PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
April 27, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

OR

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

Commission File Number: 001-31341

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

Bermuda (State or other jurisdiction of incorporation or organization)	98-0416483 (I.R.S. Employer Identification No.)
The Belvedere Building 69 Pitts Bay Road Pembroke, Bermuda (Address of principal executive offices)	HM 08 (Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ___

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

Large accelerated filer	X		Accelerated filer
Non-accelerated filer		(Do not check if a smaller reporting company)	Smaller reporting company

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

The registrant had 34,838,017 common shares, par value $0.01 per share, outstanding as of April 19, 2012.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2012

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2012 and December 31, 2011
($ in thousands, except share data)

	(Unaudited) March 31, 2012	December 31, 2011
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value	$2,616,140	$2,663,574
(amortized cost - $2,453,830 and $2,494,710, respectively)		
Fixed maturity trading securities at fair value	127,620	125,126
(amortized cost - $118,079 and $115,156, respectively)		
Short-term investments	216,047	588,834
Total investments	2,959,807	3,377,534
Cash and cash equivalents	1,167,848	792,510
Accrued investment income	29,337	29,440
Reinsurance premiums receivable	148,126	159,387
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	4,265	6,302
Prepaid reinsurance premiums	3,128	8,360
Funds held by ceding companies	95,357	94,546
Deferred acquisition costs	28,203	28,779
Deferred tax assets	27,441	31,613
Other assets	24,908	23,140
Total assets	$4,488,420	$4,551,611
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$2,315,527	$2,389,614
Unearned premiums	121,553	121,164
Debt obligations	250,000	250,000
Commissions payable	62,083	62,773
Other liabilities	32,362	37,201
Total liabilities	$2,781,525	$2,860,752
Shareholders’ Equity		
Common shares, $0.01 par value, 200,000,000 shares authorized,	$348	$355
34,838,017 and 35,526,400 shares issued and outstanding, respectively		
Additional paid-in capital	285,503	313,730
Accumulated other comprehensive income	140,458	146,635
Retained earnings	1,280,586	1,230,139
Total shareholders' equity	$1,706,895	$1,690,859

Total liabilities and shareholders' equity	$4,488,420	$4,551,611

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Operations (Unaudited)
For the Three Months Ended March 31, 2012 and 2011
($ in thousands, except per share data)

	2012	2011
Revenue:		
Net premiums earned	$138,212	$182,881
Net investment income	28,552	32,378
Net realized gains on investments	22,339	407
Total other-than-temporary impairments	244	1,048
Portion of impairment losses recognized in accumulated other comprehensive income (loss)	(1,314)	(2,555)
Net impairment losses on investments	(1,070)	(1,507)
Other income (expense)	(479)	1,096
Total revenue	187,554	215,255
Expenses:		
Net losses and loss adjustment expenses	79,196	319,595
Net acquisition expenses	30,657	33,950
Net changes in fair value of derivatives	-	(3,726)
Operating expenses	16,983	17,151
Net foreign currency exchange losses (gains)	532	189
Interest expense	4,772	4,766
Total expenses	132,140	371,925
Income (loss) before income taxes	55,414	(156,670)
Income tax expense	2,127	522
Net income (loss)	$53,287	$(157,192)
Earnings (loss) per common share:		
Basic earnings (loss) per common share	$1.50	$(4.20)
Diluted earnings (loss) per common share	$1.49	$(4.20)
Shareholder dividends:		
Common shareholder dividends declared	$2,840	$2,964
Dividends declared per common share	$0.08	$0.08

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
For the Three Months Ended March 31, 2012 and 2011
($ in thousands)

	2012	2011
Net income (loss)	$53,287	$(157,192)
Other comprehensive income (loss), before deferred tax:		
Net change in unrealized gains and losses on available-for-sale securities arising during the period	15,057	14,769
Reclassification adjustments:		
Net realized gains on available-for-sale investments	(22,678)	(3,708)
Net impairment losses on investments	1,070	1,507
Other comprehensive income (loss), before deferred tax	(6,551)	12,568
Deferred tax on components of other comprehensive income (loss):		
Net change in unrealized gains and losses on available-for-sale securities arising during the period	(60)	(762)
Reclassification adjustments:		
Net realized gains on available-for-sale investments	559	244
Net impairment losses on investments	(125)	(46)
Deferred income tax (expense) benefit	374	(564)
Other comprehensive income (loss), net of deferred tax:		
Net change in unrealized gains and losses on available-for-sale securities arising during the period	14,997	14,007
Reclassification adjustments:		
Net realized gains on available-for-sale investments	(22,119)	(3,464)
Net impairment losses on investments	945	1,461
Other comprehensive income (loss), net of deferred tax	(6,177)	12,004
Comprehensive income (loss)	$47,110	$(145,188)

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
For the Three Months Ended March 31, 2012 and 2011
($ in thousands)

	2012	2011
Common shares:		
Balances at beginning of period	$355	$377
Exercise of common share options	-	-
Issuance of common shares	-	-
Settlement of equity awards	1	4
Repurchase of common shares	(8)	(8)
Balances at end of period	348	373
Additional paid-in capital:		
Balances at beginning of period	313,730	453,619
Exercise of common share options	431	725
Issuance of common shares	-	2
Share based compensation	1,886	1,107
Settlement of equity awards	(1,108)	(2,531)
Repurchase of common shares	(29,478)	(33,899)
Purchase of common share options	-	(47,900)
Income tax benefit from share based compensation	42	370
Balances at end of period	285,503	371,493
Accumulated other comprehensive income (loss):		
Balances at beginning of period	146,635	(24,488)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes:		
Change in unrealized gains and losses	(7,439)	9,499
Non-credit component of impairment losses	1,262	2,505
Balances at end of period	140,458	(12,484)
Retained earnings:		
Balances at beginning of period	1,230,139	1,465,947
Net income (loss)	53,287	(157,192)
Common share dividends	(2,840)	(2,964)
Balances at end of period	1,280,586	1,305,791
Total shareholders' equity	$1,706,895	$1,665,173

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2012 and 2011
($ in thousands)

	2012	2011
Operating Activities:		
Net income (loss)	$53,287	$(157,192)
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	1,166	1,531
Net realized gains on investments	(22,339)	(407)
Net impairment losses on investments	1,070	1,507
Net foreign currency exchange losses	532	189
Share-based compensation	1,967	1,107
Deferred income tax expense	4,545	108
Changes in assets and liabilities:		
Decrease (increase) in accrued investment income	121	(2,484)
Decrease (increase) in reinsurance premiums receivable	11,681	(44,426)
Decrease (increase) in funds held by ceding companies	(376)	7,460
Decrease in deferred acquisition costs	594	259
Increase (decrease) in net unpaid and paid losses and loss adjustment expenses	(82,086)	170,975
Increase in net unearned premiums	5,449	11,905
Increase (decrease) in commissions payable	(733)	5,271
Changes in other assets and liabilities	(7,567)	(1,031)
Net cash provided by (used in) operating activities	(32,689)	(5,228)
Investing Activities:		
Proceeds from sale of fixed maturity available-for-sale securities	151,136	60,524
Proceeds from sale of fixed maturity trading securities	-	5,225
Proceeds from sale of short-term investments	20,597	25,995
Proceeds from maturity or paydown of fixed maturity available-for-sale securities	40,969	47,901
Proceeds from maturity of short-term investments	439,799	63,700
Acquisition of fixed maturity available-for-sale securities	(131,241)	(29,238)
Acquisition of short-term investments	(77,538)	(10,948)
Net cash provided by (used in) investing activities	443,722	163,159
Financing Activities:		
Dividends paid to common shareholders	(2,840)	(2,964)
Repurchase of common shares	(29,486)	(33,907)
Purchase of common share options	-	(47,900)
Proceeds from exercise of common share options	431	725
Net cash provided by (used in) financing activities	(31,895)	(84,046)
Effect of foreign currency exchange rate changes on cash	(3,800)	2,969
Net increase (decrease) in cash and cash equivalents	375,338	76,854
Cash and cash equivalents at beginning of period	792,510	987,877
Cash and cash equivalents at end of period	$1,167,848	$1,064,731
Supplemental disclosures of cash flow information:		

