
**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 period ended June 30, 2008,**

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-31909

ASPEN INSURANCE HOLDINGS LIMITED

(Exact Name of Registrant as Specified in Its Charter)

Bermuda
(State or Other Jurisdiction of
Incorporation or Organization)

Not Applicable
(I.R.S. Employer Identification No.)

Maxwell Roberts Building
1 Church Street
Hamilton, Bermuda
(Address of Principal Executive Offices)

HM 11
(Zip Code)

(441) 295-8201

Registrant's Telephone Number, Including Area Code

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 periods 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 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. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 1, 2008, there were 81,334,030 ordinary shares, with a par value of 0.15144558¢ per ordinary share, outstanding.

INDEX

	<u>Page</u>
<u>Part I. FINANCIAL INFORMATION</u>	
<u>Item 1. Unaudited Consolidated Financial Statements</u>	3
<u>Consolidated Balance Sheets as at June 30, 2008 (Unaudited) and December 31, 2007</u>	3
<u>Unaudited Consolidated Statements of Operations, for the Three and Six Months Ended June 30, 2008 and 2007</u>	5
<u>Unaudited Consolidated Statements of Changes in Shareholders' Equity, for the Six Months Ended June 30, 2008 and 2007</u>	6
<u>Unaudited Consolidated Statements of Comprehensive Income, for the Three and Six Months Ended June 30, 2008 and 2007</u>	7
<u>Unaudited Consolidated Statements of Cash Flows, for the Six Months Ended June 30, 2008 and 2007</u>	8
<u>Notes to the Unaudited Consolidated Financial Statements</u>	10
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	57
<u>Item 4. Controls and Procedures</u>	60
<u>Part II. OTHER INFORMATION</u>	61
<u>Item 1. Legal Proceedings</u>	61
<u>Item 1A. Risk Factors</u>	61
<u>Item 2. Unregistered Sale of Equity Securities and Use of Proceeds</u>	61
<u>Item 3. Defaults Upon Senior Securities</u>	62
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	62
<u>Item 5. Other Information</u>	66
<u>Item 6. Exhibits</u>	67
<u>SIGNATURES</u>	68
<u>CERTIFICATIONS</u>	
<u>EX-10.1</u>	
<u>EX-10.2</u>	
<u>EX-10.3</u>	
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-10.1</u>	
<u>EX-10.2</u>	
<u>EX-10.3</u>	
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	

PART I
FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
ASPEN INSURANCE HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
(\$ in millions, except share and per share amounts)

	As at <u>June 30, 2008</u> (Unaudited)	As at <u>December 31, 2007</u>
ASSETS		
Investments		
Fixed income maturities available for sale, at fair value (amortized cost — \$4,637.0 and \$4,344.1)	\$ 4,612.7	\$ 4,385.8
Other investments	555.3	561.4
Short-term investments available for sale, at fair value (amortized cost — \$193.6 and \$279.6)	<u>193.6</u>	<u>280.1</u>
Total investments	5,361.6	5,227.3
Cash and cash equivalents	620.8	651.4
Reinsurance recoverables		
Unpaid losses	231.7	304.7
Ceded unearned premiums	98.9	77.0
Receivables		
Underwriting premiums	792.0	575.6
Other	79.0	59.8
Funds withheld	76.9	104.5
Deferred policy acquisition costs	167.4	133.9
Derivatives at fair value	12.8	17.3
Office properties and equipment	30.4	27.8
Other assets	20.8	13.8
Intangible assets	<u>8.2</u>	<u>8.2</u>
Total assets	<u>\$ 7,500.5</u>	<u>\$ 7,201.3</u>
LIABILITIES		
Insurance reserves		
Losses and loss adjustment expenses	\$ 2,944.4	\$ 2,946.0
Unearned premiums	<u>1,018.9</u>	<u>757.6</u>
Total insurance reserves	3,963.3	3,703.6
Payables		
Reinsurance premiums	115.6	81.3
Deferred taxation	47.6	59.7
Current taxation	35.0	60.5
Accrued expenses and other payables	219.7	210.1
Liabilities under derivative contracts	<u>15.9</u>	<u>19.0</u>
Total payables	433.8	430.6
Long-term debt	<u>249.5</u>	<u>249.5</u>
Total liabilities	<u>\$ 4,646.6</u>	<u>\$ 4,383.7</u>
Commitments and contingent liabilities (see Note 11)	<u>—</u>	<u>—</u>

See accompanying notes to unaudited consolidated financial statements.

[Table of Contents](#)

	As at <u>June 30, 2008</u> (Unaudited)	As at <u>December 31, 2007</u>
SHAREHOLDERS' EQUITY		
Ordinary shares: 81,321,201 shares of 0.15144558¢ each (2007 — 85,510,673)	\$ 0.1	\$ 0.1
Preference shares:		
4,600,000 5.625% shares of par value 0.15144558¢ each (2007 — 4,600,000)	—	—
8,000,000 7.401% shares of par value 0.15144558¢ each (2007 — 8,000,000)	—	—
Additional Paid-in Capital	1,753.3	1,846.1
Retained earnings	1,027.3	858.8
Accumulated other comprehensive income, net of taxes	<u>73.2</u>	<u>112.6</u>
Total shareholders' equity	<u>2,853.9</u>	<u>2,817.6</u>
Total liabilities and shareholders' equity	<u>\$ 7,500.5</u>	<u>\$ 7,201.3</u>

