



ASPEN INSURANCE HOLDINGS LIMITED  
EARNINGS RELEASE SUPPLEMENT  
AS OF SEPTEMBER 30, 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 the December 31, 2003 balance sheet.

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 20 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 20 for a reconciliation of operating income to net income and page 15 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 nine month periods September 30, 2004 compared to the three and nine month periods September 30, 2003.

(in US \$ millions)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
<b>UNDERWRITING REVENUES</b>				
Gross premiums written	349.4	331.8	1,370.0	1,161.8
Premiums ceded	(53.5)	(36.7)	(201.1)	(200.7)
Net premiums written	295.9	295.1	1,168.9	961.1
Change in unearned premiums	(2.5)	(88.4)	(242.7)	(422.1)
Net premiums earned	293.4	206.7	926.2	539.0
<b>UNDERWRITING EXPENSES</b>				
Losses and loss expenses	(303.2)	(110.5)	(566.7)	(276.4)
Acquisition expenses	(40.0)	(36.3)	(164.2)	(107.4)
General and administrative expenses	(26.5)	(18.9)	(70.7)	(33.4)
Total Underwriting Expenses	(369.7)	(165.7)	(801.6)	(417.2)
Underwriting Income	(76.3)	41.0	124.6	121.8
<b>OTHER OPERATING REVENUE</b>				
Net investment income	19.4	6.0	46.3	16.7
Interest expense	(2.7)	0.0	(3.2)	0.0
Other income	0.0	0.1	0.0	0.1
Total other operating revenue	16.7	6.1	43.1	16.8
<b>OPERATING INCOME BEFORE TAX</b>	(59.6)	47.1	167.7	138.6
<b>OTHER</b>				
Net exchange gain	1.4	0.0	0.7	0.0
Net realized investment gains (losses)	1.9	(1.8)	(2.4)	(1.8)
Other expense	(2.1)	0.0	(2.1)	0.0
<b>INCOME BEFORE INCOME TAX</b>	(58.4)	45.3	163.9	136.8
Income taxes	15.4	(12.8)	(41.0)	(39.2)
<b>NET INCOME AFTER TAX</b>	(43.0)	32.5	122.9	97.6
Dividends Paid	(2.0)	0.0	(6.2)	0.0
Retained Income	(45.0)	32.5	116.7	97.6
<b>Components of Net Income (after tax)</b>				
<b>Operating income</b>	(43.9)	32.5	125.5	97.6
Net realized investment (losses)	(0.1)	0.0	(3.1)	0.0
Net realized exchange gains	1.0	0.0	0.5	0.0
<b>NET INCOME AFTER TAX</b>	(43.0)	32.5	122.9	97.6

**PER SHARE DATA**

(In US\$ except for number of shares)

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Basic earnings per share				
Net income	(0.62)	0.57	1.78	1.72
Operating income	(0.63)	0.57	1.81	1.72
Diluted earnings per share				
Net income	(0.62)	0.57	1.71	1.71
Operating income	(0.63)	0.57	1.75	1.71
Weighted average ordinary shares outstanding	69,174,303	56,898,680	69,175,603	56,898,680
Weighted average ordinary shares outstanding and dilutive potential ordinary shares	69,174,303	57,257,360	71,751,883	57,257,360
Book value per share			20.4	17.3
Diluted book value (treasury stock method)			19.7	17.2
Ordinary shares outstanding at end of the period			69,174,303	56,924,120
Ordinary shares outstanding and dilutive potential ordinary shares at end of the period			71,760,480	57,282,800

**FINANCIAL RATIOS**

(In US\$ millions except for percentage figures)

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Average Equity	1,424	954	1,381	913
Return on average equity				
Net income	(3.02%)	3.41%	8.90%	10.69%
Operating income	(3.08%)	3.41%	9.09%	10.69%
Annualized Return on Average Equity (1)				
Net income	(12.1%)	13.6%	11.9%	14.3%
Operating income	(12.3%)	13.6%	12.1%	14.3%
Loss Ratio	103.4%	53.5%	61.2%	51.3%
Expense ratio	22.6%	26.7%	25.4%	26.1%
Combined ratio	126.0%	80.2%	86.6%	77.4%
Debt to total capital	16.95%		16.95%	

See pages 15, 19 and 20 for detailed calculation and reconciliation of non-GAAP measures to their respective most directly comparable GAAP finance measures.

