



ASPEN INSURANCE HOLDINGS LIMITED
EARNINGS RELEASE SUPPLEMENT
AS OF DECEMBER 31, 2004

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This financial supplement is for information purposes only. It should be read in conjunction with other documents filed or to be filed shortly by Aspen Insurance Holdings Limited with the United States Securities Exchange Commission.

Application of the Safe Harbor of the Private Securities Litigation Reform Act of 1995:

This financial supplement may contain, and Aspen may from time-to-time make, written or oral "forward-looking statements" within the meaning of the U.S. federal securities laws. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "expect," "intend," "plan," "believe," "project," "anticipate," "seek," "will," "estimate," "may," "continue," and similar expressions of a future or forward-looking nature.

All forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the Company's control that could cause actual results to differ materially from such statements. Important events that could cause the actual results to differ include, but are not limited to: the impact of acts of terrorism and acts of war and related legislations; the possibility of greater frequency or severity of, or unanticipated losses from, natural or man made catastrophes, including losses developing from the recent windstorms in the southeastern U.S. and Japan; the effectiveness of the Company's loss limitation methods; changes in the availability, cost or quality of reinsurance or retrocessional coverage, the loss of key personnel; a decline in the operating subsidiaries' ratings with Standard & Poor's, A.M. Best or Moody's; changes in general economic conditions; increased competition on the basis of pricing, capacity, coverage terms or other factors; decrease in demand for the Company's insurance or reinsurance products and cyclical downturn of the industry; and changes in governmental regulation or tax laws in the jurisdictions where the Company conducts business. For a more detailed description of these uncertainties and other factors, please see the "Risk Factors" section in Aspen's Annual Report on Form 10-K for the year ended December 31, 2003, filed with the U.S. Securities and Exchange Commission on March 26, 2004. Aspen undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made.

BASIS OF PREPARATION

Definitions and presentation

All financial information contained herein is unaudited except for information for the 12 months ended December 31, 2003.

Unless otherwise noted, all data is in US dollars millions, except for per share, percentage and ratio information.

In presenting the Company's results, management has included and discussed certain "non-GAAP financial measures", as such term is defined in Regulation G. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain the Company's results of operations in a manner that allows for a more complete understanding of the underlying trends in the Company's business. However, these measures should not be viewed as a substitute for those determined in accordance with GAAP. The reconciliation of such non-GAAP financial measures to their respective most directly comparable GAAP financial measures in accordance with Regulation G is included in this financial supplement.

Operating income (a non-GAAP financial measure): Operating income is an internal performance measure used by the Company in the management of its operations and represents after-tax operational results excluding, as applicable, after-tax net realized capital gains or losses and after-tax net foreign exchange gains or losses.

The Company excludes after tax net realized capital gains or losses and after-tax net foreign exchange gains or losses from its calculation of operating income because the amount of these gains or losses is heavily influenced by, and fluctuates in part, according to the availability of market opportunities. The Company believes these amounts are largely independent of its business and underwriting process and including them distorts the analysis of trends in its operations. In addition to presenting net income determined in accordance with GAAP, the Company believes that showing operating income enables investors, analysts, rating agencies and other users of its financial information to more easily analyze the Company's results of operations in a manner similar to how management analyzes the Company's underlying business performance. Operating income should not be viewed as a substitute for GAAP net income. Please see page 23 for a reconciliation of operating income to net income.

Annualized Operating Return on Average Equity (ROAE) (a non-GAAP financial measure): Annualized Operating Return on Average Equity is calculated using 1) operating income, as defined above and 2) excludes from average equity, the average after tax unrealized appreciation or depreciation on investments and the average after tax unrealized foreign exchange gains or losses. Unrealized appreciation (depreciation) on investments is primarily the result of interest rate movements and the resultant impact on fixed income securities, and unrealized appreciation (depreciation) on foreign exchange is the result of exchange rate movements between the US dollar and the British pound. Such appreciation (depreciation) is not related to management actions or operational performance, (nor is it likely to be realized.) Therefore the Company believes that excluding this unrealized appreciation (depreciation) provides a more consistent and useful measurement of operating performance, which supplements GAAP information. Average equity is calculated as the arithmetic average on a monthly basis for the stated periods.

The Company presents ROAE as a measure that it is commonly recognized as a standard of performance by investors, analysts, rating agencies and other users of its financial information.