Income taxes paid	$90	$236
Interest paid	$-	$-

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2012 and 2011

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Consolidation

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

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

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

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. All material inter-company transactions and accounts have been eliminated in preparing these consolidated financial statements. The consolidated financial statements included in this report as of March 31, 2012 and for the three months ended March 31, 2012 and 2011 are unaudited and include all adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

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

Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (“ASU”) No. 2011-12, “Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (“ASU 2011-12”). ASU 2011-12 defers the presentation on the face of the financial statements of the effects of reclassifications of the components of net income and other comprehensive income out of accumulated other comprehensive income for all periods. None of the other requirements of ASU 2011-05, “Presentation of Comprehensive Income” (“ASU 2011-05”) issued in June 2011 are affected by ASU 2011-12. ASU 2011-05 requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. Under the continuous statement approach, the statement would include the components and total of net income, the components and total of other comprehensive income and the total of comprehensive income. Under the two statement approach, the first statement would include the components and total of net income and the second statement would include the components and total of other comprehensive income and the total of comprehensive income. ASU 2011-05 does not change the items that must be reported in other comprehensive income. ASU 2011-05 is effective retrospectively for interim and annual periods beginning after December 15, 2011, with early adoption permitted. We adopted the guidance as of January 1, 2012 and included a separate statement of comprehensive income (loss) in our financial statements. The separate statement of comprehensive income (loss) incorporated the effects of reclassification adjustments recognized in our statement of operations.

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it already is required and permitted under U.S. GAAP or International Financial Reporting Standards (“IFRS”). For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. ASU 2011-04 is effective on a prospective basis for interim and annual periods beginning after December 15, 2011, with early adoption not permitted. In the period of adoption, a reporting entity is required to disclose a change, if any, in valuation technique and related inputs that result from applying ASU 2011-04 and to quantify the total effect, if practicable. We adopted the guidance as of January 1, 2012 and there were no changes in valuation technique or inputs. Additional disclosures required under ASU 2011-04 have been reflected in Note 3.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

In October 2010, the FASB issued ASU No. 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" ("ASU 2010-26"). ASU 2010-26 modifies the types of costs that may be deferred, allowing insurance companies to only defer costs directly related to successful acquisition of new or renewal contracts. These costs include incremental direct costs of successful contracts, the portion of employees' salaries and benefits related to time spent on acquisition activities for successful contracts and other costs incurred in the acquisition of contracts. Additional disclosure of the type of acquisition costs capitalized is also required. ASU 2010-26 is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company's annual period. We adopted the guidance as of January 1, 2012 and there was no impact on our financial statements.

2. Investments

Fixed Maturity Available-for-sale Securities

The following table sets forth our fixed maturity available-for-sale securities as of March 31, 2012 and December 31, 2011 ($ in thousands):

		Included in Accumulated Other Comprehensive Income			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit portion of OTTI (1)
March 31, 2012:					
U.S. Government	$ 4,684	$ 338	$ -	$ 5,022	$ -
U.S. Government agencies	110,004	173	-	110,177	-
Municipal bonds	1,393,530	139,671	26	1,533,175	-
Non-U.S. governments	92,978	2,167	159	94,986	-
Corporate bonds	343,131	19,480	1,019	361,592	-
Commercial mortgage-backed securities	187,617	13,744	1,446	199,915	47
Residential mortgage-backed securities	298,512	2,671	10,537	290,646	6,617
Asset-backed securities	23,374	552	3,299	20,627	2,901
Total fixed maturity available-for-sale securities	$ 2,453,830	$ 178,796	$ 16,486	$ 2,616,140	$ 9,565
December 31, 2011:					
U.S. Government	$ 4,702	$ 381	$ -	$ 5,083	$ -
U.S. Government agencies	100,000	259	-	100,259	-
Municipal bonds	1,510,658	150,280	178	1,660,760	-
Non-U.S. governments	69,992	1,929	655	71,266	-
Corporate bonds	329,218	21,093	763	349,548	-
Commercial mortgage-backed securities	195,309	11,884	2,584	204,609	196
	261,187	2,866	12,426	251,627	8,397

Residential mortgage-backed securities					
Asset-backed securities	23,644	489	3,711	20,422	2,821
Total fixed maturity available-for-sale securities	$ 2,494,710	$ 189,181	$ 20,317	$ 2,663,574	$ 11,414

(1) The non-credit portion of other than temporary impairments ("OTTI") represents the amount of unrealized losses on impaired securities that were not realized in earnings as of the reporting date. These unrealized losses are included in gross unrealized losses as of March 31, 2012 and December 31, 2011.

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

Fixed Maturity Trading Securities

The following table sets forth the fair value of our fixed maturity trading securities as of March 31, 2012 and December 31, 2011($ in thousands):

	March 31, 2012	December 31, 2011
Non-U.S. dollar denominated securities:		
Non-U.S. governments	$ 127,620	$ 125,126
Total fixed maturity trading securities	$ 127,620	$ 125,126

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

Our non-U.S. government fixed maturity trading securities are non-U.S. dollar denominated investments held for the purposes of hedging our non-U.S. dollar foreign currency reinsurance liabilities. In prior periods, we have used insurance-linked securities to actively manage our exposure to catastrophe loss. We elected to record our investments in insurance-linked securities using the fair value option attributes of FASB Accounting Standards Codification ("ASC") 825, "Financial Instruments" ("ASC 825"), and recorded these in fixed maturity trading securities. For the three months ended March 31, 2011 there were mark-to-market adjustments of $1.2 million of net realized losses on investments recorded under ASC 825.

At acquisition, we determine our trading intent in the near term of our fixed maturity trading securities accounted for in accordance with ASC 825. If we do not intend to sell these securities in the near term, the purchases and sales are included in investing activities in our consolidated statements of cash flows, otherwise they are included in operating activities. For the three months ended March 31, 2011, we had proceeds from sales of $5.2 million and no purchases of trading securities accounted for in accordance with ASC 825 that were included in investing activities in the statements of cash flows.

Short-term Investments

The following table sets forth the fair value of our short-term investments as of March 31, 2012 and December 31, 2011 ($ in thousands):

	March 31, 2012	December 31, 2011
Available-for-sale:		
U.S. Government	$ 104,186	$ 322,320
U.S. Government agencies	-	85,389
Trading:		
Non-U.S. governments	111,861	181,125
Total short-term investments	$ 216,047	$ 588,834

Our U.S. dollar denominated short-term investments are accounted for as available-for-sale and our non-U.S. dollar denominated short-term investments are accounted for in accordance with the fair value option attributes of ASC 825. The mark-to-market adjustments on short-term investments recognized under ASC 825 contributed less than $0.1 million of net realized losses on investments in the three months ended March 31, 2012 and less than $0.1 million of net realized gains on investments in the three months ended March 31, 2011.

For the three months ended March 31, 2012, we had purchases of $65.4 million, proceeds from sales of $20.6 million and proceeds from maturities of $124.2 million from non-U.S. dollar denominated short-term investments accounted for in accordance with ASC 825 that were included in investing activities in the statements of cash flows. For the three months ended March 31, 2011, we had purchases of $5.9 million and no proceeds from sales and maturities of non-U.S. dollar denominated short-term investments accounted for in accordance with ASC 825 that were included in investing activities in the statements of cash flows.

Other-Than-Temporary Impairments

We analyze the creditworthiness of our investment portfolio by reviewing various performance metrics of the issuer, including financial condition, credit ratings and other public information. We determined that none of our government bonds, municipal bonds or corporate bonds were other-than-temporarily impaired for the three months ended March 31, 2012 and 2011.

We analyze our commercial mortgage-backed securities (“CMBS”) on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, debt-service-coverage ratios and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded less than $0.1 million of net impairment losses related to CMBS for the three months ended March 31, 2012 and no net impairment losses for the three months ended March 31, 2011. As of March 31, 2012, the single largest unrealized loss within our CMBS portfolio was $0.5 million related to a security with an amortized cost of $2.9 million.

Residential mortgage-backed securities (“RMBS”) include U.S. Government agency RMBS and non-agency RMBS. Securities with underlying sub-prime mortgages as collateral are included in asset-backed securities (“ABS”). We analyze our non-agency RMBS and sub-prime ABS on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, prepayment speeds and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded net impairment losses related to non-agency RMBS of $1.0 million and $0.9 million for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, the single largest unrealized loss within our RMBS portfolio was $2.2 million related to a non-agency RMBS security with an amortized cost of $2.6 million.