(1) Annualized return on average equity for the quarter is calculated as four times the return on average equity for the quarter; and for the year to date period it is the return on average equity grossed up to twelve months.

## 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 nine months ended September 30, 2004 and 2003.

SEGMENTAL ANALYSIS (in US\$ millions)	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	231.2	118.2	349.4	212.6	119.2	331.8
Net premiums written	189.1	106.8	295.9	183.9	111.2	295.1
Gross premiums earned	273.7	87.4	361.1	200.7	59.8	260.5
Net premiums earned	218.9	74.5	293.4	151.9	54.8	206.7
Expenses:						
Losses and loss expenses	(254.4)	(48.8)	(303.2)	(76.7)	(33.8)	(110.5)
Policy acquisition, operating and administrative expenses	(50.4)	(16.1)	(66.5)	(47.7)	(7.5)	(55.2)
Underwriting profit before investment income	(85.9)	9.6	(76.3)	27.5	13.5	41.0
Investment income			19.4			6.0
Other net income and interest expense			(2.7)			0.1
Operating income before income tax			(59.6)			47.1
Net reserves for loss and loss adjustment expenses	702.4	271.5	973.9	240.4	96.4	336.8
<b>Ratios</b>						
Loss ratio	116%	65%	103%	51%	62%	53%
Expense ratio	23%	22%	23%	31%	13%	27%
Combined ratio	139%	87%	126%	82%	75%	80%

SEGMENTAL ANALYSIS (in US\$ millions)	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	1,082.6	287.4	1,370.0	939.6	222.2	1,161.8
Net premiums written	925.8	243.1	1,168.9	760.0	201.1	961.1
Gross premiums earned	827.8	265.4	1,093.2	521.0	145.9	666.9
Net premiums earned	698.5	227.7	926.2	403.7	135.3	539.0
Expenses:						
Losses and loss expenses	(433.4)	(133.3)	(566.7)	(193.3)	(83.1)	(276.4)
Policy acquisition, operating and administrative expenses	(180.5)	(54.4)	(234.9)	(120.1)	(20.7)	(140.8)
Underwriting profit before investment income	84.6	40.0	124.6	90.3	31.5	121.8
Investment income			46.3			16.7
Other net income and interest expense			(3.2)			0.1
Operating income before income tax			167.7			138.6
Net reserves for loss and loss adjustment expenses	702.4	271.5	973.9	240.4	96.4	336.8
<b>Ratios</b>						
Loss ratio	62%	58%	61%	48%	62%	51%
Expense ratio	26%	24%	26%	30%	15%	26%
Combined ratio	88%	82%	87%	78%	77%	77%

## Reinsurance

The following tables summarize our underwriting results for each of the lines of business within our reinsurance segment for the three months and nine months ended September 30, 2004 and 2003:

### Three Months Ended September 30, 2004

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	139.5	83.4	8.3	231.2
Net premiums written	100.6	82.5	6.0	189.1
Gross premiums earned	155.2	91.9	26.6	273.7
Net premiums earned	105.9	88.1	24.9	218.9
Losses and loss expenses	(172.6)	(63.9)	(17.9)	(254.4)
Policy acquisition, operating and administration expenses	(30.1)	(15.5)	(4.8)	(50.4)
Underwriting profit before investment income	(96.8)	8.7	2.2	(85.9)
<b>Ratios</b>				
Loss ratio	163%	72%	72%	116%
Expense ratio	28%	18%	19%	23%
Combined ratio	191%	90%	91%	139%

