

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
July 26, 2011

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011

OR

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

Commission File Number: 001-31341

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

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0416483
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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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 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	<input checked="" type="checkbox"/>	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

The registrant had 37,323,794 common shares, par value \$0.01 per share, outstanding as of July 15, 2011.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Balance Sheets
(\$ in thousands, except share data)

	(Unaudited)	
	June 30, 2011	December 31, 2010
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost – \$2,490,397 and \$2,889,502, respectively)	\$2,543,684	\$ 2,865,827
Fixed maturity trading securities at fair value (amortized cost – \$161,694 and \$174,631, respectively)	167,605	182,146
Short-term investments	226,307	176,648
Total investments	2,937,596	3,224,621
Cash and cash equivalents	1,318,773	987,877
Accrued investment income	31,724	31,288
Reinsurance premiums receivable	149,616	162,682
Reinsurance recoverable on ceded losses and loss adjustment expenses	42,049	13,973
Prepaid reinsurance premiums	22,809	4,461
Funds held by ceding companies	90,507	84,078
Deferred acquisition costs	32,143	36,584
Deferred tax assets	34,578	47,777
Other assets	22,602	20,972
Total assets	\$4,682,397	\$ 4,614,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$2,472,861	\$ 2,217,378
Unearned premiums	139,767	154,975
Debt obligations	250,000	250,000
Commissions payable	54,112	59,388
Other liabilities	69,947	37,117
Total liabilities	\$2,986,687	\$ 2,718,858
Shareholders' Equity		
Common shares, \$0.01 par value, 200,000,000 shares authorized, 37,323,794 and 37,757,926 shares issued and outstanding, respectively	\$ 373	\$ 377
Additional paid-in capital	372,882	453,619
Accumulated other comprehensive income (loss)	40,034	(24,488)
Retained earnings	1,282,421	1,465,947
Total shareholders' equity	\$1,695,710	\$ 1,895,455
Total liabilities and shareholders' equity	\$4,682,397	\$ 4,614,313

See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)
For the Three and Six Months Ended June 30, 2011 and 2010
(\$ in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenue:				
Net premiums earned	\$172,436	\$191,432	\$355,317	\$411,610
Net investment income	33,965	35,372	66,343	72,877
Net realized gains (losses) on investments	(4,689)	49,489	(4,282)	54,946
Total other-than-temporary impairment losses	(548)	1,777	500	(10,861)
Portion of impairment losses recognized in accumulated other comprehensive income (loss)	(1,118)	(5,187)	(3,673)	(10,651)
Net impairment losses on investments	(1,666)	(3,410)	(3,173)	(21,512)
Other income (expense)	(60)	(144)	1,036	129
Total revenue	199,986	272,739	415,241	518,050
Expenses:				
Net losses and loss adjustment expenses	159,357	71,475	478,952	236,043
Net acquisition expenses	34,115	44,088	68,065	81,417
Net changes in fair value of derivatives	4,474	30	748	2,345
Operating expenses	17,105	20,160	34,256	41,901
Net foreign currency exchange losses (gains)	614	(67)	803	(1,296)
Interest expense	4,767	4,709	9,533	9,469
Total expenses	220,432	140,395	592,357	369,879
Income (loss) before income taxes	(20,446)	132,344	(177,116)	148,171
Income tax expense (benefit)	(45)	8,205	477	8,611
Net income (loss)	\$(20,401)	\$124,139	\$(177,593)	\$139,560
Earnings (loss) per common share:				
Basic earnings (loss) per common share	\$(0.55)	\$2.87	\$(4.75)	\$3.15
Diluted earnings (loss) per common share	\$(0.55)	\$2.68	\$(4.75)	\$2.95
Comprehensive income (loss):				
Net income (loss)	\$(20,401)	\$124,139	\$(177,593)	\$139,560
Other comprehensive income – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	52,518	34,833	64,522	82,705
Comprehensive income (loss)	\$32,117	\$158,972	\$(113,071)	\$222,265
Shareholder dividends:				
Common shareholder dividends declared	\$2,969	\$3,400	\$5,933	\$7,055
Dividends declared per common share	\$0.08	\$0.08	\$0.16	\$0.16

See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
For the Six Months Ended June 30, 2011 and 2010
(\$ in thousands)

	2011	2010
Common shares:		
Balances at beginning of period	\$377	\$459
Exercise of common share options	–	6
Issuance of common shares	–	1
Settlement of equity awards	4	3
Repurchase of common shares	(8)	(58)
Balances at end of period	373	411
Additional paid-in capital:		
Balances at beginning of period	453,619	883,425
Exercise of common share options	1,132	19,245
Issuance of common shares	2	4
Share based compensation	2,275	7,152
Settlement of equity awards	(2,726)	(966)
Repurchase of common shares	(33,899)	(212,765)
Purchase of common share options	(47,900)	–
Income tax (expense) benefit from share based compensation	379	(128)
Balances at end of period	372,882	695,967
Accumulated other comprehensive income (loss):		
Balances at beginning of period	(24,488)	(70,005)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes:		
Change in unrealized gains and losses	60,987	74,177
Non-credit component of impairment losses	3,535	8,528
Balances at end of period	40,034	12,700
Retained earnings:		
Balances at beginning of period	1,465,947	1,263,852
Net income (loss)	(177,593)	139,560
Common share dividends	(5,933)	(7,055)
Balances at end of period	1,282,421	1,396,357
Total shareholders' equity	\$1,695,710	\$2,105,435

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended June 30, 2011 and 2010
(\$ in thousands)

2011

2010