We had no net impairment losses related to sub-prime ABS for the three months ended March 31, 2012 and $0.6 million for three months ended March 31, 2011. As of March 31, 2012, the single largest unrealized loss within our sub-prime ABS portfolio was $2.2 million related to a security with an amortized cost of $4.4 million.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

The following table sets forth a summary of the cumulative credit losses recognized on our fixed maturity available-for-sale securities for the three months ended March 31, 2012 and 2011 ($ in thousands):

	2012	2011
Beginning balance, January 1	$61,841	$48,845
Credit losses on securities not previously impaired	-	-
Additional credit losses on securities previously impaired	1,070	1,507
Reduction for paydowns and securities sold	(2,257)	(2,115)
Reduction for increases in cash flows expected to be collected	(210)	(99)
Ending balance, March 31	$60,444	$48,138

As of March 31, 2012, total cumulative credit losses were related to CMBS, non-agency RMBS and sub-prime ABS. The cumulative credit losses we recorded on CMBS of $4.6 million were on four securities issued from 2006 to 2007. As of March 31, 2012, 6.1% of the mortgages backing these securities were 90 days or more past due and 0.9% of the mortgages had incurred cumulative losses. For these securities, the expected losses for the underlying mortgages were greater than the remaining credit support of 19.4%. The cumulative credit losses we recorded on non-agency RMBS and sub-prime ABS of $55.8 million were on thirty securities issued from 2004 to 2007. As of March 31, 2012, 16.8% of the mortgages backing these securities were 90 days or more past due and 5.1% of the mortgages had incurred cumulative losses. For these securities, the expected losses for the underlying mortgages were greater than the remaining credit support of 7.2%.

Unrealized Losses

The following table sets forth our gross unrealized losses on securities classified as fixed maturity available-for-sale aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position. The amounts only relate to securities in an unrealized loss position as of March 31, 2012 and December 31, 2011 ($ in thousands):

	March 31, 2012		December 31, 2011	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Less than twelve months:				
Municipal bonds	$9,594	$1	$4,751	$131
Non-U.S. governments	9,990	10	9,988	29
Corporate bonds	45,465	1,019	12,526	763
Commercial mortgage-backed securities	19,569	386	19,797	1,047
Residential mortgage-backed securities	182,025	1,964	131,574	2,112
Asset-backed securities	862	163	580	84
Total	$267,505	$3,543	$179,216	$4,166
Twelve months or more:				
Municipal bonds	$3,015	$25	$3,002	$47
Non-U.S. governments	4,850	149	4,373	626
Corporate bonds	-	-	-	-
Commercial mortgage-backed securities	6,649	1,060	6,171	1,537

Residential mortgage-backed securities	43,513	8,573	43,704	10,314
Asset-backed securities	16,688	3,136	16,854	3,627
Total	$74,715	$12,943	$74,104	$16,151
Total unrealized losses:				
Municipal bonds	$12,609	$26	$7,753	$178
Non-U.S. governments	14,840	159	14,361	655
Corporate bonds	45,465	1,019	12,526	763
Commercial mortgage-backed securities	26,218	1,446	25,968	2,584
Residential mortgage-backed securities	225,538	10,537	175,278	12,426
Asset-backed securities	17,550	3,299	17,434	3,711
Total	$342,220	$16,486	$253,320	$20,317

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

Net Investment Income

The following table sets forth our net investment income for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31,	
	2012	2011
Fixed maturity securities	$27,287	$31,851
Short-term investments and cash and cash equivalents	1,822	1,499
Funds held	654	218
Subtotal	29,763	33,568
Investment expenses	(1,211)	(1,190)
Net investment income	$28,552	$32,378

Net Realized Gains on Investments

The following table sets forth our net realized gains on investments for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31,	
	2012	2011
Gross realized gains on the sale of investments	$22,678	$3,944
Gross realized losses on the sale of investments	(1)	(3)
Net realized gains on the sale of investments	22,677	3,941
Mark-to-market adjustments on trading securities	(338)	(3,534)
Net realized gains on investments	$22,339	$407

Maturities

The actual maturities of our fixed maturity available-for-sale and trading securities could differ from stated maturities due to call or prepayment provisions. The following table sets forth the amortized cost and fair value of our fixed maturity available-for-sale and trading securities by stated maturity as of March 31, 2012 ($ in thousands):

	Amortized Cost	Fair Value

Due in one year or less	$186,834	$188,012
Due from one to five years	525,272	555,885
Due from five to ten years	593,214	641,368
Due in ten or more years	757,086	847,307
Mortgage-backed and asset-backed securities	509,503	511,188
Total	$2,571,909	$2,743,760

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

3. Fair Value Measurements

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

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

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

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

The following table presents the fair value measurement levels for all financial assets which the Company has recorded at fair value as of March 31, 2012 and December 31, 2011 ($ in thousands):

		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
March 31, 2012:				
Investments:				
U.S. Government	$5,022	$5,022	$-	$-
U.S. Government agencies	110,177	-	110,177	-
Municipal bonds	1,533,175	-	1,533,175	-
Non-U.S. governments	222,606	56,566	166,040	-
Corporate bonds	361,592	-	361,592	-
Commercial mortgage-backed securities	199,915	-	199,915	-
Residential mortgage-backed securities	290,646	-	285,082	5,564
Asset-backed securities	20,627	-	18,904	1,723
Short-term investments	216,047	-	216,047	-
Total	$2,959,807	$61,588	$2,890,932	$7,287
December 31, 2011:				
Investments:				
U.S. Government	$5,083	$5,083	$-	$-
U.S. Government agencies	100,259	-	100,259	-
Municipal bonds	1,660,760	-	1,660,760	-
Non-U.S. governments	196,392	55,561	140,831	-
Corporate bonds	349,548	-	349,548	-
Commercial mortgage-backed securities	204,609	-	204,609	-

Residential mortgage-backed securities	251,627	-	243,481	8,146
Asset-backed securities	20,422	-	18,555	1,867
Short-term investments	588,834	34,894	553,940	-
Total	$3,377,534	$95,538	$3,271,983	$10,013

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

U.S. Government	The fair values of U.S. Government securities were based on quoted prices in active markets for identical assets. The fair value measurements were classified as Level 1.
U.S Government agencies	Our U.S. Government agencies portfolio consisted of securities issued by financial institutions guaranteed by the Federal Deposit Insurance Corporation. The observable inputs used to price these securities may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements were classified as Level 2.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

Municipal bonds	The fair values of municipal bonds were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and economic indicators. The fair value measurements were classified as Level 2.
Non-U.S. governments	Our non-U.S. government bond portfolio consisted of securities issued primarily by governments, provinces, agencies and supranationals as well as debt issued by financial institutions that is guaranteed by non-U.S. governments. The fair values of non-U.S. government securities were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements were classified as Level 1 or Level 2.
Corporate bonds	The observable inputs used to price corporate issues may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and industry and economic indicators. The fair value measurements were classified as Level 2.
Commercial mortgage-backed securities	The fair values of CMBS were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2.
Residential mortgage-backed securities	Our RMBS portfolio was comprised of securities issued by U.S. Government agencies and by non-agency institutions. The observable inputs used to price U.S. Government agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, loan level information and prepayment speeds. The observable inputs used to price non-agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2 or Level 3.
Asset-backed securities	The fair values of ABS were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, type of collateral, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements were classified as Level 2 or Level 3.

Short-term investments	Short-term investments were carried at fair value based on observable inputs or carried at amortized cost, which approximates fair value. The fair value measurements were classified as Level 1 or Level 2.
Derivative instruments	Our derivative instruments may include interest rate options, commodity options and other derivative instruments. See Note 4 for additional disclosure on our derivative instruments. Our interest rate and commodity options were exchange traded and the fair values were based on quoted prices in active markets for identical assets. The fair values were classified as Level 1. The fair value of our other derivative instrument was determined by management primarily using unobservable inputs through the application of our own assumptions and internal valuation pricing models. The fair value was classified as Level 3.

The fair value measurements of our non-agency RMBS and sub-prime ABS classified as Level 3 used significant unobservable inputs that include prepayment rates, probability of default, and loss severity in the event of default. These measurements were based upon unadjusted third party pricing sources. The fair value measurement of our other derivative instrument classified as Level 3 used significant unobservable inputs through the application of our own assumptions and internal valuation pricing models. Unobservable inputs used in the internal valuation pricing model included the unpaid contract premiums, probability of losses triggered under the covered perils for first and second events, the remaining time to the end of the annual contract period and the seasonality of risks. Significant increases or decreases in any of these inputs in isolation may result in a significantly lower or higher fair value measurement.