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in millions, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Net earned premiums	\$ 397.3	\$ 451.2	\$ 788.9	\$ 890.2
Net investment income	70.5	78.8	109.6	146.3
Realized investment gains (losses)	0.8	(5.6)	1.8	(10.4)
Change in fair value of derivatives	(3.0)	1.5	(5.2)	(6.1)
Total Revenues	<u>465.6</u>	<u>525.9</u>	<u>895.1</u>	<u>1,020.0</u>
Expenses				
Losses and loss adjustment expenses	188.3	272.7	395.5	498.2
Policy acquisition expenses	65.0	81.7	141.4	159.4
Operating and administrative expenses	57.1	44.4	107.9	89.7
Interest on long-term debt	4.0	4.0	7.9	7.9
Net realized and unrealized foreign exchange (gains) losses	5.0	(8.0)	0.7	(13.5)
Other (income) expense	(3.0)	—	(3.0)	—
Total Expenses	<u>316.4</u>	<u>394.8</u>	<u>650.4</u>	<u>741.7</u>
Income from operations before income tax	149.2	131.1	244.7	278.3
Income tax expense	(22.3)	(16.4)	(36.6)	(41.7)
Net Income	<u>\$ 126.9</u>	<u>\$ 114.7</u>	<u>\$ 208.1</u>	<u>\$ 236.6</u>
Per Share Data				
Weighted average number of ordinary shares and share equivalents				
Basic	83,513,097	88,204,654	84,511,928	88,013,841
Diluted	86,010,679	90,826,560	86,980,326	90,633,531
Basic earnings per ordinary share adjusted for preference share dividend	<u>\$ 1.44</u>	<u>\$ 1.22</u>	<u>\$ 2.31</u>	<u>\$ 2.53</u>
Diluted earnings per ordinary share adjusted for preference share dividend	<u>\$ 1.39</u>	<u>\$ 1.19</u>	<u>\$ 2.24</u>	<u>\$ 2.46</u>

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
(\$ in millions)

	Six Months Ended	
	June 30,	
	2008	2007
Ordinary shares		
Beginning and end of period	\$ 0.1	\$ 0.1
Preference shares		
Beginning and end of period	—	—
Additional paid-in capital		
Beginning of period	1,846.1	1,921.7
Shares issued	—	7.1
Shares repurchased	(100.0)	(0.1)
Share-based compensation	7.2	5.1
End of period	<u>1,753.3</u>	<u>1,933.8</u>
Retained earnings		
Beginning of period	858.8	450.5
Net income for the period	208.1	236.6
Dividends on ordinary and preference shares	(39.6)	(40.3)
End of period	<u>1,027.3</u>	<u>646.8</u>
Accumulated Other Comprehensive Income:		
Cumulative foreign currency translation adjustments		
Beginning of period	80.2	59.1
Change for the period, net of income tax of \$Nil and \$Nil	14.2	26.7
End of period	<u>94.4</u>	<u>85.8</u>
Loss on derivatives		
Beginning and end of period	(1.6)	(1.8)
Reclassification to interest payable	0.1	0.1
End of period	<u>(1.5)</u>	<u>(1.7)</u>
Unrealized appreciation/(depreciation) on investments:		
Beginning of period	34.0	(40.3)
Change for the period, net of income tax recovery (expense) \$12.8 and (\$8.8)	(53.7)	(33.5)
End of period	<u>(19.7)</u>	<u>(73.8)</u>
Total accumulated other comprehensive income	<u>73.2</u>	<u>10.3</u>
Total Shareholders' Equity	<u>\$ 2,853.9</u>	<u>\$ 2,591.0</u>

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME
(\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net income	\$ 126.9	\$ 114.7	\$ 208.1	\$ 236.6
Other comprehensive income, net of taxes:				
Reclassification adjustment for net realized (gain) loss on investments included in net income	(3.0)	0.6	(3.8)	3.0
Change in net unrealized gains and losses on investments	(85.6)	(45.3)	(49.9)	(36.5)
Loss on derivatives reclassified to interest payable	0.1	0.1	0.1	0.1
Change in foreign currency translation adjustment	8.8	21.5	14.2	26.7
Other comprehensive income	(79.7)	(23.1)	(39.4)	(6.7)
Comprehensive income	<u>\$ 47.2</u>	<u>\$ 91.6</u>	<u>\$ 168.7</u>	<u>\$ 229.9</u>

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)

	Six Months Ended June 30,	
	2008	2007
Cash flows provided by operating activities:		
Net income	\$ 208.1	\$ 236.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8.2	14.1
Share-based compensation expense	7.2	5.1
Net realized (gains) losses	(1.8)	10.4
Other investments (gains) losses	6.1	(24.7)
Loss on derivative contracts	0.1	0.1
Changes in:		
Insurance reserves:		
Losses and loss adjustment expenses	(12.5)	34.5
Unearned premiums	261.3	187.5
Reinsurance recoverables:		
Unpaid losses	73.0	143.9
Ceded unearned premiums	(21.9)	(100.4)
Accrued investment income and other receivables	(19.2)	13.4
Deferred policy acquisition costs	(33.5)	(24.9)
Reinsurance premiums payables	40.4	69.8
Premiums receivable	(189.7)	(194.2)
Funds withheld	27.6	(21.7)
Deferred taxes	(12.1)	0.9
Income tax payable	(25.4)	27.5
Accrued expenses and other payables	9.6	(51.9)
Fair value of derivatives and settlement of liabilities under derivatives	1.5	(0.7)
Other assets	(7.2)	(5.7)
Net cash provided by operating activities	<u>\$ 319.8</u>	<u>\$ 319.6</u>

The 2007 statement of cash flows has been revised to classify the change in funds withheld in accordance with the current period presentation in the consolidated balance sheets. Previously, the \$21.7 million increase in funds withheld at June 30, 2007 was included in the change in premiums receivable.