See page 23 for a reconciliation of operating income to net income and page 16 for a reconciliation of average equity.

Diluted book value per share (a non-GAAP financial measure): The Company has included diluted book value per share because it takes into account the effect of dilutive securities; therefore, the Company believes it is a better measure of calculating shareholder returns than book value per share. Please see page 20 for a reconciliation of diluted book value per share to basic book value per share.

Underwriting ratios (are GAAP financial measures): Aspen Insurance Holdings Limited, along with others in the industry, uses underwriting ratios as measures of performance. The loss ratio is the ratio of net claims and claims adjustment expense to net earned premiums. The acquisition expense ratio is the ratio of underwriting expenses (commissions; premium taxes, licenses and fees; as well as other underwriting expenses) to net earned premiums. The general and administrative expense ratio is the ratio of general and administrative expenses to net earned premiums. The combined ratio is the sum of the loss ratio, the acquisition expense ratio and the general and administrative expense ratio. These ratios are relative measurements that describe for every \$100 of net premiums earned or written, the cost of losses and expenses, respectively. The combined ratio presents the total cost per \$100 of earned premium. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting loss.

GAAP combined ratios differ from statutory combined ratios primarily due to the deferral of certain third party acquisition expenses for GAAP reporting purposes and the use of net premiums earned rather than net premiums written in the denominator when calculating the acquisition expense and the general & administrative expense ratios.

INCOME STATEMENT

The following table summarizes the Company's financial performance for the three and twelve month periods to December 31, 2004 compared to the three and twelve month periods to December 31, 2003

(in US\$ millions)	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
UNDERWRITING REVENUES				
Gross premiums written	216.2	145.0	1,586.2	1,306.8
Premiums ceded	(27.5)	(13.3)	(228.6)	(214.0)
Net premiums written	<u>188.7</u>	<u>131.7</u>	<u>1,357.6</u>	<u>1,092.8</u>
Change in unearned premiums	117.9	141.6	(124.8)	(280.5)
Net premiums earned	<u>306.6</u>	<u>273.3</u>	<u>1,232.8</u>	<u>812.3</u>
UNDERWRITING EXPENSES				
Losses and loss expenses	(156.9)	(152.0)	(723.6)	(428.4)
Acquisition expenses	(47.8)	(40.0)	(212.0)	(152.3)
General and administrative expenses	(22.3)	(24.8)	(93.0)	(53.3)
Total Underwriting Expenses	<u>(227.0)</u>	<u>(216.8)</u>	<u>(1,028.6)</u>	<u>(634.0)</u>
Underwriting Income	<u>79.6</u>	<u>56.5</u>	<u>204.2</u>	<u>178.3</u>
OTHER OPERATING REVENUE				
Net investment income	22.0	12.9	68.3	29.6
Interest expense	(3.7)	(0.4)	(6.9)	(0.4)
Total other operating revenue	<u>18.3</u>	<u>12.5</u>	<u>61.4</u>	<u>29.2</u>
Other expense	(1.9)	(0.1)	(4.0)	0.0
OPERATING INCOME BEFORE TAX	<u>96.0</u>	<u>68.9</u>	<u>261.6</u>	<u>207.5</u>
OTHER				
Net realized exchange gains	4.4	1.5	5.1	1.5
Net realized investment (losses)	(1.1)	(0.6)	(3.5)	(2.4)
INCOME BEFORE INCOME TAX	<u>99.3</u>	<u>69.8</u>	<u>263.2</u>	<u>206.6</u>
Income taxes	(27.1)	(15.3)	(68.1)	(54.5)
NET INCOME AFTER TAX	<u>72.2</u>	<u>54.5</u>	<u>195.1</u>	<u>152.1</u>
Dividends Paid	(2.1)	0.0	(8.3)	0.0
Retained Income	<u>70.1</u>	<u>54.5</u>	<u>186.8</u>	<u>152.1</u>
Components of Net Income (after tax)				
Operating income	67.1	53.8	192.6	152.7
Net realized investment gains (losses)	0.5	(0.4)	(2.6)	(1.7)
Net realized exchange gains	4.6	1.1	5.1	1.1
NET INCOME AFTER TAX	<u>72.2</u>	<u>54.5</u>	<u>195.1</u>	<u>152.1</u>