The following tables reconcile the beginning and ending balance for our Level 3 financial assets and liabilities for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31, 2012			
	Residential mortgage-backed securities	Asset-backed securities	Derivatives	Total
Beginning balance, January 1	$8,146	$ 1,867	$-	$10,013
Purchases	-	-	-	-
Issuances	-	-	-	-
Settlements	-	-	-	-
Sales, maturities and paydowns	(93)	-	-	(93)
Total net realized gains included in earnings	-	-	-	-
Total increase (decrease) in fair value of the derivative instrument included in earnings	-	-	-	-
Total net unrealized gains (losses) included in comprehensive income (loss)	(235)	(144)	-	(379)
Transfers in (out) of Level 3	(2,254)	-	-	(2,254)
Ending balance, March 31	$5,564	$ 1,723	$-	$7,287
Total increase (decrease) in fair value of the financial assets and liabilities included in earnings for the period	$-	$ -	$-	$-

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

	Three Months Ended March 31, 2011			
	Residential mortgage-backed securities	Asset-backed securities	Derivatives	Total
Beginning balance, January 1	$2,449	$ 1,069	$(4,871)	$(1,353)
Purchases	-	-	-	-
Issuances	-	-	-	-
Settlements	-	-	2,402	2,402
Sales, maturities and paydowns	(76)	-	-	(76)
Total net realized gains included in earnings	-	-	-	-
Total increase (decrease) in fair value of the derivative instrument included in earnings	-	-	3,726	3,726
Total net unrealized gains (losses) included in comprehensive income (loss)	932	(160)	-	772
Transfers in (out) of Level 3	-	-	-	-
Ending balance, March 31	$3,305	$ 909	$1,257	$5,471
Total increase (decrease) in fair value of the financial assets and liabilities included in earnings for the period	$-	$ -	$3,726	$3,726

Transfers of assets and liabilities into or out of Level 3 are recorded at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. During the three months ended March 31, 2012, we transferred $2.3 million of non-agency RMBS from Level 3 to Level 2. There were no transfers from Level 2 to Level 3 for the three months ended March 31, 2012. There were no transfers between Levels 2 and 3 for the three months ended March 31, 2011. The transfers out of Level 3 during the three months ended March 31, 2012 were due to the sufficiency of evidence available to corroborate significant observable inputs with market observable information. There were no transfers between Levels 1 and 2 during the three months ended March 31, 2012 and 2011.

The carrying amounts of our financial assets and liabilities were equal to fair values at March 31, 2012 and December 31, 2011, except for the Series B 7.5% Notes due June 1, 2017 (the "debt obligations") on our consolidated balance sheets. The debt obligations were recorded at cost with a carrying value of $250.0 million at March 31, 2012 and December 31, 2011, and had a fair value of $271.1 million and $269.0 million at March 31, 2012 and December 31, 2011, respectively. The fair values were based on observable inputs and therefore the fair value measurements were classified as Level 2.

4. Derivative Instruments

During the period December 31, 2011 through March 31, 2012, we held no derivative instruments. In prior periods, including the three months ended March 31, 2011, we held derivative instruments. Our derivative instruments are recorded in the consolidated balance sheets at fair value as other assets or other liabilities, with changes in fair values and realized gains and losses recognized in net changes in fair value of derivatives in the consolidated statements of operations. None of our derivatives were designated as hedges under current accounting guidance. Our objectives for entering into derivative agreements are as follows:

Interest Rate Options

We use interest rate options within our portfolio of fixed maturity investments to manage our exposure to interest rate risk.

Commodity Options

We use commodity options to hedge certain underwriting risks.

Other Derivative Instrument

We use other derivative instruments to hedge certain underwriting risks.

In August 2008, we entered into a derivative agreement with Topiary Capital Limited (“Topiary”), a Cayman Islands special purpose vehicle, that provided us with the ability to recover up to $200.0 million if two catastrophic events involving U.S. wind, U.S. earthquake, European wind or Japanese earthquake occurred that met specified loss criteria during any of three annual periods commencing August 1, 2008. The derivative agreement with Topiary expired on July 31, 2011 and no recovery was made.

Income related to our other derivative instrument recorded in net changes in fair value of derivatives was $3.7 million for the three months ended March 31, 2011.

5. Credit Facilities

Syndicated Credit Facility

On June 24, 2011, we entered into a three-year, $300.0 million credit facility (the "Syndicated Credit Facility") that amended and restated our existing credit facility, which would have expired on September 13, 2011. The Syndicated Credit Facility consists of a $100.0 million unsecured senior credit facility available for revolving borrowings and letters of credit and a $200.0 million secured senior credit facility available for letters of credit. The Syndicated Credit Facility contains customary representations, warranties and covenants. We are in compliance with the covenants under the Syndicated Credit Facility.

Letter of Credit Facility

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

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

We had no cash borrowings under the Syndicated Credit Facility during the three months ended March 31, 2012. The following table summarizes the outstanding letters of credit and the cash and cash equivalents and investments held in trust to collateralize the letters of credit issued as of March 31, 2012 ($ in thousands):

	Letters of Credit		Collateral		
	Capacity	Issued	Cash and Cash Equivalents	Investments	Total
Syndicated Credit Facility:					
Secured	$200,000	$104,011	$118,270	$-	$118,270
Unsecured	100,000	-	-	-	-
Total Syndicated Credit Facility	300,000	104,011	118,270	-	118,270
LOC Facility	100,000	9,710	284	12,989	13,273
Total	$400,000	$113,721	$118,554	$12,989	$131,543

6. Income Taxes

We provide for income tax expense or benefit based upon income reported in the consolidated financial statements and the provisions of currently enacted tax laws. Platinum Holdings and Platinum Bermuda are incorporated under the laws of Bermuda and are subject to Bermuda law with respect to taxation. Under current Bermuda law, they are not taxed on any Bermuda income or capital gains and they have received an assurance from the Bermuda Minister of Finance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings or Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 31, 2035. Platinum Holdings also has subsidiaries based in the United States, the United Kingdom and Ireland that are subject to the tax laws thereof.

The 2003 income tax return of our U.S.-based subsidiaries is currently under examination by the U.S. Internal Revenue Service. The income tax returns that remain open to examination are for calendar years 2008 and forward.

7. Share Repurchases

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

During the three months ended March 31, 2012, in accordance with the share repurchase program, we repurchased 808,696 of our common shares in the open market for an aggregate cost of $29.5 million at a weighted average cost including commissions of $36.46 per share. The shares we repurchased were canceled. As of March 31, 2012, the remaining amount available under the repurchase program was $147.1 million.

From April 1, 2012 to April 26, 2012, we repurchased 286,300 of our common shares for an aggregate cost of $10.2 million at a weighted average cost including commissions of $35.72 per share.

8. Statutory Regulations and Dividend Capacity

The laws and regulations of Bermuda and the United States include certain restrictions on the amount of dividends that can be paid by Platinum Bermuda and Platinum US to their respective parent companies, Platinum Holdings and Platinum Finance, without the prior approval of the relevant regulatory authorities. Based on regulatory restrictions, the unaudited maximum amount available for payment of dividends by our reinsurance subsidiaries during 2012 without prior regulatory approval is as follows ($ in thousands):

Platinum Bermuda	$286,574
Platinum US	52,992
Total	$339,566

During the three months ended March 31, 2012, dividends of $35.0 million were paid by Platinum Bermuda to Platinum Holdings. Therefore, as of March 31, 2012, the remaining amount available for payment of dividends by our reinsurance subsidiaries during 2012 without prior regulatory approval was $304.6 million. Subsequent to March 31, 2012, Platinum Bermuda declared a dividend of $35.0 million to be paid to Platinum Holdings.

There are no regulatory restrictions on the amount of dividends that Platinum Finance can pay to Platinum Regency. Irish law prohibits Platinum Regency from declaring a dividend to its shareholders unless it has “profits available for distribution.” The determination of whether a company has profits available for distribution is based on its accumulated realized profits less its accumulated realized losses.