### Three Months Ended September 30, 2003

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	167.3	53.5	(8.2)	212.6
Net premiums written	134.6	55.3	(6.0)	183.9
Gross premiums earned	111.8	42.8	46.1	200.7
Net premiums earned	70.8	41.6	39.5	151.9
Losses and loss expenses	(23.2)	(31.0)	(22.5)	(76.7)
Policy acquisition, operating and administration expenses	(33.5)	(9.1)	(5.1)	(47.7)
Underwriting profit before investment income	14.1	1.5	11.9	27.5
<b>Ratios</b>				
Loss ratio	33%	74%	57%	51%
Expense ratio	47%	22%	13%	31%
Combined ratio	80%	96%	70%	82%



## Nine Months Ended September 30, 2004

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	618.8	393.0	70.8	1,082.6
Net premiums written	474.5	383.8	67.5	925.8
Gross premiums earned	479.6	255.2	93.0	827.8
Net premiums earned	361.2	248.5	88.8	698.5
Losses and loss expenses	(215.9)	(173.6)	(43.9)	(433.4)
Policy acquisition, operating and administration expenses	(113.0)	(50.6)	(16.9)	(180.5)
Underwriting profit before investment income	32.3	24.3	28.0	84.6
<b>Ratios</b>				
Loss ratio	60%	70%	49%	62%
Expense ratio	31%	20%	19%	26%
Combined ratio	91%	90%	68%	88%

## Nine Months Ended September 30, 2003

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	555.4	260.3	123.9	939.6
Net premiums written	398.5	251.5	110.0	760.0
Gross premiums earned	295.0	106.6	119.4	521.0
Net premiums earned	197.4	100.8	105.5	403.7
Losses and loss expenses	(60.0)	(72.0)	(61.3)	(193.3)
Policy acquisition, operating and administration expenses	(76.8)	(22.0)	(21.3)	(120.1)
Underwriting profit before investment income	60.6	6.8	22.9	90.3
<b>Ratios</b>				
Loss ratio	30%	71%	58%	48%
Expense ratio	39%	22%	20%	30%
Combined ratio	69%	93%	78%	78%

## Insurance

The following tables summarize our underwriting results for each of the lines of business within our insurance segment for the three months and nine months ended September 30, 2004 and September 30, 2003:

### Three months ended September 30, 2004

INSURANCE	Commercial Property	Commercial Liability	Marine & Aviation	Total
(in US\$ millions)				
Gross premiums written	37.1	69.5	11.6	118.2
Net premiums written	33.2	62.5	11.1	106.8
Gross premiums earned	26.7	58.2	2.5	87.4
Net premiums earned	21.3	50.9	2.3	74.5
Losses and loss expenses	(9.9)	(36.8)	(2.1)	(48.8)
Policy acquisition, operating and administration expenses	(6.4)	(9.1)	(0.6)	(16.1)
Underwriting profit before investment income	5.0	5.0	(0.4)	9.6
<b>Ratios</b>				
Loss ratio	47%	72%	91%	65%
Expense ratio	30%	18%	26%	22%
Combined ratio	77%	90%	117%	87%

### Three months ended September 30, 2003

INSURANCE	Commercial Property	Commercial Liability	Marine & Aviation	Total
(in US\$ millions)				
Gross premiums written	22.4	96.8	0.0	119.2
Net premiums written	21.9	89.3	0.0	111.2
Gross premiums earned	13.3	46.5	0.0	59.8
Net premiums earned	11.9	42.9	0.0	54.8
Losses and loss expenses	(7.1)	(26.7)	0.0	(33.8)
Policy acquisition, operating and administration expenses	(2.8)	(4.7)	0.0	(7.5)
Underwriting profit before investment income	2.0	11.5	0.0	13.5
<b>Ratios</b>				
Loss ratio	60%	62%	0%	61%
Expense ratio	23%	11%	0%	14%
Combined ratio	83%	73%	0%	75%