PER SHARE DATA

(In US\$ except for number of shares)	Three Months Ended	Three Months Ended	Twelve Months Ended	Twelve Months Ended
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Basic earnings per share				
Net income	1.04	0.90	2.82	2.63
Operating income	0.97	0.89	2.78	2.64
Diluted earnings per share				
Net income	1.01	0.88	2.74	2.56
Operating income	0.94	0.87	2.71	2.57
Weighted average ordinary shares outstanding	69,291,191	60,410,838	69,204,658	57,751,852
Weighted average ordinary shares outstanding and dilutive potential ordinary shares	71,245,744	62,050,848	71,121,568	59,491,760
Book value per share			21.28	18.77
Diluted book value (treasury stock method)			20.69	18.17
Ordinary shares outstanding at end of the period			69,315,099	69,179,303
Ordinary shares outstanding and dilutive potential ordinary shares at end of the period			71,271,170	71,481,906

FINANCIAL RATIOS

(In US\$ millions except for percentage figures)	Three Months Ended	Three Months Ended	Twelve Months Ended	Twelve Months Ended
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Average Equity	1,439	1,085	1,395	956
Return on average equity				
Net income	5.0%	5.0%	14.0%	15.9%
Operating income	4.7%	5.0%	13.8%	16.0%
Annualized Return on Average Equity (1)				
Net income	20.1%	20.1%	14.0%	15.9%
Operating income	18.7%	19.8%	13.8%	16.0%
Loss Ratio	51.2%	55.6%	58.7%	52.7%
Expense ratio	22.8%	23.7%	24.7%	25.3%
Combined ratio	<u>74.0%</u>	<u>79.3%</u>	<u>83.4%</u>	<u>78.0%</u>
Debt to total capital	14.4%		14.4%	

See pages 16, 20 and 23 for detailed calculation and reconciliation of non-GAAP measures to their respective most directly comparable GAAP financial measures.

(1) Annualized return on average equity for the quarter is calculated as four times the return on average equity for the quarter.

UNDERWRITING RESULTS BY OPERATING SEGMENT

The following tables summarize gross and net written and earned premium, losses and loss expenses, policy acquisition, operating and administrative expenses, underwriting results, and combined ratios and reserves for each of our two business segments for the three months and twelve months ended December 31, 2004 and 2003.

(in US\$ millions)

	Three Months Ended December 31, 2004			Three Months Ended December 31, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	95.1	121.1	216.2	62.3	82.7	145.0
Net premiums written	83.3	105.4	188.7	61.0	70.7	131.7
Gross premiums earned	282.8	93.0	375.8	226.2	94.7	320.9
Net premiums earned	228.8	77.8	306.6	192.9	80.4	273.3
Expenses:						
Losses and loss expenses	(119.7)	(37.2)	(156.9)	(109.7)	(42.3)	(152.0)
Policy acquisition, operating and administrative expenses	(52.6)	(17.5)	(70.1)	(45.5)	(19.3)	(64.8)
Underwriting profit before investment income	56.5	23.1	79.6	37.7	18.8	56.5
Investment income			22.0			12.9
Other net income and interest expense			(3.7)			(0.5)
Other expense			(1.9)			0.0
Operating income before income tax			96.0			68.9
Net reserves for loss and loss adjustment expenses	737.6	342.6	1,080.2	314.9	167.3	482.2
Ratios						
Loss ratio	52.3%	47.8%	51.2%	56.9%	52.6%	55.6%
Expense ratio	23.0%	22.5%	22.8%	23.6%	24.0%	23.7%
Combined ratio	75.3%	70.3%	74.0%	80.5%	76.6%	79.3%

UNDERWRITING RESULTS BY OPERATING SEGMENT

(in US\$ millions)	Twelve Months Ended December 31, 2004			Twelve Months Ended December 31, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	1,177.7	408.5	1,586.2	1,001.9	304.9	1,306.8
Net premiums written	1,009.1	348.5	1,357.6	821.0	271.8	1,092.8
Gross premiums earned	1,110.6	358.4	1,469.0	747.2	240.6	987.8
Net premiums earned	927.3	305.5	1,232.8	596.6	215.7	812.3
Expenses:						
Losses and loss expenses	(553.1)	(170.5)	(723.6)	(303.0)	(125.4)	(428.4)
Policy acquisition, operating and administrative expenses	(233.1)	(71.9)	(305.0)	(165.6)	(40.0)	(205.6)
Underwriting profit before investment income	141.1	63.1	204.2	128.0	50.3	178.3
Investment income			68.3			29.6
Other net income and interest expense			(6.9)			(0.4)
Other expense			(4.0)			0.0
Operating income before income tax	261.6		261.6	207.5		207.5
Net reserves for loss and loss adjustment expenses	737.6	342.6	1,080.2	314.9	167.3	482.2
Ratios						
Loss ratio	59.7%	55.8%	58.7%	50.8%	58.1%	52.7%
Expense ratio	25.1%	23.5%	24.7%	27.7%	18.6%	25.3%
Combined ratio	84.8%	79.3%	83.4%	78.5%	76.7%	78.0%