9. Operating Segment Information

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

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

In managing our operating segments, we use measures such as net underwriting income and underwriting ratios to evaluate segment performance. We do not allocate assets or certain income and expenses such as net investment income, net realized gains and losses on investments, net impairment losses on investments, net changes in fair value of derivatives, net foreign currency exchange gains and losses, interest expense and certain corporate expenses by segment. The measures we use in evaluating our operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the three operating segments, together with a reconciliation of underwriting income (loss) to income (loss) before income taxes for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31, 2012			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$68,153	$74,400	$1,108	$143,661
Net premiums earned	61,328	75,766	1,118	138,212
Net losses and loss adjustment expenses	40,937	41,036	(2,777)	79,196
Net acquisition expenses	9,235	17,375	4,047	30,657
Other underwriting expenses	6,835	5,036	191	12,062
Segment underwriting income (loss)	$4,321	$12,319	$(343)	16,297
Net investment income				28,552
Net realized gains (losses) on investments				22,339
Net impairment losses on investments				(1,070)
Other income (expense)				(479)
Net changes in fair value of derivatives				-
Corporate expenses not allocated to segments				(4,921)
Net foreign currency exchange (losses) gains				(532)
Interest expense				(4,772)
Income (loss) before income taxes				$55,414
Underwriting ratios:				
Net loss and loss adjustment expense	66.8%	54.2%	(248.4%)	57.3%
Net acquisition expense	15.1%	22.9%	362.0%	22.2%
Other underwriting expense	11.1%	6.6%	17.1%	8.7%
Combined	93.0%	83.7%	130.7%	88.2%

	Three Months Ended March 31, 2011			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$111,802	$80,519	$2,464	$194,785
Net premiums earned	97,905	80,824	4,152	182,881
Net losses and loss adjustment expenses	278,330	39,619	1,646	319,595
Net acquisition expenses	13,626	18,563	1,761	33,950
Other underwriting expenses	7,321	5,332	235	12,888

Segment underwriting income (loss)	$(201,372)	$17,310	$510	(183,552)
Net investment income				32,378
Net realized gains (losses) on investments				407
Net impairment losses on investments				(1,507)
Other income (expense)				1,096
Net changes in fair value of derivatives				3,726
Corporate expenses not allocated to segments				(4,263)
Net foreign currency exchange (losses) gains				(189)
Interest expense				(4,766)
Income (loss) before income taxes				$(156,670)
Underwriting ratios:				
Net loss and loss adjustment expense	284.3 %	49.0 %	39.6 %	174.8 %
Net acquisition expense	13.9 %	23.0 %	42.4 %	18.6 %
Other underwriting expense	7.5 %	6.6 %	5.7 %	7.0 %
Combined	305.7 %	78.6 %	87.7 %	200.4 %

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

10. Earnings (Loss) per Common Share

The following is a reconciliation of basic and diluted earnings or loss per common share for the three months ended March 31, 2012 and 2011 ($ and amounts in thousands, except per share data):

	2012	2011
Earnings (Loss)		
Basic and Diluted		
Net income (loss) attributable to common shareholders	$53,287	$(157,192)
Net income (loss) allocated to participating common shareholders (1)	(208)	932
Net income (loss) allocated to common shareholders	$53,079	$(156,260)
Common Shares		
Basic		
Weighted average common shares outstanding	35,291	37,199
Diluted		
Weighted average common shares outstanding	35,291	37,199
Effect of dilutive securities:		
Common share options	135	438
Restricted share units	84	385
Adjusted weighted average common shares outstanding	35,510	38,022
Earnings (Loss) Per Common Share		
Basic earnings (loss) per common share	$1.50	$(4.20)
Diluted earnings (loss) per common share (2)	$1.49	$(4.20)

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's share incentive plans that are considered to be participating securities.

(2) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

11. Condensed Consolidating Financial Information

Platinum Holdings fully and unconditionally guarantees the $250.0 million of debt obligations issued by Platinum Finance.

The following tables present the condensed consolidating financial information for Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011 ($ in thousands):

Condensed Consolidating Balance Sheet
March 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$-	$253	$ 2,959,554	$ -	$ 2,959,807
Investment in subsidiaries	1,654,792	637,327	497,629	(2,789,748)	-
Cash and cash equivalents	46,999	108,317	1,012,532	-	1,167,848
Reinsurance assets	-	-	279,079	-	279,079
Other assets	7,311	8,047	66,328	-	81,686
Total assets	$1,709,102	$753,944	$ 4,815,122	$ (2,789,748)	$ 4,488,420
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$-	$-	$ 2,499,163	$ -	$ 2,499,163
Debt obligations	-	250,000	-	-	250,000
Other liabilities	2,207	6,315	23,840	-	32,362
Total liabilities	$2,207	$256,315	$ 2,523,003	$ -	$ 2,781,525
Shareholders' Equity					
Common Shares	$348	$-	$ 8,000	$ (8,000)	$ 348
Additional paid-in capital	285,503	213,385	2,000,419	(2,213,804)	285,503
Accumulated other comprehensive income	140,458	40,583	181,031	(221,614)	140,458
Retained earnings	1,280,586	243,661	102,669	(346,330)	1,280,586
Total shareholders' equity	$1,706,895	$497,629	$ 2,292,119	$ (2,789,748)	$ 1,706,895
Total liabilities and shareholders' equity	$1,709,102	$753,944	$ 4,815,122	$ (2,789,748)	$ 4,488,420

Condensed Consolidating Balance Sheet
December 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					

Total investments	$-	$274	$ 3,377,260	$ -	$ 3,377,534
Investment in subsidiaries	1,638,898	621,041	484,561	(2,744,500)	-
Cash and cash equivalents	47,791	108,260	636,459	-	792,510
Reinsurance assets	-	-	297,374	-	297,374
Other assets	6,229	6,620	71,344	-	84,193
Total assets	$1,692,918	$736,195	$ 4,866,998	$ (2,744,500)	$ 4,551,611
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$-	$-	$ 2,573,701	$ -	$ 2,573,701
Debt obligations	-	250,000	-	-	250,000
Other liabilities	2,059	1,634	33,358	-	37,051
Total liabilities	$2,059	$251,634	$ 2,607,059	$ -	$ 2,860,752
Shareholders' Equity					
Common Shares	$355	$-	$ 8,000	$ (8,000)	$ 355
Additional paid-in capital	313,730	213,342	2,000,335	(2,213,677)	313,730
Accumulated other comprehensive income	146,635	41,277	187,903	(229,180)	146,635
Retained earnings	1,230,139	229,942	63,701	(293,643)	1,230,139
Total shareholders' equity	$1,690,859	$484,561	$ 2,259,939	$ (2,744,500)	$ 1,690,859
Total liabilities and shareholders' equity	$1,692,918	$736,195	$ 4,866,998	$ (2,744,500)	$ 4,551,611

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$-	$-	$ 138,212	$ -	$ 138,212
Net investment income	1	(19)	28,570	-	28,552
Net realized gains on investments	-	-	22,339	-	22,339
Net impairment losses on investments	-	-	(1,070)	-	(1,070)
Other income (expense)	1,196	1	(1,676)	-	(479)
Total revenue	1,197	(18)	186,375	-	187,554
Expenses:					
Net losses and loss adjustment expenses	-	-	79,196	-	79,196
Net acquisition expenses	-	-	30,657	-	30,657
Net changes in fair value of derivatives	-	-	-	-	-
Operating expenses	4,941	66	11,976	-	16,983
Net foreign currency exchange losses (gains)	-	-	532	-	532
Interest expense	-	4,772	-	-	4,772
Total expenses	4,941	4,838	122,361	-	132,140
Income (loss) before income taxes	(3,744)	(4,856)	64,014	-	55,414
Income tax expense (benefit)	-	(1,638)	3,765	-	2,127
Income (loss) before equity in earnings of subsidiaries	(3,744)	(3,218)	60,249	-	53,287
Equity in earnings of subsidiaries	57,031	16,937	13,719	(87,687)	-
Net income (loss)	$53,287	$13,719	$ 73,968	$ (87,687)	$ 53,287
Other comprehensive income (loss) – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	-	-	(6,177)	-	(6,177)
Comprehensive income (loss)	$53,287	$13,719	$ 67,791	$ (87,687)	$ 47,110

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$-	$-	$ 182,881	$ -	$ 182,881
Net investment income	2	53	32,376	(53)	32,378
Net realized gains on investments	-	-	407	-	407
Net impairment losses on investments	-	-	(1,507)	-	(1,507)

