



ASPEN INSURANCE HOLDINGS LIMITED  
EARNINGS RELEASE SUPPLEMENT  
AS OF JUNE 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; 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) 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 six month periods to June 30, 2004 compared to the three and six month periods to June 30, 2003.

(in US \$ millions)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<b>UNDERWRITING REVENUES</b>				
Gross premiums written	380.4	252.3	1,020.6	830.0
Premiums ceded	(16.8)	4.6	(147.6)	(164.0)
Net premiums written	363.6	256.9	873.0	666.0
Change in unearned premiums	(36.6)	(46.2)	(240.2)	(333.7)
Net premiums earned	327.0	210.7	632.8	332.3
<b>UNDERWRITING EXPENSES</b>				
Losses and loss expenses	(139.4)	(95.2)	(263.5)	(165.9)
Acquisition expenses	(65.2)	(44.8)	(124.2)	(71.1)
General and administrative expenses	(26.1)	(7.1)	(44.2)	(14.5)
Total Underwriting Expenses	(230.7)	(147.1)	(431.9)	(251.5)
Underwriting Income	96.3	63.6	200.9	80.8
<b>OTHER OPERATING REVENUE</b>				
Net investment income	14.9	5.8	26.9	10.7
Interest expense	(0.1)	0.0	(0.5)	0.0
Other income	0.0	(0.2)	0.0	0.0
Total other operating revenue	14.8	5.6	26.4	10.7
<b>OPERATING INCOME BEFORE TAX</b>	<b>111.1</b>	<b>69.2</b>	<b>227.3</b>	<b>91.5</b>
<b>OTHER</b>				
Net exchange gain (loss)	0.1	0.0	(0.7)	0.0
Net realized investment (losses)	(4.0)	0.0	(4.3)	0.0
<b>INCOME BEFORE INCOME TAX</b>	<b>107.2</b>	<b>69.2</b>	<b>222.3</b>	<b>91.5</b>
Income taxes	(26.3)	(19.3)	(56.4)	(26.4)
<b>NET INCOME AFTER TAX</b>	<b>80.9</b>	<b>49.9</b>	<b>165.9</b>	<b>65.1</b>
Dividends Paid	(2.1)		(4.2)	
Retained Income	78.8	49.9	161.7	65.1
<b>Components of Net Income (after tax)</b>				
<b>Operating income</b>	<b>83.7</b>	<b>49.9</b>	<b>169.4</b>	<b>65.1</b>
Net realized investment (losses)	(2.8)	0.0	(3.0)	0.0
Net realized exchange (losses)	0.0	0.0	(0.5)	0.0
<b>NET INCOME AFTER TAX</b>	<b>80.9</b>	<b>49.9</b>	<b>165.9</b>	<b>65.1</b>

**PER SHARE DATA**

(In US\$ except for number of shares)

	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Basic earnings per share				
Net income	1.17	0.88	2.40	1.14
Operating income	1.21	0.88	2.45	1.14
Diluted earnings per share				
Net income	1.13	0.88	2.31	1.14
Operating income	1.16	0.88	2.36	1.14
Weighted average common shares outstanding	69,174,303	56,919,780	69,176,253	56,919,780
Weighted average common shares outstanding and dilutive potential common shares	71,929,628	56,919,780	71,916,678	56,919,780
Book value per share	20.9	16.6	20.9	16.6
Diluted book value (treasury stock method)	20.1	16.6	20.1	16.6
Common shares outstanding at end of the period	69,174,303	56,919,780	69,174,303	56,919,780
Common shares outstanding and dilutive potential common shares at end of the period	71,929,628	56,919,780	71,929,628	56,919,780

**FINANCIAL RATIOS**

(In US\$ millions except for percentage figures)

	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Average Equity	1,395	909	1,358	892
Return on average equity				
Net income	5.80%	5.49%	12.22%	7.30%
Operating income	6.00%	5.49%	12.48%	7.30%
Annualized Return on Average Equity (1)				
Net income	23.2%	22.0%	24.4%	14.6%
Operating income	24.0%	22.0%	25.0%	14.6%
Loss Ratio	42.7%	45.2%	41.7%	49.9%
Acquisition expense ratio	19.9%	21.3%	19.6%	21.4%
General and administrative expense ratio	8.0%	3.3%	7.0%	4.4%
Expense ratio	27.9%	24.6%	26.6%	25.8%
Combined ratio	70.6%	69.8%	68.3%	75.7%
Debt to total capital	2.68%		2.68%	

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) Return on average equity for the quarter X 4, for six months X 2.