## Nine Months Ended September 30, 2004

	Commercial Property	Commercial Liability	Marine & Aviation	Total
<b>INSURANCE</b> (in US\$ millions)				
Gross premiums written	92.8	183.0	11.6	287.4
Net premiums written	70.2	161.8	11.1	243.1
Gross premiums earned	72.3	190.6	2.5	265.4
Net premiums earned	56.2	169.2	2.3	227.7
Losses and loss expenses	(27.3)	(103.9)	(2.1)	(133.3)
Policy acquisition, operating and administration expenses	(16.7)	(37.1)	(0.6)	(54.4)
Underwriting profit before investment income	12.2	28.2	(0.4)	40.0
<b>Ratios</b>				
Loss ratio	48%	61%	91%	58%
Expense ratio	30%	22%	26%	24%
Combined ratio	78%	83%	117%	82%

## Nine Months Ended September 30, 2003

	Commercial Property	Commercial Liability	Marine & Aviation	Total
<b>INSURANCE</b> (in US\$ millions)				
Gross premiums written	59.1	163.1	0.0	222.2
Net premiums written	56.6	144.5	0.0	201.1
Gross premiums earned	30.8	115.1	0.0	145.9
Net premiums earned	28.0	107.3	0.0	135.3
Losses and loss expenses	(15.9)	(67.2)	0.0	(83.1)
Policy acquisition, operating and administration expenses	(6.4)	(14.3)	0.0	(20.7)
Underwriting profit before investment income	5.7	25.8	0.0	31.5
<b>Ratios</b>				
Loss ratio	57%	63%	0%	62%
Expense ratio	23%	13%	0%	15%
Combined ratio	80%	76%	0%	77%

**CONSOLIDATED BALANCE SHEET**

(in US\$ millions)	As at September 30, 2004	As at December 31, 2003
<b>ASSETS</b>		
Investments		
Fixed Maturities	1,994.4	1,048.1
Short term investments	479.4	568.2
Total Investments	<u>2,473.8</u>	<u>1,616.3</u>
Cash and cash equivalents	277.5	230.8
Reinsurance Recoverables		
Unpaid losses	163.6	43.6
Ceded unearned premiums	80.7	48.9
Receivables		
Underwriting premiums	683.7	496.5
Other	30.2	40.8
Deferred policy acquisition costs	144.2	94.6
Derivative at fair value	25.7	0.0
Office properties and equipment	1.1	0.4
Intangible assets	6.6	6.6
Total Assets	<u><u>3,887.1</u></u>	<u><u>2,578.5</u></u>
<b>LIABILITIES</b>		
Insurance Reserves		
Losses and loss adjustment expenses	1,137.5	525.8
Unearned premiums	853.7	572.4
Total insurance reserves	<u>1,991.2</u>	<u>1,098.2</u>
Payables		
Reinsurance premiums	86.8	59.9
Accrued expenses and other payables	75.4	81.7
Liabilities under derivative contract	26.7	0.0
Bank debt	40.0	40.0
Total Payables	<u>228.9</u>	<u>181.6</u>
Long term debt	249.3	0.0
Total Liabilities	<u>2,469.4</u>	<u>1,279.8</u>
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares	1,094.0	1,090.8
Retained earnings	297.4	180.7
Accumulated other comprehensive income, net of taxes	26.3	27.2
Total shareholders' equity	<u>1,417.7</u>	<u>1,298.7</u>
Total Liabilities and Shareholders' Equity	<u><u>3,887.1</u></u>	<u><u>2,578.5</u></u>