Other income (expense)	(725)	115	1,706	-	1,096
Total revenue	(723)	168	215,863	(53)	215,255
Expenses:					
Net losses and loss adjustment expenses	-	-	319,595	-	319,595
Net acquisition expenses	-	-	33,950	-	33,950
Net changes in fair value of derivatives	-	-	(3,726)	-	(3,726)
Operating expenses	4,223	59	12,869	-	17,151
Net foreign currency exchange losses (gains)	-	-	189	-	189
Interest expense	53	4,766	-	(53)	4,766
Total expenses	4,276	4,825	362,877	(53)	371,925
Income (loss) before income taxes	(4,999)	(4,657)	(147,014)	-	(156,670)
Income tax expense (benefit)	(600)	(1,584)	2,706	-	522
Income (loss) before equity in earnings of subsidiaries	(4,399)	(3,073)	(149,720)	-	(157,192)
Equity in earnings of subsidiaries	(152,793)	8,787	5,739	138,267	-
Net income (loss)	$(157,192)	$5,714	$ (143,981)	$ 138,267	$ (157,192)
Other comprehensive income (loss) – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	-	1	12,003	-	12,004
Comprehensive income (loss)	$(157,192)	$5,715	$ (131,978)	$ 138,267	$ (145,188)

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited), continued
For the Three Months Ended March 31, 2012 and 2011

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$(3,897)	$36	$ (28,828)	$ -	$(32,689)
Investing Activities:					
Proceeds from sale of fixed maturity available-for-sale securities	-	-	151,136	-	151,136
Proceeds from sale of short-term investments	-	-	20,597	-	20,597
Proceeds from maturity or paydown of fixed maturity available-for-sale securities	-	21	40,948	-	40,969
Proceeds from maturity of short-term investments	-	-	439,799	-	439,799
Acquisition of fixed maturity available-for-sale securities	-	-	(131,241)	-	(131,241)
Acquisition of short-term investments	-	-	(77,538)	-	(77,538)
Dividends from subsidiaries	35,000	-	-	(35,000)	-
Net cash provided by (used in) investing activities	35,000	21	443,701	(35,000)	443,722
Financing Activities:					
Dividends paid to common shareholders	(2,840)	-	(35,000)	35,000	(2,840)
Repurchase of common shares	(29,486)	-	-	-	(29,486)
Proceeds from exercise of common share options	431	-	-	-	431
Net cash provided by (used in) financing activities	(31,895)	-	(35,000)	35,000	(31,895)
Effect of foreign currency exchange rate changes on cash	-	-	(3,800)	-	(3,800)
Net increase (decrease) in cash and cash equivalents	(792)	57	376,073	-	375,338
Cash and cash equivalents at beginning of period	47,791	108,260	636,459	-	792,510
Cash and cash equivalents at end of period	$46,999	$108,317	$ 1,012,532	$ -	$1,167,848

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated

Net cash provided by (used in) operating activities	$810	$125	$ (6,163)	$ -	$ (5,228)
Investing Activities:					
Proceeds from sale of fixed maturity available-for-sale securities	-	-	60,524	-	60,524
Proceeds from sale of fixed maturity trading securities	-	-	5,225	-	5,225
Proceeds from sale of short-term investments	-	-	25,995	-	25,995
Proceeds from maturity or paydown of fixed maturity available-for-sale securities	-	33	47,868	-	47,901
Proceeds from maturity of short-term investments	-	-	63,700	-	63,700
Acquisition of fixed maturity available-for-sale securities	-	-	(29,238)	-	(29,238)
Acquisition of short-term investments	-	-	(10,948)	-	(10,948)
Dividends from subsidiaries	280,000	-	-	(280,000)	-
Investment in subsidiary	(120,000)	-	-	120,000	-
Inter-company loans	-	75,000	100,000	(175,000)	-
Net cash provided by (used in) investing activities	160,000	75,033	263,126	(335,000)	163,159
Financing Activities:					
Dividends paid to common shareholders	(2,964)	-	(280,000)	280,000	(2,964)
Repurchase of common shares	(33,907)	-	-	-	(33,907)
Purchase of common share options	(47,900)	-	-	-	(47,900)
Proceeds from exercise of common share options	725	-	-	-	725
Capital contribution from parent	-	-	120,000	(120,000)	-
Inter-company loans	(75,000)	-	(100,000)	175,000	-
Net cash provided by (used in) financing activities	(159,046)	-	(260,000)	335,000	(84,046)
Effect of foreign currency exchange rate changes on cash	-	-	2,969	-	2,969
Net increase (decrease) in cash and cash equivalents	1,764	75,158	(68)	-	76,854
Cash and cash equivalents at beginning of period	45,035	7,347	935,495	-	987,877
Cash and cash equivalents at end of period	$46,799	$82,505	$ 935,427	$ -	$ 1,064,731

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto included in this Quarterly Report on Form 10-Q for the period ended March 31, 2012 (this “Form 10-Q”) and the consolidated financial statements and related notes thereto and Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the “2011 Form 10-K”). This Form 10-Q contains forward-looking statements that involve risks and uncertainties. Please see Item 1A, “Risk Factors,” in our 2011 Form 10-K and the “Note on Forward-Looking Statements” below. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Overview

Platinum Underwriters Holdings, Ltd. (“Platinum Holdings”) is a holding company domiciled in Bermuda. Through our reinsurance subsidiaries we provide property and marine, casualty and finite risk reinsurance coverages to a diverse clientele of insurers and select reinsurers on a worldwide basis. Platinum Holdings and its consolidated subsidiaries (collectively, the “Company”) includes Platinum Holdings, Platinum Underwriters Bermuda, Ltd. (“Platinum Bermuda”), Platinum Underwriters Reinsurance, Inc. (“Platinum US”), Platinum Underwriters Finance, Inc. ("Platinum Finance"), Platinum Regency Holdings ("Platinum Regency"), Platinum Administrative Services, Inc. and Platinum UK Services Company Limited. The terms "we," "us," and "our" refer to the Company, unless the context otherwise indicates.

At March 31, 2012, our capital resources of $1.96 billion consisted of $1.71 billion of common shareholders’ equity and $250.0 million of Series B 7.5% Notes due June 1, 2017 (the “debt obligations”). Our net income was $53.3 million for the three months ended March 31, 2012, which compares with a net loss of $157.2 million for the three months ended March 31, 2011. Net income for the three months ended March 31, 2012 reflects net investment income, net realized gains on investments and net favorable development, partially offset by losses from major catastrophe activity. The net loss for the three months ended March 31, 2011 reflected a significantly higher level of major catastrophe activity and lower net realized gains on investments. Our net premiums written for the three months ended March 31, 2012 and 2011 were $143.7 million and $194.8 million, respectively. The decrease in net premiums written was primarily due to the non-renewal of business that did not meet our minimum pricing standards.

Current Outlook

We anticipate that the remainder of 2012 will be characterized by ample capacity for insurance risk and that, despite the recent international catastrophes, risk adjusted pricing will be flat or marginally up in all lines of business that have not recently experienced significant losses. There have been significant insured losses from various natural catastrophes in Chile, New Zealand, Japan, Australia, the United States and other countries over the past 26 months, which may lead to price increases for certain loss-affected accounts. In addition, the introduction of catastrophe model revisions that increase the expected loss costs for certain U.S. and European wind events may, over time, ultimately support increases in rates for certain U.S. and European property catastrophe contracts. However, we believe that reinsurers generally remain well-capitalized and that competitive pressure will keep property catastrophe reinsurance rates from rising significantly absent major events in the insurance or capital markets.

We generally expect property catastrophe exposed reinsurance rates for peak zones and perils will remain reasonably attractive for the balance of 2012. For our U.S. property catastrophe portfolio, we have deployed somewhat less capacity in 2012 compared with 2011, leaving flexibility to expand our writings later in the year if desired. In 2012, our largest reductions in business written occurred in the international catastrophe and U.S. crop lines. We expect that our Property and Marine segment will continue to represent a large proportion of our overall book of business, which could result in significant volatility in our results of operations.