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS — Continued
(\$ in millions)

	Six Months Ended	
	June 30,	
	2008	2007
Cash flows used in investing activities:		
Purchases of fixed maturities	\$(1,235.4)	\$(1,631.0)
Purchases of other investments	—	(300.0)
Proceeds from sales and maturities of fixed maturities	950.3	1,337.9
Net sales of short-term investments	99.5	214.3
Purchase of equipment	(7.6)	(2.9)
Net cash used in investing activities	<u>(193.2)</u>	<u>(381.7)</u>
Cash flows used in financing activities:		
Proceeds from the issuance of Ordinary Shares, net of issuance costs	—	7.1
Ordinary Shares repurchased	(100.0)	(0.1)
Dividends paid on Ordinary Shares	(25.7)	(26.4)
Dividends paid on Preference Shares	(13.9)	(13.9)
Net cash used in financing activities	<u>(139.6)</u>	<u>(33.3)</u>
Effect of exchange rate movements on cash and cash equivalents	(17.6)	(1.7)
Increase/(decrease) in cash and cash equivalents	(30.6)	(97.1)
Cash and cash equivalents at beginning of period	651.4	495.0
Cash and cash equivalents at end of period	<u>\$ 620.8</u>	<u>\$ 397.9</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for income tax	63.4	18.2
Cash paid during the period for interest	7.5	8.3

See accompanying notes to unaudited consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. History and Organization

Aspen Insurance Holdings Limited (“Aspen Holdings”) was incorporated on May 23, 2002 and holds subsidiaries that provide insurance and reinsurance on a worldwide basis. Its principal operating subsidiaries are Aspen Insurance UK Limited (“Aspen U.K.”), Aspen Insurance Limited (“Aspen Bermuda”), Aspen Specialty Insurance Company (“Aspen Specialty”) and Aspen Underwriting Limited (corporate member of Lloyd’s Syndicate 4711, “AUL”), (collectively, the “Insurance Subsidiaries”).

2. Basis of Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of generally accepted accounting principles in the United States (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. The unaudited condensed consolidated financial statements include the accounts of Aspen Holdings and its wholly-owned subsidiaries, which are collectively referred to herein as the “Company.” All intercompany transactions and balances have been eliminated on consolidation.

The balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2007 contained in Aspen’s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (File No. 001-31909).

Assumptions and estimates made by management have a significant effect on the amounts reported within the consolidated financial statements. The most significant of these relate to the losses and loss adjustment expenses, reinsurance recoverables, the fair value of derivatives and the value of other investments. All material assumptions and estimates are regularly reviewed and adjustments made as necessary, but actual results could be significantly different from those expected when the assumptions or estimates were made.

New Accounting Pronouncements

Adopted in 2008

In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” which permits all entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 has not impacted our consolidated financial statements as no items have been elected for measurement at fair value upon initial adoption.

In September 2007, the FASB issued SFAS 157, “*Fair Value Measurements*.” This statement provides guidance for using fair value to measure assets and liabilities. The statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value

[Table of Contents](#)

measurements, this statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). SFAS 157 also requires tabular disclosures of the fair value measurements by level within the fair value hierarchy. The Company has adopted SFAS 157 for the fiscal year beginning on January 1, 2008. Additional information can be found in Note 5.

Accounting standards not yet adopted

On May 23, 2008, the FASB issued Statement No. 163, *Accounting For Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60 ('FAS 163')*. The statement requires an insurance enterprise to recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. The statement also clarifies how Statement No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. It is effective for fiscal years beginning after December 15, 2008, and all interim periods within the fiscal year.

The Company is currently evaluating the impact, if any, of the adoption of FAS 163 on the Company's financial statements when adopted.

On March 8, 2008, the FASB issued Statement No. 161, *Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB statement 133 ('FAS 161')*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. It is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, with early adoption encouraged.

The Company is currently evaluating the impact, if any, of the adoption of FAS 161 on the Company's financial statements when adopted.

On December 4, 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations ('FAS 141(R)')* and Statement No. 160, *Non-controlling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51 ("FAS 160"). FAS 141(R) expands the scope of acquisition accounting to all transactions and circumstances under which control of a business is obtained. Under FAS 160, non-controlling interests classified as a component of consolidated shareholders' equity and minority interests are eliminated such that earnings attributable to non-controlling interests are reported as part of consolidated earnings and not as a separate component of income or expense. FAS 141(R) and FAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited.

The Company is currently evaluating the impact, if any, of the adoption of FAS 141(R) and FAS 160 on the Company's financial statements when adopted.