## 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 six months ended June 30, 2004 and 2003.

SEGMENTAL ANALYSIS (in US\$ millions)	Three Months Ended June 30, 2004			Three Months Ended June 30, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	292.5	87.9	380.4	194.1	58.2	252.3
Net premiums written	281.8	81.8	363.6	200.4	56.5	256.9
Gross premiums earned	287.1	87.0	374.1	188.6	56.4	245.0
Net premiums earned	250.2	76.8	327.0	158.1	52.6	210.7
Expenses:						
Losses and loss expenses	(97.4)	(42.0)	(139.4)	(62.8)	(32.4)	(95.2)
Policy acquisition, operating and administrative expenses	(72.3)	(19.0)	(91.3)	(43.2)	(8.7)	(51.9)
Underwriting profit before investment income	80.5	15.8	96.3	52.1	11.5	63.6
Investment income			14.9			5.8
Other net income and interest expense			(0.1)			(0.2)
Operating income before income tax			111.1			69.2
Net reserves for loss and loss adjustment expenses	461.4	231.4	692.8	167.2	67.3	234.5
<b>Ratios</b>						
Loss ratio	39%	54%	43%	40%	62%	45%
Expense ratio	29%	25%	28%	27%	16%	25%
Combined ratio	68%	79%	71%	67%	78%	70%

SEGMENTAL ANALYSIS (in US\$ millions)	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Gross premiums written	851.4	169.2	1,020.6	727.0	103.0	830.0
Net premiums written	736.7	136.3	873.0	576.1	89.9	666.0
Gross premiums earned	554.1	178.0	732.1	320.3	86.1	406.4
Net premiums earned	479.6	153.2	632.8	251.8	80.5	332.3
Expenses:						
Losses and loss expenses	(179.0)	(84.5)	(263.5)	(116.6)	(49.3)	(165.9)
Policy acquisition, operating and administrative expenses	(130.1)	(38.3)	(168.4)	(72.4)	(13.2)	(85.6)
Underwriting profit before investment income	170.5	30.4	200.9	62.8	18.0	80.8
Investment income			26.9			10.7
Other net income and interest expense			(0.5)			0.0
Operating income before income tax			227.3			91.5
Net reserves for loss and loss adjustment expenses	461.4	231.4	692.8	167.2	67.3	234.5
<b>Ratios</b>						
Loss ratio	37%	55%	42%	46%	61%	50%
Expense ratio	27%	25%	26%	29%	17%	26%
Combined ratio	64%	80%	68%	75%	78%	76%

## Reinsurance

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

### Three Months Ended June 30, 2004

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	195.2	74.1	23.2	292.5
Net premiums written	183.7	74.3	23.8	281.8
Gross premiums earned	167.4	87.9	31.8	287.1
Net premiums earned	132.7	86.2	31.3	250.2
Losses and loss expenses	(26.1)	(59.8)	(11.5)	(97.4)
Policy acquisition, operating and administration expenses	(46.4)	(19.0)	(6.9)	(72.3)
Underwriting profit before investment income	60.2	7.4	12.9	80.5
<b>Ratios</b>				
Loss ratio	20%	69%	37%	39%
Expense ratio	34%	22%	22%	29%
Combined ratio	54%	91%	59%	68%

## Three Months Ended June 30, 2003

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	77.3	59.9	56.9	194.1
Net premiums written	93.5	59.3	47.6	200.4
Gross premiums earned	111.9	41.6	35.1	188.6
Net premiums earned	88.1	39.0	31.0	158.1
Losses and loss expenses	(17.6)	(26.1)	(19.1)	(62.8)
Policy acquisition, operating and administration expenses	(26.8)	(7.8)	(8.6)	(43.2)
Underwriting profit before investment income	43.7	5.1	3.3	52.1
<b>Ratios</b>				
Loss ratio	20%	67%	62%	40%
Expense ratio	30%	20%	27%	27%
Combined ratio	50%	87%	89%	67%