In the Casualty segment, we currently believe competition remains strong and capacity is abundant. While insurance rates are beginning to improve in some casualty classes, positive loss cost trends counteract any improvement in profitability. Coupled with the current low interest rate environment, this means many treaties do not meet our pricing standards. We expect insurance and reinsurance capacity to remain abundant for the rest of 2012 constraining the potential for significant improvements in risk adjusted rates. While we expect that select casualty reinsurance contracts may offer adequate returns, the portfolio of business we write in our Casualty segment will likely continue to decrease in 2012 as compared with 2011 unless market conditions improve beyond our current expectations.

Reflecting a continued lack of demand for finite risk covers, we expect to write a relatively small portfolio of business in our Finite Risk segment in 2012.

Absent major events in the insurance or capital markets, we expect relative stability in overall reinsurance rate adequacy in 2012. We will continue with our strategy to underwrite for profitability, not market share.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that are inherently subjective in nature that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. Actual results may differ materially from these estimates. Our critical accounting estimates used in the preparation of our consolidated financial statements include premiums written and earned, unpaid losses and loss adjustment expenses (“LAE”), reinsurance recoverable, valuation of investments and income taxes. In addition, estimates are used to evaluate risk transfer for assumed and ceded reinsurance transactions. For a detailed discussion of our critical accounting estimates, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our 2011 Form 10-K.

Results of Operations

Three Months Ended March 31, 2012 as Compared with the Three Months Ended March 31, 2011

Net income (loss) and diluted earnings (loss) per common share for the three months ended March 31, 2012 and 2011 were as follows ($ and amounts in thousands, except diluted earnings (loss) per common share):

	2012	2011	Net change
Underwriting income (loss)	$16,297	$(183,552)	$199,849
Net investment income	28,552	32,378	(3,826)
Net realized gains on investments	22,339	407	21,932
Net impairment losses on investments	(1,070)	(1,507)	437
Other revenues (expenses)	(10,704)	(4,396)	(6,308)
Income (loss) before income taxes	55,414	(156,670)	212,084
Income tax expense	(2,127)	(522)	(1,605)
Net income (loss)	$53,287	$(157,192)	$210,479
Weighted average shares outstanding for diluted earnings (loss) per common share	35,510	37,199	(1,689)
Diluted earnings (loss) per common share	$1.49	$(4.20)	$5.70

The net income and diluted income per common share for the three months ended March 31, 2012 as compared with the net loss and diluted loss per common share for the three months ended March 31, 2011 was primarily due to an increase in the net underwriting result attributable to a significant decrease in major catastrophe activity. In addition, there was an increase in net realized gains on investments for the three months ended March 31, 2012 as compared with the same period in 2011. As the three months ended March 31, 2011 resulted in a net loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation.

Underwriting Results

Underwriting income or loss and underwriting ratios measure the performance of the Company's underwriting function. Underwriting income or loss consists of net premiums earned less net losses and LAE and net underwriting expenses. Net underwriting expenses include net acquisition expenses and operating costs related to the underwriting operations. Underwriting income or loss excludes revenues and expenses related to net investment income, net realized gains or losses on investments, net impairment losses on investments, net changes in fair value of derivatives, net foreign exchange gains or losses, corporate expenses not allocated to underwriting operations, interest expense and other revenues and expenses. Underwriting ratios are calculated for net losses and LAE, net acquisition expense and net underwriting expense. The ratios are calculated by dividing the related expense by net earned premiums.

Net favorable or unfavorable development is the development of prior years' unpaid losses and LAE and the related impact of premiums and commissions.

Net underwriting income was $16.3 million for the three months ended March 31, 2012, which compares with a net underwriting loss of $183.6 million for the three months ended March 31, 2011. The change in the net underwriting result was due primarily to a decrease in net losses arising from major catastrophes in 2012.

Net losses arising from major catastrophes were $25.9 million and $248.1 million for the three months ended March 31, 2012 and 2011, respectively. Net favorable development was $27.8 million and $33.1 million for the three months ended March 31, 2012 and 2011, respectively.

We conduct our worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. The following discussion and analysis reviews our underwriting results by operating segment. Segment underwriting income is reconciled to the U.S. GAAP measure of income or loss before income taxes in Note 9 to the "Consolidated Financial Statements" in this Form 10-Q. The measures we use in evaluating our operating segments should not be used as a substitute for measures determined under U.S. GAAP.

Property and Marine

The following table summarizes underwriting results and ratios for the Property and Marine segment for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31,		
	2012	2011	Increase (decrease)
Gross premiums written	$68,544	$123,814	$(55,270)
Ceded premiums written	391	12,012	(11,621)
Net premiums written	68,153	111,802	(43,649)
Net premiums earned	61,328	97,905	(36,577)
Net losses and LAE	40,937	278,330	(237,393)
Net acquisition expenses	9,235	13,626	(4,391)
Other underwriting expenses	6,835	7,321	(486)
Property and Marine segment underwriting income (loss)	$4,321	$(201,372)	$205,693
Underwriting ratios:			
Net loss and LAE	66.8 %	284.3 %	(217.5) points
Net acquisition expense	15.1 %	13.9 %	1.2 points
Other underwriting expense	11.1 %	7.5 %	3.6 points
Combined	93.0 %	305.7 %	(212.7) points

The Property and Marine segment underwriting result improved by $205.7 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011, primarily due to a decrease in net losses arising from major catastrophes. Net losses arising from major catastrophes, net of reinstatement premiums and retrocessional recoveries, were $25.9 million and $248.1 million for the three months ended March 31, 2012 and 2011, respectively. Net losses from major catastrophes for the three months ended March 31, 2012 were substantially all attributable to severe weather, including tornadoes and hailstorms in Kentucky and Tennessee, referred to as Property Claims Services ("PCS") Catastrophes 66 and 67. Net losses from major catastrophes for the three months ended March 31, 2011 related primarily to the February earthquake in New Zealand, the earthquake in Japan, Australian floods and Cyclone Yasi.

The Property and Marine operating segment generated 47.4% and 57.4% of our net premiums written for the three months ended March 31, 2012 and 2011, respectively. Gross premiums written decreased by $55.3 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011. Gross premiums written included reinstatement premiums related to major catastrophes of $2.3 million and $12.8 million for the three months ended March 31, 2012 and 2011, respectively. The decrease in gross premiums written was due to decreases across most classes of business, most significantly in the catastrophe excess-of-loss classes, for the three months ended March 31, 2012 as compared with the same period in 2011 and resulted from fewer opportunities that met our underwriting standards and our desire to reduce our exposure to catastrophe events. The decrease in ceded premiums written was due to a decrease in our purchase of retrocessional coverage on catastrophe business for the three months ended March 31, 2012 as compared with the same period in 2011. Net premiums earned decreased by $43.6 million for the three months ended March 31, 2012 as compared with the same period in 2011, primarily as a result of decreases in net premiums written in current and prior periods. Net premiums written and earned were also affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net losses and LAE decreased by $237.4 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011, primarily due to a decrease in losses arising from major catastrophes. The following table sets forth the components of pre-tax net losses by major catastrophe for the three months ended March 31, 2012 ($ in thousands):

Major Catastrophe	Gross Losses and LAE	Retrocessional Recoveries	Net Losses and LAE	Reinstatement Premiums Earned	Net Losses from Major Catastrophes
PCS Catastrophes 66 and 67	$(28,043)	$ -	$(28,043)	$ 2,168	$ (25,875)
Total	$(28,043)	$ -	$(28,043)	$ 2,168	$ (25,875)

The following table sets forth the components of pre-tax net losses by major catastrophe for the three months ended March 31, 2011 ($ in thousands):

Major Catastrophe	Gross Losses and LAE	Retrocessional Recoveries	Net Losses and LAE	Reinstatement Premiums Earned	Net Losses from Major Catastrophes
February New Zealand earthquake	$(141,472)	$ -	$(141,472)	$ 4,558	$ (136,914)
Japan earthquake	(126,206)	35,000	(91,206)	4,644	(86,562)
Australian floods	(15,604)	-	(15,604)	753	(14,851)
Cyclone Yasi	(11,109)	-	(11,109)	1,383	(9,726)
Total	$(294,391)	$ 35,000	$(259,391)	$ 11,338	$ (248,053)

During the course of 2011, the Company increased its estimates of pre-tax net losses from major catastrophes for the three months ended March 31, 2011. At December 31, 2011, the Company's estimates of pre-tax net losses were

$208.5 million for the February New Zealand earthquake, $143.6 million for the Japan earthquake, $16.5 million for the Australian floods, and $13.5 million for Cyclone Yasi.