[Table of Contents](#)

3. Earnings Per Ordinary Share

Basic earnings per ordinary share are calculated by dividing net income adjusted for preference share dividends available to holders of Aspen's ordinary shares by the weighted average number of ordinary shares outstanding. Diluted earnings per ordinary share are based on the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the period of calculation using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2008 and 2007, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(\$ in millions, except share and per share amounts)				
Earnings				
Basic				
Net income as reported	\$ 126.9	\$ 114.7	\$ 208.1	\$ 236.6
Preference dividends	(7.0)	(7.0)	(13.9)	(13.9)
Net income available to ordinary shareholders	119.9	107.7	194.2	222.7
Diluted				
Net income available to ordinary shareholders	119.9	107.7	194.2	222.7
Ordinary shares				
Basic				
Weighted average ordinary shares	83,513,097	88,204,654	84,511,928	88,013,841
Diluted				
Weighted average ordinary shares	83,513,097	88,204,654	84,511,928	88,013,841
Weighted average effect of dilutive securities	2,497,582	2,621,906	2,468,398	2,619,690
Total	86,010,679	90,826,560	86,980,326	90,633,531
Earnings per ordinary share				
Basic	\$ 1.44	\$ 1.22	\$ 2.31	\$ 2.53
Diluted	\$ 1.39	\$ 1.19	\$ 2.24	\$ 2.46

On July 30, 2008, the Company's Board of Directors declared the following quarterly dividends:

	Dividend	Payable on:	Record date:
Ordinary shares	\$ 0.15	August 27, 2008	August 12, 2008
5.625% preference shares	\$0.703125	October 1, 2008	September 15, 2008
7.401% preference shares	\$0.462563	October 1, 2008	September 15, 2008

4. Segment Reporting

The Company is organized into four business segments: Property Reinsurance, Casualty Reinsurance, International Insurance, and U.S. Insurance. These segments form the basis of how the Company monitors the performance of its operations.

Property Reinsurance. Our Property Reinsurance segment is written on both a treaty and facultative basis and consists of the following principal lines of business: treaty catastrophe, treaty risk excess, treaty pro rata and property facultative. Treaty reinsurance contracts provide for automatic coverage of a type or category of risk underwritten by our ceding clients. We also write some structured reinsurance contracts out of Aspen Bermuda. These contracts are tailored to the individual client circumstances and although written by a single team are accounted for within the business segment that best reflects the economic characteristics of the contract.

Casualty Reinsurance. Our Casualty Reinsurance segment is written on both a treaty and facultative basis and consists of the following principal lines of business: U.S. treaty, non-U.S. treaty and casualty facultative. The casualty treaty reinsurance we write includes excess of loss and pro rata reinsurance which are applied to portfolios of primary insurance policies. Our excess of loss positions comes most commonly from layered reinsurance structures with underlying ceding company retentions. We also write some structured reinsurance contracts out of Aspen Bermuda.

International Insurance. Our International Insurance segment consists of the following lines of business: U.K. commercial property, U.K. commercial liability, excess casualty, professional liability, marine hull, energy and liability, non-marine and transportation, aviation insurance, financial institutions and political risk insurance and specialty reinsurance written by Aspen U.K. Specialty reinsurance consists of marine and aviation reinsurance as well as terrorism, nuclear, personal accident, crop and satellite. Our international insurance lines are written on a primary, quota share and facultative basis and our specialty reinsurance is written on both a treaty pro rata and excess of loss basis.

U.S. Insurance. Our U.S. Insurance segment consists of property and casualty insurance written on an excess and surplus lines basis.

[Table of Contents](#)

We do not allocate our assets by segment as we evaluate underwriting results of each segment separately from the results of our investment portfolio. Segment profit or loss for each of the Company's operating segments is measured by underwriting profit or loss. Underwriting profit or loss provides a basis for management to evaluate the segment's underwriting performance.

The following tables provide a summary of gross and net written and earned premiums, underwriting results, ratios and reserves for each of our business segments for the three and six months ended June 30, 2008 and 2007:

	Three months ended June 30, 2008					Total
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Investing	
	(\$ in millions, except percentages)					
Gross written premiums	\$ 170.5	\$ 56.8	\$ 258.9	\$ 42.6	\$ —	\$ 528.8
Net written premiums	165.5	54.5	251.6	34.4	—	506.0
Gross earned premiums	144.5	87.7	178.6	29.6	—	440.4
Net earned premiums	123.6	85.8	162.9	25.0	—	397.3
Losses and loss expenses	38.3	54.3	83.6	12.1	—	188.3
Policy acquisition expenses	23.6	11.7	26.0	3.7	—	65.0
Operating and administrative expenses	18.4	12.5	19.2	7.0	—	57.1
Underwriting profit	<u>\$ 43.3</u>	<u>\$ 7.3</u>	<u>\$ 34.1</u>	<u>\$ 2.2</u>	<u>—</u>	<u>86.9</u>
Net investment income	—	—	—	—	70.5	70.5
Realized investment gains	—	—	—	—	0.8	0.8
Segment profit	<u>\$ 43.3</u>	<u>\$ 7.3</u>	<u>\$ 34.1</u>	<u>\$ 2.2</u>	<u>\$ 71.3</u>	<u>\$ 158.2</u>
Change in fair value of derivatives						(3.0)
Interest on long term debt						(4.0)
Net foreign exchange gains (losses)						(5.0)
Other income						3.0
Net income before tax						<u>\$ 149.2</u>
Net reserves for loss and loss adjustment expenses	<u>\$ 396.0</u>	<u>\$ 1,334.9</u>	<u>\$ 906.6</u>	<u>\$ 75.2</u>		<u>\$ 2,712.7</u>
Ratios						
Loss ratio	31.0%	63.3%	51.3%	48.4%		47.4%
Policy acquisition expense ratio	19.1%	13.6%	16.1%	14.7%		16.4%
Operating and administration expense ratio	14.9%	14.6%	11.8%	27.9%		14.4%
Expense ratio	<u>34.0%</u>	<u>28.2%</u>	<u>27.9%</u>	<u>42.6%</u>		<u>30.8%</u>
Combined ratio	<u>65.0%</u>	<u>91.5%</u>	<u>79.2%</u>	<u>91.0%</u>		<u>78.2%</u>