REINSURANCE

The following tables summarize our underwriting results for each of the lines of business within our reinsurance segment for the three months and twelve months ended December 31, 2004 and 2003:

	Three Months Ended December 31, 2004				Three Months Ended December 31, 2003			
	Property	Casualty	Specialty	Total	Property	Casualty	Specialty	Total
(in US\$ millions)								
Gross premiums written	30.5	53.7	10.9	95.1	2.8	32.0	27.5	62.3
Net premiums written	25.4	52.9	5.0	83.3	1.5	28.8	30.7	61.0
Gross premiums earned	150.5	108.1	24.2	282.8	142.2	61.4	22.6	226.2
Net premiums earned	108.4	104.6	15.8	228.8	111.7	58.0	23.2	192.9
Losses and loss expenses	(46.6)	(78.6)	5.5	(119.7)	(46.7)	(43.8)	(19.2)	(109.7)
Policy acquisition, operating and administration expenses	(29.2)	(20.3)	(3.1)	(52.6)	(33.5)	(9.9)	(2.1)	(45.5)
Underwriting profit before investment income	32.6	5.7	18.2	56.5	31.5	4.3	1.9	37.7
Ratios								
Loss ratio	43.0%	75.2%	(34.8%)	52.3%	41.8%	75.5%	82.8%	56.9%
Expense ratio	26.9%	19.4%	19.6%	23.0%	30.0%	17.1%	9.0%	23.6%
Combined ratio	69.9%	94.6%	(15.2%)	75.3%	71.8%	92.6%	91.8%	80.5%

REINSURANCE

	Twelve Months Ended December 31, 2004				Twelve Months Ended December 31, 2003			
	Property	Casualty	Specialty	Total	Property	Casualty	Specialty	Total
(in US\$ millions)								
Gross premiums written	649.3	446.7	81.7	1,177.7	558.2	292.3	151.4	1,001.9
Net premiums written	499.9	436.7	72.5	1,009.1	400.0	280.3	140.7	821.0
Gross premiums earned	630.1	363.3	117.2	1,110.6	437.2	168.0	142.0	747.2
Net premiums earned	469.6	353.1	104.6	927.3	309.1	158.8	128.7	596.6
Losses and loss expenses	(262.5)	(252.2)	(38.4)	(553.1)	(106.7)	(115.8)	(80.5)	(303.0)
Policy acquisition, operating and administration expenses	(142.2)	(70.9)	(20.0)	(233.1)	(110.3)	(31.9)	(23.4)	(165.6)
Underwriting profit before investment income	64.9	30.0	46.2	141.1	92.1	11.1	24.8	128.0
Ratios								
Loss ratio	55.9%	71.4%	36.7%	59.7%	34.5%	72.9%	62.5%	50.8%
Expense ratio	30.3%	20.1%	19.1%	25.1%	35.7%	20.1%	18.2%	27.7%
Combined ratio	86.2%	91.5%	55.8%	84.8%	70.2%	93.0%	80.7%	78.5%

INSURANCE

The following tables summarize our underwriting results for each of the lines of business within our insurance segment for the three months and twelve months ended December 31, 2004 and December 31, 2003:

	Three months ended December 31, 2004				Three months ended December 31, 2003			
	Commercial Property	Commercial Liability	Marine & Aviation	Total	Commercial Property	Commercial Liability	Marine & Aviation	Total
(in US\$ millions)								
Gross premiums written	29.3	59.8	32.0	121.1	22.6	60.1	0.0	82.7
Net premiums written	22.8	57.2	25.4	105.4	19.1	51.6	0.0	70.7
Gross premiums earned	25.7	59.0	8.3	93.0	41.2	53.5	0.0	94.7
Net premiums earned	17.6	53.5	6.7	77.8	33.9	46.5	0.0	80.4
Losses and loss expenses	(11.2)	(21.0)	(5.0)	(37.2)	(10.9)	(31.4)	0.0	(42.3)
Policy acquisition, operating and administration expenses	(5.4)	(10.4)	(1.7)	(17.5)	(9.3)	(10.0)	0.0	(19.3)
Underwriting profit before investment income	1.0	22.1	0.0	23.1	13.7	5.1	0.0	18.8
Ratios								
Loss ratio	63.6%	39.3%	74.6%	47.8%	32.2%	67.5%	0.0%	52.6%
Expense ratio	30.7%	19.4%	25.4%	22.5%	27.4%	21.5%	0.0%	24.0%
Combined ratio	94.3%	58.7%	100.0%	70.3%	59.6%	89.0%	0.0%	76.6%

INSURANCE

	Twelve Months Ended December 31, 2004				Twelve Months Ended December 31, 2003			
	Commercial Property	Commercial Liability	Marine & Aviation	Total	Commercial Property	Commercial Liability	Marine & Aviation	Total
(in US\$ millions)								
Gross premiums written	122.1	242.8	43.6	408.5	81.7	223.2	0.0	304.9
Net premiums written	93.0	219.0	36.5	348.5	75.7	196.1	0.0	271.8
Gross premiums earned	98.0	249.6	10.8	358.4	72.0	168.6	0.0	240.6
Net premiums earned	73.8	222.7	9.0	305.5	61.9	153.8	0.0	215.7
Losses and loss expenses	(38.5)	(124.9)	(7.1)	(170.5)	(26.8)	(98.6)	0.0	(125.4)
Policy acquisition, operating and administration expenses	(22.1)	(47.5)	(2.3)	(71.9)	(15.7)	(24.3)	0.0	(40.0)
Underwriting profit before investment income	13.2	50.3	(0.4)	63.1	19.4	30.9	0.0	50.3
Ratios								
Loss ratio	52.2%	56.1%	78.9%	55.8%	43.3%	64.1%	0.0%	58.1%
Expense ratio	29.9%	21.3%	25.5%	23.5%	25.4%	15.8%	0.0%	18.6%
Combined ratio	82.1%	77.4%	104.4%	79.3%	68.7%	79.9%	0.0%	76.7%

CONSOLIDATED BALANCE SHEET

(in US\$ millions)	As at December 31, 2004	As at December 31, 2003
ASSETS		
Investments		
Fixed Maturities	2,207.2	1,048.1
Short term investments	528.7	568.2
Total Investments	2,735.9	1,616.3
Cash and cash equivalents	284.9	230.8
Reinsurance Recoverables		
Unpaid losses	197.7	43.6
Ceded unearned premiums	40.4	48.9
Receivables		
Underwriting premiums	494.2	496.5
Other	39.2	40.8
Deferred policy acquisition costs	115.6	94.6
Derivative at fair value	23.6	0.0
Office properties and equipment	5.0	0.4
Intangible assets	6.6	6.6
Total Assets	3,943.1	2,578.5
LIABILITIES		
Insurance Reserves		
Losses and loss adjustment expenses	1,277.9	525.8
Unearned premiums	714.0	572.4
Total insurance reserves	1,991.9	1,098.2
Payables		
Reinsurance premiums	54.2	59.9
Taxation	57.7	37.7
Accrued expenses and other payables	84.3	44.0
Liabilities under derivative contracts	24.2	0.0
Bank debt	0.0	40.0
Total Payables	220.4	181.6
Long term debt	249.3	0.0
Total Liabilities	2,461.6	1,279.8
SHAREHOLDERS' EQUITY		
Ordinary shares	1,096.1	1,090.8
Retained earnings	367.5	180.7
Accumulated other comprehensive income, net of taxes	17.9	27.2
Total shareholders' equity	1,481.5	1,298.7
Total Liabilities and Shareholders' Equity	3,943.1	2,578.5