## Six Months Ended June 30, 2004

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	479.3	309.6	62.5	851.4
Net premiums written	373.9	301.3	61.5	736.7
Gross premiums earned	324.4	163.3	66.4	554.1
Net premiums earned	255.3	160.4	63.9	479.6
Losses and loss expenses	(43.3)	(109.7)	(26.0)	(179.0)
Policy acquisition, operating and administration expenses	(82.9)	(35.1)	(12.1)	(130.1)
Underwriting profit before investment income	129.1	15.6	25.8	170.5
<b>Ratios</b>				
Loss ratio	17%	68%	41%	37%
Expense ratio	32%	22%	19%	27%
Combined ratio	49%	90%	60%	64%



## Six Months Ended June 30, 2003

REINSURANCE (in US\$ millions)	Property	Casualty	Specialty	Total
Gross premiums written	388.1	206.8	132.1	727.0
Net premiums written	263.9	196.2	116.0	576.1
Gross premiums earned	183.2	63.8	73.3	320.3
Net premiums earned	126.6	59.2	66.0	251.8
Losses and loss expenses	(36.8)	(41.0)	(38.8)	(116.6)
Policy acquisition, operating and administration expenses	(43.3)	(12.9)	(16.2)	(72.4)
Underwriting profit before investment income	46.5	5.3	11.0	62.8

**Ratios**

Loss ratio	29%	69%	59%	46%
Expense ratio	34%	22%	24%	29%
Combined ratio	63%	91%	83%	75%

**Insurance**

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

## Three months ended June 30, 2004

INSURANCE (in US\$ millions)	Commercial Property	Commercial Liability	Total
Gross premiums written	31.8	56.1	87.9
Net premiums written	31.0	50.8	81.8
Gross premiums earned	24.5	62.5	87.0
Net premiums earned	20.6	56.2	76.8
Losses and loss expenses	(8.2)	(33.8)	(42.0)
Policy acquisition, operating and administration expenses	(6.2)	(12.8)	(19.0)
Underwriting profit before investment income	6.2	9.6	15.8

**Ratios**

Loss ratio	40%	60%	54%
Expense ratio	30%	23%	25%
Combined ratio	70%	83%	79%

## Three months ended June 30, 2003

INSURANCE	Commercial Property	Commercial Liability	Total
(in US\$ millions)			
Gross premiums written	21.3	36.9	58.2
Net premiums written	22.7	33.8	56.5
Gross premiums earned	11.2	45.2	56.4
Net premiums earned	10.5	42.1	52.6
Losses and loss expenses	(4.9)	(27.5)	(32.4)
Policy acquisition, operating and administration expenses	(2.3)	(6.4)	(8.7)
Underwriting profit before investment income	3.3	8.2	11.5
<b>Ratios</b>			
Loss ratio	47%	65%	62%
Expense ratio	22%	16%	16%
Combined ratio	69%	81%	78%

## Six Months Ended June 30, 2004

INSURANCE	Commercial Property	Commercial Liability	Total
(in US\$ millions)			
Gross premiums written	55.7	113.5	169.2
Net premiums written	37.0	99.3	136.3
Gross premiums earned	45.6	132.4	178.0
Net premiums earned	34.9	118.3	153.2
Losses and loss expenses	(17.4)	(67.1)	(84.5)
Policy acquisition, operating and administration expenses	(10.3)	(28.0)	(38.3)
Underwriting profit before investment income	7.2	23.2	30.4
<b>Ratios</b>			
Loss ratio	50%	57%	55%
Expense ratio	29%	23%	25%
Combined ratio	79%	80%	80%

## Six Months Ended June 30, 2003

	Commercial Property	Commercial Liability	Total
<b>INSURANCE</b>			
(in US\$ millions)			
Gross premiums written	36.7	66.3	103.0
Net premiums written	34.7	55.2	89.9
Gross premiums earned	17.5	68.6	86.1
Net premiums earned	16.1	64.4	80.5
Losses and loss expenses	(8.8)	(40.5)	(49.3)
Policy acquisition, operating and administration expenses	(3.6)	(9.6)	(13.2)
Underwriting profit before investment income	<u>3.7</u>	<u>14.3</u>	<u>18.0</u>
<b>Ratios</b>			
Loss ratio	55%	63%	61%
Expense ratio	22%	15%	17%
Combined ratio	77%	78%	78%