**CONSOLIDATED CHANGE IN SHAREHOLDERS' EQUITY**

(in US\$ millions)	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Shareholders' Equity		
Ordinary shares		
Beginning of period	1,090.8	836.9
Shares issued:		
New share issue costs		0.8
Share-based compensation	3.2	6.5
End of period	<u>1,094.0</u>	<u>844.2</u>
Retained earnings		
Beginning of period	180.7	28.6
Net income for the period	122.9	97.6
Dividends paid	(6.2)	
End of period	<u>297.4</u>	<u>126.2</u>
Cumulative foreign currency translation adjustments		
Unrealized gains on foreign currency translation, net of taxes		
Beginning of period	27.8	12.0
Change for the period	2.1	5.5
End of period	<u>29.9</u>	<u>17.5</u>
Unrealized gains on investments, net of taxes		
Beginning of period	(0.6)	0.6
Change for the period	(3.0)	2.4
End of period	<u>(3.6)</u>	<u>3.0</u>
Total accumulated other comprehensive income	<u>26.3</u>	<u>20.5</u>
Total Shareholders' Equity	<u>1,417.7</u>	<u>990.9</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net income	122.9	97.6
Other comprehensive income, net of taxes		
Change in unrealized gains on investments	(1.1)	2.4
Loss on derivatives	(1.9)	
Change in unrealized gains on foreign currency translation	2.1	5.5
Other comprehensive income	<u>(0.9)</u>	<u>7.9</u>
Comprehensive income	<u>122.0</u>	<u>105.5</u>

**SUMMARIZED CASH FLOW**

(in US\$ millions)	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net cash from operating activities	656.6	352.6
Net cash from investing activities	(860.1)	(270.5)
Net cash from financing activities	243.1	0.8
Effect of exchange rate movements on cash and cash equivalents	7.1	0.3
Increase in cash and cash equivalents:		
Cash at beginning of the period	230.8	9.6
Cash at end of the period	<u>277.5</u>	<u>92.8</u>

## SUPPLEMENTAL FINANCIAL INFORMATION

### Return on Average Equity Analysis

The return on average equity for the three and nine months ended September 30, 2004 and 2003 was:

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Closing shareholders' equity	1,418	991	1,418	991
Average adjustment (1)	6	(37)	(37)	(78)
Average equity	1,424	954	1,381	913
Return on average equity from underwriting activity (2)	(5.36%)	4.30%	9.03%	13.35%
Return on average equity from investment and other activity (3)	1.17%	0.64%	3.12%	1.84%
Pre-tax operating income return on average equity, for period	(4.19%)	4.94%	12.15%	15.19%
Post tax return on average equity (4)	(3.08%)	3.41%	9.09%	10.69%
Ratios:				
Combined ratio	126%	80%	87%	77%

See pages 20 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.

**Investment portfolio**

## Type of investment

Nine Months Ended September 30, 2004 (in US\$ millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
US government and agencies	873.6	0.8	(1.4)	873.0
Corporate securities	525.0	1.2	(1.5)	524.7
Foreign government	212.8	0.7	(0.4)	213.1
Municipals	1.1	0.0	0.0	1.1
Asset backed securities	225.7	0.1	(1.4)	224.4
Mortgage backed securities	159.5	0.5	(1.9)	158.1
Total fixed maturities	1,997.7	3.3	(6.6)	1,994.4
Short - term investments	479.6	0.0	(0.2)	479.4
Total Investments	2,477.3	3.3	(6.8)	2,473.8



### 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)	Nine Months Ended September 30, 2004	Year 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)
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	-	22.4
Less reinsurance recoverable	-	(15.9)
Net losses and loss expense reserves	0.0	6.5
Provision for losses and loss expenses for claims incurred:		
Current year	600.7	438.0
Prior year	(34.0)	(9.6)
Total incurred	566.7	428.4
Losses and loss expense payments for claims incurred:	(82.4)	(53.9)
Foreign exchange (gains) losses	7.4	19.8
Net loss and loss expense reserves at September 30 / December 31	973.9	482.2
Plus reinsurance recoverables on unpaid loss at end of year	163.6	43.6
Gross loss and loss expense reserves at September 30 / December 31	1,137.5	525.8