CONSOLIDATED CHANGE IN SHAREHOLDERS' EQUITY

(in US\$ millions)	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Shareholders' Equity		
Ordinary shares		
Beginning of period	1,090.8	836.9
Shares issued:		
New share issue costs	0.1	246.4
Share-based compensation	5.2	7.5
End of period	<u>1,096.1</u>	<u>1,090.8</u>
Retained earnings		
Beginning of period	180.7	28.6
Net income for the period	195.1	152.1
Dividends paid	(8.3)	0.0
End of period	<u>367.5</u>	<u>180.7</u>
Cumulative foreign currency translation adjustments		
Beginning of period	27.8	12.0
Change for the period	0.1	15.8
End of period	<u>27.9</u>	<u>27.8</u>
Gain / loss on derivatives:		
Beginning of period	0.0	0.0
Loss on derivatives	(2.3)	0.0
Reclassification to interest payable	0.1	0.0
End of period	<u>(2.2)</u>	<u>0.0</u>
Unrealized gains on investments, net of taxes		
Beginning of period	(0.6)	0.6
Change for the period	(7.2)	(1.2)
End of period	<u>(7.8)</u>	<u>(0.6)</u>
Total accumulated other comprehensive income	<u>17.9</u>	<u>27.2</u>
Total Shareholders' Equity	<u>1,481.5</u>	<u>1,298.7</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in US\$ millions)

	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net income	195.1	152.1
Other comprehensive income, net of taxes		
Change in unrealized losses on investments	(7.2)	(1.2)
Change in unrealized losses on derivatives	(2.2)	
Change in unrealized gains on foreign currency translation	0.1	7.8
Realized gain on foreign currency of branch operations		8.0
Other comprehensive income	<u>(9.3)</u>	<u>14.6</u>
Comprehensive income	<u>185.8</u>	<u>166.7</u>

SUMMARIZED CASH FLOW

(in US\$ millions)

	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net cash from operating activities	961.3	636.6
Net cash from investing activities	(1,108.9)	(703.3)
Net cash from financing activities	198.8	286.4
Effect of exchange rate movements on cash and cash equivalents	2.9	1.5
Increase in cash and cash equivalents:	54.1	
Cash at beginning of the period	230.8	9.6
Cash at end of the period	<u>284.9</u>	<u>230.8</u>

ANALYSIS OF WINDSTORM LOSSES

The following table shows the breakdown of the windstorm losses as at December 31, 2004 and September 30, 2004

(in US\$ millions)	As at December 31, 2004			As at September 30, 2004		
	US Hurricanes	Songda	Total	US Hurricanes	Songda	Total
Gross claims	262.7	53.4	316.1	245.6	21.2	266.8
Reinsurance recoveries	(89.8)	(30.2)	(120.0)	(87.2)	(7.5)	(94.7)
Net claims	172.9	23.2	196.1	158.4	13.7	172.1
Net reinstatement premiums			8.2			9.2
Net claims before tax			<u>204.3</u>			<u>181.3</u>

SUPPLEMENTAL FINANCIAL INFORMATION

Return on Average Equity Analysis

The return on average equity for the three and twelve months ended December 31, 2004 and 2003 was:

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Closing shareholders' equity	1,482	1,299	1,482	1,299
Average adjustment (1)	(43)	(214)	(87)	(343)
Average equity	1,439	1,085	1,395	956
Return on average equity from underwriting activity (2)	5.5%	5.2%	14.6%	18.7%
Return on average equity from investment and other activity (3)	1.1%	1.1%	4.1%	3.0%
Pre-tax operating income return on average equity, for period	6.7%	6.3%	18.8%	21.7%
Post tax return on average equity (4)	4.7%	5.0%	13.8%	16.0%
Ratios:				
Combined ratio	74.0%	79.3%	83.4%	78.0%

See page 23 for detailed calculation and reconciliation of non-GAAP measures to their respective most directly comparable GAAP finance measures.

- 1) Average equity is calculated by taking the simple average of the closing shareholders' equity at latest month end and each previous month end in the period.
- 2) Calculated by using underwriting income.
- 3) Calculated by using total other operating revenue.
- 4) Calculated by using operating income after tax.