**CONSOLIDATED BALANCE SHEET**

(in US\$ millions)	June 30, 2004	December 31, 2003
<b>ASSETS</b>		
Investments		
Fixed Maturities	1,515.0	1,048.1
Short term investments	535.5	568.2
Total Investments	<u>2,050.5</u>	<u>1,616.3</u>
Cash and cash equivalents	217.7	230.8
Reinsurance Recoverables		
Unpaid losses	63.1	43.6
Ceded unearned premiums	93.7	48.9
Receivables		
Underwriting premiums	754.8	496.5
Other	21.5	40.8
Deferred policy acquisition costs	146.6	94.6
Office properties and equipment	1.2	0.4
Intangible assets	6.5	6.6
Total Assets	<u>3,355.6</u>	<u>2,578.5</u>
<b>LIABILITIES</b>		
Insurance Reserves		
Losses and loss adjustment expenses	755.9	525.8
Unearned premiums	864.3	572.4
Total insurance reserves	<u>1,620.2</u>	<u>1,098.2</u>
Payables		
Reinsurance premiums	99.3	59.9
Accrued expenses and other payables	142.6	81.7
Bank debt	40.0	40.0
Total Liabilities	<u>1,902.1</u>	<u>1,279.8</u>
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares	1,092.7	1,090.8
Retained earnings	342.4	180.7
Accumulated other comprehensive income, net of taxes	18.4	27.2
Total shareholders' equity	<u>1,453.5</u>	<u>1,298.7</u>
Total Liabilities and Shareholders' Equity	<u>3,355.6</u>	<u>2,578.5</u>

**CONSOLIDATED CHANGE IN SHAREHOLDERS' EQUITY**

(in US\$ millions)	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Shareholders' Equity		
Ordinary shares		
Beginning of period	1,090.8	836.9
Shares issued:		
New share issue costs		0.7
Share-based compensation	1.9	
End of period	<u>1,092.7</u>	<u>837.6</u>
Retained earnings		
Beginning of period	180.7	28.6
Net income for the period	165.9	65.1
Dividends paid	(4.2)	
End of period	<u>342.4</u>	<u>93.7</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	0.3	4.0
End of period	<u>28.1</u>	<u>16.0</u>
Unrealized gains on investments, net of taxes		
Beginning of period	(0.6)	0.6
Change for the period	(9.1)	0.6
End of period	<u>(9.7)</u>	<u>1.2</u>
Total accumulated other comprehensive income	<u>18.4</u>	<u>17.2</u>
Total Shareholders' Equity	<u>1,453.5</u>	<u>948.5</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in US\$ millions)	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net income	165.9	65.1
Other comprehensive income, net of taxes		
Change in unrealized gains on investments	(9.1)	0.6
Change in unrealized gains on foreign currency translation	0.3	4.0
Other comprehensive income	<u>(8.8)</u>	<u>4.6</u>
Comprehensive income	<u>157.1</u>	<u>69.7</u>

**SUMMARIZED CASH FLOW**

(in US\$ millions)	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net cash from operating activities	437.3	158.5
Net cash from investing activities	(449.0)	(63.6)
Net cash from financing activities	(2.1)	0.7
Effect of exchange rate movements on cash and cash equivalents	0.7	0.1
Increase in cash and cash equivalents:		
Cash at beginning of the period	230.8	9.6
Cash at end of the period	<u>217.7</u>	<u>105.3</u>

**SUPPLEMENTAL FINANCIAL INFORMATION****Return on Average Equity Analysis**

The return on average equity for the six months ended June 30, 2004 and 2003 was:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Closing shareholders' equity	1,454	931	1,454	931
Average adjustment (1)	(59)	(22)	(96)	(39)
Average equity	1,395	909	1,358	892
Return on average equity from underwriting activity	6.90%	7.00%	14.80%	9.06%
Return on average equity from investment and other activity	1.06%	0.62%	1.94%	1.20%
Pre-tax operating income return on average equity, for period	7.96%	7.61%	16.74%	10.26%
Post tax return on average equity	6.00%	5.49%	12.48%	7.30%
Ratios:				
Combined ratio	71%	70%	68%	76%

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 shareholder's equity at latest month end and the two previous month ends.