[Table of Contents](#)

	Three months ended June 30, 2007					
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Investing	Total
	(\$ in millions, except percentages)					
Gross written premiums	\$ 190.3	\$ 79.4	\$ 198.9	\$ 34.9	\$ —	\$ 503.5
Net written premiums	115.6	78.1	196.9	27.9	—	418.5
Gross earned premiums	151.3	127.8	169.7	33.3	—	482.1
Net premiums earned	144.3	125.7	156.0	25.2	—	451.2
Losses and loss expenses	63.7	91.6	95.7	21.7	—	272.7
Policy acquisition expenses	31.1	17.2	28.3	5.1	—	81.7
Operating and administrative expenses	16.8	10.2	13.3	4.1	—	44.4
Underwriting profit/(loss)	32.7	6.7	18.7	(5.7)	—	52.4
Net investment income	—	—	—	—	78.8	78.8
Realized investment (losses)	—	—	—	—	(5.6)	(5.6)
Segment profit/(loss)	<u>\$ 32.7</u>	<u>\$ 6.7</u>	<u>\$ 18.7</u>	<u>\$ (5.7)</u>	<u>\$ 73.2</u>	<u>\$ 125.6</u>
Change in fair value of derivatives						1.5
Interest on long term debt						(4.0)
Net foreign exchange gains						8.0
Net income before tax						<u>\$ 131.1</u>
Net reserves for loss and loss adjustment expenses	\$ 554.0	\$ 1,107.1	\$ 771.4	\$ 97.6		\$ 2,530.1
Ratios						
Loss ratio	44.1%	72.9%	61.3%	86.1%		60.5%
Policy acquisition expense ratio	21.6%	13.7%	18.2%	20.2%		18.1%
Operating and administration expense ratio	11.6%	8.1%	8.5%	16.3%		9.8%
Expense ratio	<u>33.2%</u>	<u>21.8%</u>	<u>26.7%</u>	<u>36.5%</u>		<u>27.9%</u>
Combined ratio	<u>77.3%</u>	<u>94.7%</u>	<u>88.0%</u>	<u>122.6%</u>		<u>88.4%</u>

The following table provides a summary of gross and net written and earned premiums, underwriting results, ratios and reserves for each of our business segments for the six months ended June 30, 2008 and 2007.

[Table of Contents](#)

	Six months ended June 30, 2008					
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Investing	Total
	(\$ in millions, except percentages)					
Gross written premiums	\$ 354.7	\$ 238.9	\$ 458.2	\$ 73.2	\$ —	\$ 1,125.0
Net written premiums	340.9	234.5	393.6	56.6	—	1,025.6
Gross earned premiums	284.8	183.4	343.9	55.6	—	867.7
Net earned premiums	250.6	180.5	313.1	44.7	—	788.9
Losses and loss expenses	76.3	115.8	181.3	22.1	—	395.5
Policy acquisition expenses	49.5	29.4	54.0	8.5	—	141.4
Operating and administrative expenses	35.0	23.2	37.1	12.6	—	107.9
Underwriting profit	89.8	12.1	40.7	1.5	—	144.1
Net investment income	—	—	—	—	109.6	109.6
Realized investment gains	—	—	—	—	1.8	1.8
Segment profit	<u>89.8</u>	<u>12.1</u>	<u>40.7</u>	<u>1.5</u>	<u>111.4</u>	<u>255.5</u>
Change in fair value of derivatives						(5.2)
Interest on long term debt						(7.9)
Net foreign exchange gains (losses)						(0.7)
Other income						3.0
Net income before tax						<u>\$ 244.7</u>
Net reserves for loss and loss adjustment expenses	\$ 396.0	\$ 1,334.9	\$ 906.6	\$ 75.2		\$ 2,712.7
Ratios						
Loss ratio	30.4%	64.2%	57.9%	49.4%		50.1%
Policy acquisition expense ratio	19.8%	16.3%	17.3%	19.0%		17.9%
Operating and administration expense ratio	14.0%	12.9%	11.9%	28.2%		13.7%
Expense ratio	<u>33.8%</u>	<u>29.2%</u>	<u>29.2%</u>	<u>47.2%</u>		<u>31.6%</u>
Combined ratio	<u>64.2%</u>	<u>93.4%</u>	<u>87.1%</u>	<u>96.6%</u>		<u>81.7%</u>

[Table of Contents](#)