INVESTMENT PORTFOLIO

Type of investment

(in US\$ millions)

As at December 31, 2004

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
US government and agencies	1,017.5	0.7	(5.9)	1,012.3
Corporate securities	551.6	0.7	(3.0)	549.3
Foreign government	233.0	1.5	(0.3)	234.2
Municipals	3.6	0.0	0.0	3.6
Asset backed securities	225.0	0.0	(2.2)	222.8
Mortgage backed securities	185.5	0.2	(0.7)	185.0
Total fixed maturities	2,216.2	3.1	(12.1)	2,207.2
Short - term investments	528.5	0.8	(0.6)	528.7
Total Investments	2,744.7	3.9	(12.7)	2,735.9

RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table represents a reconciliation of beginning and ending consolidated loss and loss expense reserves:

(in US\$ millions)	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Provision for losses and loss expenses at period start January 1, 2004 and 2003 respectively	525.8	93.9
Less reinsurance recoverable	(43.6)	(12.5)
	<hr/>	<hr/>
Net loss and loss expenses at period start January 1, 2004 and 2003	482.2	81.4
Losses and loss expense reserves of subsidiary at date of acquisition	0.0	22.4
Less reinsurance recoverable	0.0	(15.9)
Net losses and loss expense reserves	<hr/>	<hr/>
	0.0	6.5
Provision for losses and loss expenses for claims incurred:		
Current year	785.6	438.0
Prior year	(62.0)	(9.6)
Total incurred	<hr/>	<hr/>
	723.6	428.4
Losses and loss expense payments for claims incurred:	<hr/>	<hr/>
	(164.6)	(53.9)
Foreign exchange	<hr/>	<hr/>
	39.0	19.8
Net loss and loss expense reserves at December 31	1,080.2	482.2
Plus reinsurance recoverables on unpaid loss at end of year	197.7	43.6
Gross loss and loss expense reserves at December 31	<hr/>	<hr/>
	1,277.9	525.8

RESERVES BY BUSINESS SEGMENT

The following table presents our reserves by business segment as at December 31, 2004 and December 31, 2003

(in US\$ millions)	As at December 31, 2004			As at December 31, 2003		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Property Reinsurance	341.3	(118.3)	223.0	107.7	(12.4)	95.3
Casualty Reinsurance	377.8	(4.6)	373.2	137.2	(11.6)	125.6
Specialty Reinsurance	168.8	(27.4)	141.4	107.7	(13.7)	94.0
Total Reinsurance	887.9	(150.3)	737.6	352.6	(37.7)	314.9
Commercial Property	77.3	(13.7)	63.6	40.5	0.0	40.5
Commercial Liability	294.5	(31.9)	262.6	132.7	(5.9)	126.8
Marine & Aviation	18.2	(1.8)	16.4	0.0	0.0	0.0
Total Insurance	390.0	(47.4)	342.6	173.2	(5.9)	167.3
Total Losses and loss expense reserve	1,277.9	(197.7)	1,080.2	525.8	(43.6)	482.2

DILUTED SHARE ANALYSIS USED FOR EPS CALCULATION

(shares in millions)	Three Months	Three Months	Twelve Months	Twelve Months
	Ended	Ended	Ended	Ended
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Basic weighted average shares outstanding	69.291	60.411	69.205	57.752
Add: weighted average of employee options	1.268	0.323	1.268	0.323
Add: weighted average of options issued to Wellington Underwriting Plc	0.408	0.844	0.408	0.844
Add: weighted average of options issued to Harrington Trust Limited	0.185	0.573	0.185	0.573
Add: weighted average of Restricted Share Units	0.094	0.000	0.056	0.000
Diluted weighted average shares outstanding	<u>71.246</u>	<u>62.051</u>	<u>71.122</u>	<u>59.492</u>

The dilutive effect of options has been calculated using the Treasury Stock method. The treasury stock method assumes that the proceeds received from the exercise of options will be used to repurchase the Company's ordinary shares at the average market price during the period of calculation.