The following table presents our reserves by business segment as at September 30, 2004 and December 31, 2003

(in US\$ millions)	As at September 30, 2004		
	Gross	Reinsurance Recoverable	Net
Property Reinsurance	372.7	(99.2)	273.5
Casualty Reinsurance	306.8	(6.3)	300.5
Specialty Reinsurance	147.1	(18.7)	128.4
Total Reinsurance	<u>826.6</u>	<u>(124.2)</u>	<u>702.4</u>
Commercial Property	61.5	(11.1)	50.4
Commercial Liability	246.4	(27.4)	219.0
Marine & Aviation	3.0	(0.9)	2.1
Total Insurance	<u>310.9</u>	<u>(39.4)</u>	<u>271.5</u>
Total Losses and loss expense reserve	<u>1,137.5</u>	<u>(163.6)</u>	<u>973.9</u>

  

	As at December 31, 2003		
	Gross	Reinsurance Recoverable	Net
Property Reinsurance	107.7	(12.4)	95.3
Casualty Reinsurance	137.2	(11.6)	125.6
Specialty Reinsurance	107.7	(13.7)	94.0
Total Reinsurance	<u>352.6</u>	<u>(37.7)</u>	<u>314.9</u>
Commercial Property	40.5	0.0	40.5
Commercial Liability	132.7	(5.9)	126.8
Total Insurance	<u>173.2</u>	<u>(5.9)</u>	<u>167.3</u>
Total Losses and loss expense reserve	<u>525.8</u>	<u>(43.6)</u>	<u>482.2</u>

**Diluted share analysis used for EPS Calculation**

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Basic weighted average shares outstanding	69.174	56.899	69.176	56.899
Add: weighted average of employee options	0.000	0.000	1.342	0.000
Add: weighted average of options issued to Wellington Underwriting Plc	0.000	0.000	0.719	0.000
Add: weighted average of options issued to Harrington Trust Limited	0.000	0.000	0.488	0.000
Add: weighted average of Restricted Share Units	0.000	0.000	0.028	0.000
Diluted weighted average shares outstanding	<u>69.174</u>	<u>56.899</u>	<u>71.751</u>	<u>56.899</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.

**Operating income reconciliation**

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net income after tax	(43.0)	32.5	122.9	97.6
Add (deduct) after tax income:				
Net realized losses on investments	0.1	0.0	3.1	0.0
Net exchange losses	(1.0)	0.0	(0.5)	0.0
Operating income	(43.9)	32.5	125.5	97.6
Tax on operating income	15.4	(12.8)	(41.0)	(39.2)
Operating income before tax	(59.3)	45.3	166.5	136.8
Underwriting income	(76.3)	41.0	124.6	121.8
Other operating income	1.4	0.0	0.7	0.0
	(74.9)	41.0	125.3	121.8
<b>Weighted average common shares outstanding:</b>				
Basic	69.2	56.9	69.2	56.9
Diluted	69.2	56.9	71.8	56.9
<b>Basic per share data:</b>				
Net income	(0.62)	0.57	1.78	1.72
Add (deduct) after tax income:				
Net realized losses on investments	0.00	0.00	0.05	0.00
Net exchange losses	(0.01)	0.00	(0.01)	0.00
Operating income	(0.63)	0.57	1.82	1.72
<b>Diluted per share data</b>				
Net income	(0.62)	0.57	1.71	1.72
Add (deduct) after tax income:				
Net realized losses on investments	0.00	0.00	0.04	0.00
Net exchange losses	(0.01)	0.00	(0.01)	0.00
Operating income	(0.63)	0.57	1.75	1.72
<b>Book value per share</b>				
Net Assets (excluding intangible assets)			1,411.1	984.4
Number of share in issue at the end of the period			69,174,303	56,898,680
Diluted number of share in issue at the end of the period			71,760,480	56,898,680
Book value per share			20.4	17.3
Diluted book value per share			19.7	17.3