**Investment portfolio**

## Type of investment

Six Months Ended June 30, 2004 (in US\$ millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
US government and agencies	582.2	0.2	(2.8)	579.6
Corporate securities	381.7	0.2	(4.0)	377.9
Foreign government	174.6	0.0	(1.3)	173.3
Municipals	2.0	0.0	0.0	2.0
Asset backed securities	216.3	0.0	(1.9)	214.4
Mortgage backed securities	169.5	0.7	(2.4)	167.8
Total fixed maturities	1,526.3	1.1	(12.4)	1,515.0
Short - term investments	536.3	0.0	(0.8)	535.5
Total Investments	2,062.6	1.1	(13.2)	2,050.5



### 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)	Six Months Ended June 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	286.6	438.0
Prior year	(23.1)	(9.6)
Total incurred	263.5	428.4
Losses and loss expense payments for claims incurred:	(51.8)	(53.9)
Foreign exchange (gains) losses	(1.1)	19.8
Net loss and loss expense reserves at June 30 / December 31	692.8	482.2
Plus reinsurance recoverables on unpaid loss at end of year	63.1	43.6
Gross loss and loss expense reserves at June 30 / December 31	755.9	525.8

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

(in US\$ millions)	As at June 30, 2004		
	Gross	Reinsurance Recoverable	Net
Property Reinsurance	146.3	(12.6)	133.7
Casualty Reinsurance	250.3	(13.4)	236.9
Specialty Reinsurance	97.8	(7.0)	90.8
Total Reinsurance	494.4	(33.0)	461.4
Commercial Property	54.7	(8.6)	46.1
Commercial Liability	206.8	(21.5)	185.3
Total Insurance	261.5	(30.1)	231.4
Total Losses and loss expense reserve	755.9	(63.1)	692.8
	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	352.6	(37.7)	314.9
Commercial Property	40.5	0.1	40.6
Commercial Liability	132.7	(6.0)	126.7
Total Insurance	173.2	(5.9)	167.3
Total Losses and loss expense reserve	525.8	(43.6)	482.2

**Diluted share analysis used for EPS Calculation**

	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Basic weighted average shares outstanding	69.174	56.920	69.176	56.920
Add: weighted average of employee options	1.387	0.000	1.387	0.000
Add: weighted average of options issued to Wellington Underwriting Plc	0.793	0.000	0.793	0.000
Add: weighted average of options issued to Harrington Trust Limited	0.538	0.000	0.538	0.000
Add: weighted average of Restricted Share Units	0.038	0.000	0.023	0.000
Diluted weighted average shares outstanding	<u>71.930</u>	<u>56.920</u>	<u>71.917</u>	<u>56.920</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 common 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	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net income after tax	80.9	49.9	165.9	65.1
Add (deduct) after tax income:				
Net realized losses on investments	2.8	0.0	3.0	0.0
Net exchange losses	(0.0)	0.0	0.5	0.0
Operating income	83.7	49.9	169.4	65.1
Tax on operating income	(27.4)	(19.3)	(57.9)	(26.4)
Operating income before tax	111.1	69.2	227.3	91.5
Underwriting income	96.3	63.6	200.9	80.8
Other operating income	0.1	0.0	(0.7)	0.0
	96.4	63.6	200.2	80.8
<b>Weighted average common shares outstanding:</b>				
Basic	69.2	56.9	69.2	56.9
Diluted	71.9	56.9	71.9	56.9
<b>Basic per share data:</b>				
Net income	1.17	0.88	2.40	1.14
Add (deduct) after tax income:				
Net realized losses on investments	0.04	0.00	0.04	0.00
Net exchange losses	(0.00)	0.00	0.01	0.00
Operating income	1.21	0.88	2.45	1.14
<b>Diluted per share data</b>				
Net income	1.13	0.88	2.31	1.14
Add (deduct) after tax income:				
Net realized losses on investments	0.04	0.00	0.04	0.00
Net exchange losses	0.00	0.00	0.01	0.00
Operating income	1.16	0.88	2.36	1.14
<b>Book value per share</b>				
Net Assets (excluding intangible assets)	1,447.0	946.5	1,447.0	946.5
Number of share in issue at the end of the period	69,174,303	56,919,780	69,174,303	56,919,780
Diluted number of share in issue at the end of the period	71,929,628	56,919,780	71,929,628	56,919,780
Book value per share	20.9	16.6	20.9	16.6
Diluted book value per share	20.1	16.6	20.1	16.6