	Six months ended June 30, 2007					
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Investing	Total
	(\$ in millions, except percentages)					
Gross written premiums	\$ 382.4	\$ 302.7	\$ 384.2	\$ 70.7	\$ —	\$ 1,140
Net written premiums	292.7	294.7	336.8	49.4	—	973.6
Gross earned premiums	312.6	238.8	332.5	72.2	—	956.1
Net earned premiums	297.7	232.1	302.8	57.6	—	890.2
Losses and loss expenses	127.8	152.4	177.0	41.0	—	498.2
Policy acquisition expenses	58.5	36.5	53.7	10.7	—	159.4
Operating and administrative expenses	31.3	20.1	28.0	10.3	—	89.7
Underwriting profit/(loss)	80.1	23.1	44.1	(4.4)	—	142.9
Net investment income	—	—	—	—	146.3	146.3
Realized investment gains (losses)	—	—	—	—	(10.4)	(10.4)
Segment profit/(loss)	<u>\$ 80.1</u>	<u>\$ 23.1</u>	<u>\$ 44.1</u>	<u>\$ (4.4)</u>	<u>\$ 135.9</u>	<u>\$ 278.8</u>
Change in fair value of derivatives						(6.1)
Interest on long term debt						(7.9)
Net foreign exchange gains (losses)						13.5
Net income before tax						<u>\$ 278.3</u>
Net reserves for loss and loss adjustment expenses	\$ 554.0	\$ 1,107.1	\$ 771.4	\$ 97.6		\$ 2,530.1
Ratios						
Loss ratio	42.9%	65.7%	58.5%	71.2%		55.9%
Policy acquisition expense ratio	19.7%	15.7%	17.7%	18.6%		17.9%
Operating and administration expense ratio	10.4%	8.7%	9.3%	17.9%		10.1%
Expense ratio	30.1%	24.4%	27.0%	36.5%		28.0%
Combined ratio	73.0%	90.1%	85.5%	107.7%		83.9%

5. Investments

Fixed Maturities. The following presents the cost, gross unrealized gains and losses, and estimated fair value of investments in fixed maturities and other investments:

	As at June 30, 2008			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(\$ in millions)			
U.S. Government Securities	\$ 665.1	\$ 16.2	\$ (2.5)	\$ 678.8
U.S. Agency Securities	329.8	5.7	(0.9)	334.6
Corporate Securities	1,639.8	7.0	(37.1)	1,609.7
Foreign Government	417.1	1.2	(8.4)	409.9
Asset-backed Securities	243.3	2.3	(0.7)	244.9
Mortgage-backed Securities	1,341.9	6.7	(13.8)	1,334.8

[Table of Contents](#)

	As at June 30, 2008			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(\$ in millions)			
Total fixed income	\$ 4,637.0	\$ 39.1	\$ (63.4)	\$ 4,612.7

	As at December 31, 2007			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(\$ in millions)			
U.S. Government Securities	\$ 634.8	\$ 14.7	\$ (0.1)	\$ 649.4
U.S. Agency Securities	320.4	9.2	—	329.6
Corporate Securities	1,513.8	15.3	(9.2)	1,519.9
Foreign Government	425.8	3.6	(1.8)	427.6
Asset-backed Securities	224.3	1.4	(0.5)	225.2
Mortgage-backed Securities	1,225.0	12.8	(3.7)	1,234.1
Total fixed income	\$ 4,344.1	\$ 57.0	\$ (15.3)	\$ 4,385.8

Other investments. Other investments as at June 30, 2008 and December 31, 2007 are as follows:

	June 30, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value
	(\$ in millions)			
Investment funds	\$ 510.0	\$ 555.3	\$ 510.0	\$ 561.4

Adjustments to the carrying value of investment funds are made based on the net asset values reported by the fund managers, which results in a carrying value that approximates fair value. Unrealized gains of \$10.8 million (2007 — \$14.8 million) and losses of \$6.1 million (2007 — gain of \$24.7 million) have been recognized through the statement of operations in the three months and six months ended June 30, 2008. The Company's involvement with the funds is limited to the making and holding of these investments and it is not committed to making further investments in the funds; accordingly, the carrying value of the investments represents the Company's maximum exposure to loss as a result of its involvement with the funds at each balance sheet date.

The financial statements of our funds of hedge funds are subject to annual audits evaluating the net asset positions of the underlying investments. We periodically review the performance of our funds of hedge funds and evaluate the reasonableness of the valuations.

As we account for these investments using the equity method of accounting, they have not been classified in the fair value hierarchy under SFAS 157.

Gross unrealized loss. The following tables summarize as at June 30, 2008 and December 31, 2007, by type of security, the aggregate fair value and gross unrealized loss by length of time the security has been in an unrealized loss position.

	As at June 30, 2008					
	0-12 months		Over 12 months		Total	
	Fair value	Gross Unrealized loss	Fair value	Gross Unrealized loss	Fair value	Gross Unrealized loss
	(\$ in millions)					
U.S. Government Securities	\$ 112.7	\$ (2.5)	\$ 0.8	\$ —	\$ 113.5	\$ (2.5)
U.S. Agency Securities	77.6	(0.9)	—	—	77.6	(0.9)
Corporate Securities	686.3	(16.0)	380.5	(21.2)	1066.8	(37.2)
Foreign Government	224.7	(7.5)	25.0	(0.8)	249.7	(8.3)
Asset-backed Securities	15.8	(0.2)	12.9	(0.5)	28.7	(0.7)
Mortgage-backed Securities	404.3	(7.3)	164.9	(6.5)	569.2	(13.8)
Total	<u>\$ 1,521.4</u>	<u>\$ (34.4)</u>	<u>\$ 584.1</u>	<u>\$ (29.0)</u>	<u>\$ 2,105.5</u>	<u>\$ (63.4)</u>