Net losses and LAE arising from major catastrophes, with related premium adjustments, increased the net loss and LAE ratio by 44.9 points and 262.4 points for three months ended March 31, 2012 and 2011, respectively.

Net favorable loss development was $10.7 million and $12.2 million for three months ended March 31, 2012 and 2011, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratio by 18.8 points and 14.7 points for the three months ended March 31, 2012 and 2011, respectively. Net favorable loss development for the three months ended March 31, 2012 and 2011 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios. For the three months ended March 31, 2012, there was no material impact to loss development from major catastrophe events that occurred in 2011 and prior years.

The following table sets forth the net favorable (unfavorable) development for the three months ended March 31, 2012 by class of business ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expense	Net Premiums	Net Development
Property per risk excess-of-loss	$6,107	$(157)	$874	$6,824
Catastrophe excess-of-loss (non-major events)	2,649	(70)	146	2,725
Property proportional	1,016	(60)	-	956
Other	931	(9)	(78)	844
Total	$10,703	$(296)	$942	$11,349

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Net favorable development in the property per risk excess-of-loss class arose from most prior underwriting years. Net favorable development in the catastrophe excess-of-loss (non-major events) class arose primarily from the 2007 through 2011 underwriting years. Net favorable development in the property proportional class arose primarily from the 2003, 2004, 2008 and 2009 underwriting years.

The following table sets forth the net favorable (unfavorable) development for the three months ended March 31, 2011 by class of business ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expense	Net Premiums	Net Development
Property per risk excess-of-loss	$ 6,875	$ 177	$ 192	$ 7,244
Catastrophe excess-of-loss (non-major events)	(11,879)	(191)	(162)	(12,232)
Property proportional	3,388	(60)	-	3,328
Major catastrophes	14,181	(5)	(19)	14,157
Other property	(331)	(134)	721	256
Total	$ 12,234	$ (213)	$ 732	$ 12,753

Net favorable development in the property per risk excess-of-loss class arose primarily from North American business from most prior underwriting years. Net unfavorable development in the catastrophe excess-of-loss (non-major events) class arose primarily from an increase in loss advices from ceding companies related to fourth quarter 2010 events in Europe and Australia. Net favorable development in the property proportional class arose primarily in the 2008 and 2009 underwriting years. Net favorable development in the major catastrophes class arose primarily from the September 2010 earthquake in New Zealand and the December 2010 floods in Australia.

Net acquisition expenses and related net acquisition expense ratios were $9.2 million and 15.1%, respectively, for the three months ended March 31, 2012 and $13.6 million and 13.9%, respectively, for the three months ended March 31, 2011. The decrease in net acquisition expenses was primarily due to the decrease in net premiums earned as compared with the same period in 2011. The increase in acquisition expense ratio for the three months ended March 31, 2012 was primarily due to a reduction in catastrophe business which has a lower acquisition ratio than the remainder of the segment as compared with the same period in 2011. Net acquisition expenses and related net acquisition expense ratios were also affected by other changes in the mix of business.

Other underwriting expenses were $6.8 million and $7.3 million for the three months ended March 31, 2012 and 2011, respectively. The decrease in 2012 as compared with 2011 was primarily attributable to a reduction in personnel costs partially offset by higher performance-based compensation in the current year as compared to the prior year.

Casualty

The following table summarizes underwriting results and ratios for the Casualty segment for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31,		
	2012	2011	Increase (decrease)
Net premiums written	$ 74,400	$ 80,519	$ (6,119)
Net premiums earned	75,766	80,824	(5,058)
Net losses and LAE	41,036	39,619	1,417

Net acquisition expenses	17,375	18,563	(1,188)
Other underwriting expenses	5,036	5,332	(296)
Casualty segment underwriting income	$12,319	$17,310	$(4,991)
Underwriting ratios:			
Net loss and LAE	54.2 %	49.0 %	5.2 points
Net acquisition expense	22.9 %	23.0 %	(0.1) points
Other underwriting expense	6.6 %	6.6 %	- points
Combined	83.7 %	78.6 %	5.1 points

The Casualty segment underwriting income decreased by $5.0 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011, primarily due to a decrease in net favorable development. Net favorable development was $16.6 million and $19.7 million for the three months ended March 31, 2012 and 2011, respectively.

The Casualty operating segment generated 51.8% and 41.3% of our net premiums written for the three months ended March 31, 2012 and 2011, respectively. Net premiums written decreased by $6.1 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011, primarily due to decreases in the North American casualty first dollar general liability classes as a result of fewer opportunities that met our underwriting standards. Net premiums earned decreased by $5.1 million as a result of the decreases in net premiums written in current and prior periods. Net premiums written and earned were also affected by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net losses and LAE increased by $1.4 million for the three months ended March 31, 2012 as compared with the three months ended March 31, 2011, primarily due to a decrease in net favorable loss development. Net favorable loss development was $16.0 million and $19.6 million for the three months ended March 31, 2012 and 2011, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratios by 22.1 points and 23.8 points for the three months ended March 31, 2012 and 2011, respectively. Net favorable loss development for the three months ended March 31, 2012 and 2011 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios. The net loss and LAE ratios were also affected by changes in the mix of business.

The following table sets forth the net favorable (unfavorable) development for the three months ended March 31, 2012 by class of business ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expense	Net Premiums	Net Development
North American claims made	$12,496	$(558)	$672	$ 12,610
North American umbrella	5,892	(9)	-	5,883
North American occurrence excess-of-loss	2,832	(56)	19	2,795
Financial lines	(1,603)	129	318	(1,156)
International casualty	(3,635)	2	4	(3,629)
Other	11	77	7	95
Total	$15,993	$(415)	$1,020	$ 16,598

Net favorable development in the North American claims made class arose primarily from the 2003 through 2008 underwriting years. Net favorable development in the North American umbrella class arose primarily from the 2003 through 2007 underwriting years. Net favorable development in the North American occurrence excess-of-loss class arose primarily from the 2007 underwriting year. Net unfavorable development in the financial lines class arose primarily from the 2011 underwriting year on trade credit contracts. Net unfavorable development in the international casualty class arose primarily from financial institutions claims related to the credit crisis in the 2008 underwriting year and a claim related to a power plant in Thailand in the 2010 underwriting year.

The following table sets forth the net favorable (unfavorable) development for the three months ended March 31, 2011 by class of business ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expense	Net Premiums	Net Development
North American claims made	$14,087	$(363)	$-	$ 13,724
North American occurrence excess-of-loss	2,571	194	96	2,861
North American umbrella	4,467	(11)	-	4,456

Accident and health	(2,458)	546	-	(1,912)
Other	888	210	(505)	593
Total	$19,555	$576	$(409)	$ 19,722

Net favorable development in the North American claims made class arose primarily from the 2003 through 2006 underwriting years. Net favorable development in the North American occurrence excess-of-loss class arose primarily from the 2005 underwriting year. Net favorable development in the North American umbrella class arose primarily from the 2005, 2006 and 2008 underwriting years. Net unfavorable development in the accident and health class arose primarily from the 2004 through 2006 underwriting years.

Net acquisition expenses and related net acquisition expense ratios were $17.4 million and 22.9%, respectively, for the three months ended March 31, 2012 and $18.6 million and 23.0%, respectively, for the three months ended March 31, 2011. The decrease in the net acquisition expenses was due to a decrease in net premiums earned for the three months ended March 31, 2012 as compared with the same period in 2011. Net acquisition expenses and related net acquisition expense ratios were also affected by changes in the mix of business.

Other underwriting expenses were $5.0 million and $5.3 million for the three months ended March 31, 2012 and 2011, respectively. The decrease in 2012 as compared with 2011 was primarily attributable to a reduction in personnel costs partially offset by higher performance-based compensation in the current year as compared to the prior year.

Finite Risk

The following table summarizes underwriting results and ratios for the Finite Risk segment for the three months ended March 31, 2012 and 2011 ($ in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Increase (decrease)
Net premiums written	$1,108	$2,464	$(1,356)
Net premiums earned	1,118	4,152	(3,034)
Net losses and LAE	(2,777)	1,646	
Net acquisition expenses	4,047	1,761	
Net losses, LAE and acquisition expenses	1,270	3,407	(2,137)
Other underwriting expenses	191	235	(44)
Finite Risk segment underwriting income (loss)	$(343)	$510	$