QUARTERLY PROGRESSION OF INCOME STATEMENT

(in US \$ millions)	Three Months Ended March 31, 2004	Three Months Ended June 30, 2004	Three Months Ended September 30, 2004	Three Months Ended December 31, 2004
UNDERWRITING REVENUES				
Gross premiums written	640.2	380.4	349.4	216.2
Premiums ceded	(130.8)	(16.8)	(53.5)	(27.5)
Net premiums written	509.4	363.6	295.9	188.7
Change in unearned premiums	(203.6)	(36.6)	(2.5)	117.9
Net premiums earned	305.8	327.0	293.4	306.6
UNDERWRITING EXPENSES				
Losses and loss expenses	(124.1)	(139.4)	(303.2)	(156.9)
Acquisition expenses	(59.0)	(65.2)	(40.0)	(47.8)
General and administrative expenses	(18.1)	(26.1)	(26.5)	(22.3)
Total Underwriting Expenses	(201.2)	(230.7)	(369.7)	(227.0)
Underwriting Income	104.6	96.3	(76.3)	79.6
OTHER OPERATING REVENUE				
Net investment income	12.0	14.9	19.4	22.0
Interest expense	(0.4)	(0.1)	(2.7)	(3.7)
Total other operating revenue	11.6	14.8	16.7	18.3
Other expense			(2.1)	(1.9)
OPERATING INCOME BEFORE TAX	116.2	111.1	(61.7)	96.0
OTHER				
Net exchange gains (losses)	(0.8)	0.1	1.4	4.4
Net realized investment gains (losses)	(0.3)	(4.0)	1.9	(1.1)
Other expense				0.0
INCOME BEFORE INCOME TAX	115.1	107.2	(58.4)	99.3
Income taxes	(30.1)	(26.3)	15.4	(27.1)
NET INCOME AFTER TAX	85.0	80.9	(43.0)	72.2
Dividends Paid	(2.1)	(2.1)	(2.0)	(2.1)
Retained Income	82.9	78.8	(45.0)	70.1
Components of Net Income (after tax)				
Operating income	85.7	83.7	(43.9)	67.1
Net realized investment gains (losses)	(0.2)	(2.8)	(0.1)	0.5
Net realized exchange gains (losses)	(0.5)	0.0	1.0	4.6
NET INCOME AFTER TAX	85.0	80.9	(43.0)	72.2

QUARTERLY PROGRESSION OF FINANCIAL RATIOS

	Three months ended March 31, 2004	Three months ended June 30, 2004	Three months ended September 30, 2004	Three months ended December 31, 2004
Diluted book value per share treasury stock method	\$19.2	\$20.1	\$20.4	\$20.7
Diluted earnings per share	\$1.18	\$1.13	(\$0.62)	\$1.01
Return on average equity	6.42%	5.80%	(3.02%)	5.02%
Combined ratio	65.8%	70.6%	126.0%	74.0%
Operating leverage (1)	0.23 x	0.23 x	0.21 x	0.21 x
Annualized operating leverage (2)	0.92 x	0.92 x	0.84 x	0.84 x
Investment leverage (3)	1.32 x	1.41 x	1.59 x	1.81 x
Tax rate	26.2%	24.5%	26.4%	27.3%

(1) Operating leverage is the ratio of net premium earned to average equity. Average equity is defined on page 2.

(2) Annualized operating leverage is calculated as four times the operating leverage.

(3) Investment leverage is the ratio of average amortised cost of investments for the quarter to average equity.

OPERATING INCOME RECONCILIATION

The reconciliation of operating profit to net income is set out in the following table:

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net income after tax	72.2	54.5	195.1	152.1
Add (deduct) after tax income:				
Net realized (gains) losses on investments	(0.5)	0.4	2.6	1.7
Net exchange gains	(4.6)	(1.1)	(5.1)	(1.1)
Operating income	67.1	53.8	192.6	152.7
Tax on operating income	(27.1)	(15.3)	(68.1)	(54.5)
Operating income before tax	94.2	69.1	260.7	207.2
 Weighted average common shares outstanding:				
Basic	69.3	60.4	69.2	57.8
Diluted	71.2	62.1	71.1	59.5
 Basic per share data:				
	\$	\$	\$	\$
Net income	1.04	0.90	2.82	2.63
Add (deduct) after tax income:				
Net realized (gains) losses on investments	(0.01)	0.01	0.04	0.03
Net exchange gains	(0.06)	(0.02)	(0.07)	(0.02)
Operating income	0.97	0.89	2.78	2.64
 Diluted per share data				
Net income	1.01	0.88	2.74	2.56
Add (deduct) after tax income:				
Net realized (gains) losses on investments	(0.01)	0.01	0.04	0.03
Net exchange gains	(0.06)	(0.02)	(0.07)	(0.02)
Operating income	0.94	0.87	2.71	2.57
 Book value per share				
Net Assets (excluding intangible assets)	1,474.9	1,298.7	1,474.9	1,298.7
Number of share in issue at the end of the period	-	-	69,315,099	69,179,303
Diluted number of share in issue at the end of the period	-	-	71,271,170	71,481,906
Book value per share			21.28	18.77
Diluted book value per share			20.69	18.17