383,000 includes $761,090,000 of estimates of losses that were incurred but not reported ("IBNR"). Commissions payable of $207,306,000 include $192,279,000 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, proceeds from sales and redemption of investments and actual 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, 2004 was $394,964,000 and was used primarily to acquire additional investments.

Platinum Holdings is a holding company that conducts no reinsurance operations of its own. All of its reinsurance operations are conducted through its wholly owned operating subsidiaries Platinum US, 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. On June 25, 2004, the Company announced St. Paul's intent to sell 6,000,000 of the Company's common shares in an underwritten public offering, which was effected pursuant to a prospectus supplement to the shelf registration statement dated June 28, 2004 and completed on June 30, 2004. The Company did not sell any common shares in the offering and did not receive any proceeds from the sale of the common shares by St Paul. St. Paul continues to hold an option to acquire 6,000,000 common shares of the Company. The 6,000,000 common shares sold by St. Paul amounted to $177,330,000 of the $750,000,000 securities registered under the shelf registration statement.

LIQUIDITY REQUIREMENTS

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

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

The payment of dividends and other distributions from the Company's regulated reinsurance subsidiaries is limited by applicable laws and statutory requirements of the jurisdictions in which the

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

Management believes that the cash flow generated by the operating activities of the Company's subsidiaries will provide sufficient funds for the Company to meet its liquidity needs over the next twelve months. Beyond the next twelve months, cash flow available to the Company may be influenced by a variety of factors, including 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.

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 share-based compensation. The critical accounting policies presented herein are discussed in more detail in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

PREMIUMS

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

Due to the nature of reinsurance, ceding companies routinely report and remit premiums subsequent to the contract coverage period. Consequently, reinsurance premiums written include amounts reported by the ceding companies, supplemented by premium accruals. Along with estimating 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 is estimated, net of commissions, and is not currently due based on the terms of the underlying contracts.

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

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

UNPAID LOSSES AND LAE

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

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

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

Over time, as a greater number of claims are reported, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses and expected patterns of reported losses, taking the initial expected ultimate losses into account to determine a new estimate of expected ultimate losses. This technique is most appropriate when there are few reported claims and a relatively less stable pattern of reported losses. The chain ladder technique utilizes actual reported losses and expected patterns of reported losses to determine a new estimate of expected ultimate losses that is independent of the initial expected ultimate losses. This technique is most appropriate when there are a large number of reported losses with significant statistical

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

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

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

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

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

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

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

REINSURANCE

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

generally accounted for as reinsurance deposit liabilities with interest expense charged to other income and credited to the liability.

INVESTMENTS

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

INCOME TAXES

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

The Company applies the asset and liability method of accounting for income 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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET AND CREDIT RISK

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

The Company has other receivable amounts subject to credit risk. The most significant of these are reinsurance premiums receivable from ceding companies and losses recoverable from retrocessionaires. To mitigate credit risk related to losses recoverable from retrocessionaires, we establish business and financial standards for retrocessionaire approval, incorporate ratings by major rating agencies, consider current market information, and obtain letters of credit or other forms of 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 June 30, 2004 is approximately as follows ($ in thousands):

	Interest Rate Shift in Basis Points			
	- 100 bp	- 50 bp	Current	+ 50 bp
Total market value	$2,051,822	2,013,866	1,975,276	1,936,546
Percent change in market value	3.9%	2.0%	-	(2.0
Resulting unrealized appreciation / (depreciation)	$ 56,409	18,453	(20,137)	(58,867

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.

- 33 -

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, 2004 ($ in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Fixed maturities	$1,975,276	$1,975,276
Other invested asset	6,886	6,886
Financial liabilities:		
Debt obligations	$ 137,500	$ 166,265

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

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, in our view, pricing is inadequate, 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, 2003 and 2004 year-to-date 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 maintain an acceptable 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 and 2004 year-to-date. 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 current market conditions are unlikely to produce the profitability experienced in 2003.

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

ITEM 4. CONTROLS AND PROCEDURES

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

(2) conducting operations in a competitive environment;

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

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

(5) the effectiveness of our loss limitation methods;

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

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

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

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

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

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

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

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual general meeting of shareholders (the "Annual Meeting") of Platinum Holdings was held on May 6, 2004. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in Platinum Holdings's proxy statement, dated April 7, 2004. Platinum Holdings's shareholders (1) elected eight directors to Platinum Holdings's Board of Directors to serve until the 2005 annual general meeting of shareholders, (2) elected three directors to the Board of Directors of Platinum Bermuda, (3) ratified the appointment of two executive directors to the Board of Directors of Platinum UK, (4) approved an amendment to the Bye-Laws of Platinum Holdings to remove Section 44(2), which requires the submission to the shareholders of Platinum Holdings of any matter required to be voted on by the shareholders of any direct or indirect non-U.S. subsidiary of Platinum Holdings, (5) approved Platinum Holdings's 2002 Share Incentive Plan and (6) ratified the selection of KPMG LLP as independent auditors for Platinum Holdings and KPMG (Bermuda) as independent auditors for Platinum Bermuda for the 2004 fiscal year. Set forth below are the voting results for these proposals:

ELECTION OF DIRECTORS OF PLATINUM HOLDINGS

	For	Withheld

H. Furlong Baldwin	35,601,908	460,270
Jonathan F. Bank	35,601,908	460,270
Dan R. Carmichael	35,394,072	668,106
Neill A. Currie	35,394,072	668,106
Jay S. Fishman	35,341,422	720,756
Gregory E.A. Morrison	35,546,958	515,220
Stephen H. Newman	35,339,122	723,056
Peter T. Pruitt	35,391,072	671,106

- 36 -

ELECTION OF DIRECTORS OF PLATINUM BERMUDA

	For	Withheld
Gregory E.A. Morrison	35,534,798	527,380
Michael D. Price	35,875,560	186,618
William A. Robbie	35,875,460	186,718

RATIFICATION OF APPOINTMENT OF EXECUTIVE DIRECTORS OF PLATINUM UK

	For	Withheld
William A. Robbie	35,939,690	122,488
Russell Worsley	35,939,790	122,388

APPROVAL OF AN AMENDMENT TO THE BYE-LAWS OF PLATINUM HOLDINGS TO REMOVE SECTION 44(2), WHICH REQUIRES THE SUBMISSION TO THE SHAREHOLDERS OF PLATINUM HOLDINGS OF ANY MATTER REQUIRED TO BE VOTED ON BY THE SHAREHOLDERS OF ANY DIRECT OR INDIRECT NON-U.S. SUBSIDIARY OF PLATINUM HOLDINGS

For	Against	Abstain	Broker Non-Votes
32,859,864	953,947	12,968	2,235,399

APPROVAL OF PLATINUM HOLDINGS' 2002 SHARE INCENTIVE PLAN

For	Against	Abstain	Broker Non-Votes
28,837,270	4,277,472	712,037	2,235,399

RATIFICATION OF SELECTION OF KPMG LLP AS INDEPENDENT AUDITORS FOR PLATINUM HOLDINGS AND KPMG (BERMUDA) AS INDEPENDENT AUDITORS FOR PLATINUM BERMUDA FOR THE 2004 FISCAL YEAR

For	Against	Abstain	Broker Non-Votes
36,002,985	58,738	455	0

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	Description
3.1	Bye-Laws of Platinum Holdings.
10.1	Quota Share Retrocession Agreement dated May 6, 2004 between Platinum Bermuda and Platinum US.
10.2	Letter Agreement, dated May 19, 2004, extending the Master Services Agreement dated November 1, 2002, between Platinum Holdings and The St. Paul Companies,

Exhibit Number	Description
	Inc.
10.3*	Separation Agreement dated June 24, 2004 between William A. Robbie and Platinum Holdings.
10.4*	Employment Agreement dated June 24, 2004 between Joseph F. Fisher and Platinum Holdings.
10.5*	Employment Agreement dated June 24, 2004 between H. Elizabeth Mitchell and Platinum US.
10.6*	Employment Agreement dated August 4, 2004 between Michael D. Price and Platinum US.
31.1	Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

32.1 Certification of Gregory E.A. Morrison, Chief Executive Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Joseph F. Fisher, Chief Financial Officer of Platinum Holdings, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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

(b) Reports on Form 8-K

On June 28, 2004, Platinum Holdings filed with the SEC a report on Form 8-K containing (i) the Underwriting Agreement among Platinum Holdings, St. Paul Fire and Marine Insurance Company ("Fire and Marine") and The St. Paul Travelers Companies, Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated as the underwriter, relating to the sale by Fire and Marine of 6,000,000 common shares of Platinum Holdings pursuant to a prospectus supplement of Platinum Holdings and (ii) a press release, issued on June 25, 2004, announcing such sale.

On June 24, 2004, Platinum Holdings filed with the SEC a report on Form 8-K containing a press release, issued on June 24, 2004, announcing the appointment of Joseph F. Fisher as Executive Vice President and Chief Financial Officer of Platinum Holdings, effective July 6, 2004.

On May 7, 2004, Platinum Holdings filed with the SEC a report on Form 8-K containing a financial supplement and a press release, issued on May 6, 2004, reporting its financial results as of and for the quarter ended March 31, 2004.

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: August 6, 2004 /s/ Gregory E. A. Morrison

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

Date: August 6, 2004 /s/ Joseph F. Fisher

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