	As at December 31, 2007					
	0-12 months		Over 12 months		Total	
	Fair value	Gross Unrealized loss	Fair value	Gross Unrealized loss	Fair value	Gross Unrealized loss
	(\$ in millions)					
U.S. Government Securities	\$ 26.9	\$ (0.1)	\$ 11.4	\$ —	\$ 38.3	\$ (0.1)
U.S. Agency Securities	—	—	5.9	—	5.9	—
Corporate Securities	221.0	(3.0)	393.5	(6.2)	614.5	(9.2)
Foreign Government	13.7	(0.1)	139.8	(1.7)	153.5	(1.8)
Asset-backed Securities	4.6	—	25.4	(0.5)	30.0	(0.5)
Mortgage-backed Securities	106.9	(0.6)	185.3	(3.1)	292.2	(3.7)
Total	<u>\$ 373.1</u>	<u>\$ (3.8)</u>	<u>\$ 761.3</u>	<u>\$ (11.5)</u>	<u>\$ 1,134.4</u>	<u>\$ (15.3)</u>

Other-than-temporary impairments. As at June 30, 2008, the Company held 804 fixed income securities in an unrealized loss position with a fair value of \$2,105.5 million and gross unrealized losses of \$63.4 million. The Company believes that the gross unrealized losses are attributable mainly to a combination of widening credit spreads and interest rate movements, however it intends to hold such investments until the carrying value is recovered. The unrealized losses are not a result of structural or collateral issues. The Company did not record any other-than-temporary impairments in 2007 and has not thus far in 2008.

Classification within the fair value hierarchy under SFAS 157. From January 1, 2008, the Company adopted SFAS 157.

All of the fixed income securities are traded on the over the counter market, based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasuries, over the yield curve. We use a variety of pricing sources to value our fixed income securities including those securities that have pay down/prepay features such as mortgage-backed securities and asset-backed securities in order to ensure fair and accurate pricing. The fair value estimates of the securities in our portfolio are not sensitive to significant unobservable inputs or modeling techniques.

The Company considers prices for actively traded treasury securities to be derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs as defined in SFAS 157). The Company considers prices for other securities priced via vendors, indices, or broker-dealers to be derived based on inputs that are observable for the asset, either directly or indirectly (Level 2 inputs as

[Table of Contents](#)

defined in SFAS 157).

The Company considers securities, other financial instruments and derivative insurance contracts subject to fair value measurement whose valuation is derived by internal valuation models to be based largely on unobservable inputs (Level 3 inputs as defined in SFAS 157). There have been no changes in the Company's use of valuation techniques since its adoption of SFAS 157.

The Company's assets subject to SFAS 157 are allocated between Levels 1, 2 and 3 as follows:

	June 30, 2008		
	Level 1	Level 2	Level 3
	(\$ in millions)		
Fixed income maturities available for sale, at fair value	\$ 1,088.7	\$ 3,524.0	\$ —
Short-term investments available for sale, at fair value	123.8	69.8	—
Derivatives at fair value	—	—	12.8
Total	<u>\$ 1,212.5</u>	<u>\$ 3,593.8</u>	<u>\$ 12.8</u>

The following table presents a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using Level 3 inputs during three and six months ended June 30, 2008.

	Three Months	Six Months
	Ended June 30, 2008	Ended June 30, 2008
	(\$ in millions)	
Beginning Balance	\$ 15.4	\$ 17.3
Total unrealized gains or (losses) included in earnings:		
Unrealized loss	(1.8)	(3.7)
Realized loss	(0.8)	(0.8)
Ending Balance	<u>\$ 12.8</u>	<u>\$ 12.8</u>

The Company's liability subject to SFAS 157 is allocated between Levels 1, 2 and 3 as follows:

	June 30, 2008		
	Level 1	Level 2	Level 3
	(\$ in millions)		
Liabilities under derivatives contracts	—	\$ 1.4	\$ 14.5
Total	<u>\$ —</u>	<u>\$ 1.4</u>	<u>\$ 14.5</u>

The following table presents a reconciliation of the beginning and ending balances for the liability measured at fair value on a recurring basis using Level 3 inputs during the three and six months ended June 30, 2008.

	Three Months	Six Months
	Ended June 30, 2008	Ended June 30, 2008
	(\$ in millions)	
Beginning Balance	\$ 17.3	\$ 19.0
Realized gains included in earnings	(1.0)	(0.7)
Settlements	(1.8)	(3.8)
Ending Balance	<u>\$ 14.5</u>	<u>\$ 14.5</u>

6. Reinsurance

[Table of Contents](#)

We purchase retrocession and reinsurance to limit our own risk exposure and to increase our own insurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss expenses from reinsurers. As is the case with most reinsurance treaties, we remain liable to the extent that reinsurers do not meet their obligations under these agreements, and therefore, in line with our risk management objectives, we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk. In addition, we have entered into reinsurance agreements and derivative instruments as described below:

Ajax Re. On April 25, 2007, we entered into a reinsurance agreement that provides us with coverage incepting on August 18, 2007. Under the reinsurance agreement, Ajax Re Limited (“Ajax Re”) will provide us with \$100 million of aggregate indemnity protection for certain losses from individual earthquakes in California occurring between August 18, 2007 and May 1, 2009. The reinsurance agreement is fully collateralized by proceeds received by Ajax Re from the issuance of catastrophe bonds. The amount of the recovery is limited to the lesser of our losses and the proportional amount of \$100 million based on the Property Claims Services (“PCS”) reported losses and the attachment level of \$23.1 billion and the exhaustion level of \$25.9 billion. The \$100 million of aggregate indemnity protection is exhausted when the reported industry insured losses by PCS reach \$25.9 billion. For further information, see Note 11. At the balance sheet date, no recovery was due from Ajax Re.

Credit insurance contract. On November 28, 2006, the Company entered into a credit insurance contract which, subject to its terms, insures the Company against losses due to the inability of one or more of our reinsurance counterparties to meet their financial obligations to the Company.

The Company considers that under SFAS 133, “*Accounting for Derivative Instruments and Hedging Activities*,” as amended (“SFAS 133”) this contract is a financial guarantee insurance contract that does not qualify for exemption from treatment for accounting purposes as a derivative. This is because it provides for the final settlement, expected to take place two years after expiry of cover, to include an amount attributable to outstanding and IBNR claims which may not at that point in time be due and payable to the Company.

As a result of the application of derivative accounting rules under SFAS 133, the contract is treated as an asset and measured at the directors’ estimate of its fair value. Changes in the estimated fair value from time to time will be included in the consolidated statement of operations.

The contract is for a maximum of five years and provides 90% cover for a named panel of reinsurers up to individual defined sub-limits. The contract does allow, subject to certain conditions, for substitution and replacement of panel members if the Company’s panel of reinsurers changes. Payments are made on a quarterly basis throughout the period of the contract based on the aggregate limit, which was set initially at \$477 million but is subject to adjustment.

The impact of this contract on net income in the three and six months ended June 30, 2008 is a decrease in the fair value of \$1.6 million (2007 — \$2.3 million) and \$3.8 million (2007 — \$4.5 million) including an interest expense charge for the three and six months ended June 30, 2008 of \$0.3 million (2007 — \$0.4 million) and \$0.6 million (2007 — \$0.7 million).

Catastrophe Swap. On August 17, 2004, Aspen Bermuda entered into a risk transfer swap (“cat swap”) with a non-insurance counterparty. During the cat swaps three-year term which ended on August 20, 2007 Aspen Bermuda made quarterly payments on an initial notional amount (\$100 million). In return Aspen Bermuda had the right to receive payments of up to \$100 million in total if there were hurricanes making landfall in Florida and causing damage in excess of \$39 billion or earthquakes in California causing insured damage in excess of \$23 billion. The Company recovered \$26.3 million under this agreement. We decided not to extend the development period under the cat swap and we will not be making any further recoveries or payments under this agreement.

This cat swap falls within the scope of SFAS 133 and is therefore measured in the balance sheet at fair value with any changes in the fair value shown on the consolidated statement of operations.

[Table of Contents](#)

The contract expired on August 20, 2007 and has no impact on net income in the three months and six months ended June 30, 2008. The impact of this contract on net income in the three and six months ended June 30, 2007 was a net gain of \$3.8 million and a charge of \$1.6 million, respectively.

7. Derivative Contracts

In addition to the derivative contracts discussed in Note 6, the Company uses forward exchange contracts to manage foreign currency risk. A forward foreign currency exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our assets and liabilities denominated in foreign currencies but rather allow us to establish a rate of exchange for a future point in time. The foreign currency contracts are recorded as derivatives at fair value with changes recorded as a component of changes in fair value of derivative contracts in the Company's statement of operations. At June 30, 2008 the Company held foreign currency contracts to purchase \$21.7 million of foreign currencies. For the three and six months ended June 30, 2008, the impact on net income of the foreign currency contract is a charge of \$1.4 million (2007 — \$ Nil).

8. Reserves for Losses and Adjustment Expenses

The following table represents a reconciliation of beginning and ending consolidated loss and loss adjustment expenses ("LAE") reserves:

	As at June 30, 2008	As at December 31, 2007
	(\$ in millions)	
Provision for losses and LAE at start of year	\$ 2,946.0	\$ 2,820.0
Less reinsurance recoverable	(304.7)	(468.3)
Net loss and LAE at start of year	2,641.3	2,351.7
Loss reserve portfolio transfer	(15.5)	11.0
Provision for losses and LAE for claims incurred:		
Current year	475.5	1,027.2
Prior years	(80.0)	(107.4)
Total incurred	395.5	919.8
Losses and LAE payments for claims incurred:		
Current year	(45.0)	(110.5)
Prior years	(279.3)	(585.1)
Total paid	(324.3)	(695.6)
Foreign exchange (gains)/losses	15.7	54.4
Net losses and LAE reserves at period end	2,712.7	2,641.3
Plus reinsurance recoverable on unpaid losses at period end	231.7	304.7
Loss and LAE reserves at June 30, 2008 and December 31, 2007	<u>\$ 2,944.4</u>	<u>\$ 2,946.0</u>

For the six months ended June 30, 2008, there was a reduction of \$80.0 million compared to \$44.4 million for the six months ended June 30, 2007 in our estimate of the ultimate claims to be paid in respect of prior accident years.

The majority of the loss reserve portfolio transfers in 2008 and 2007 represent loss reserves assumed from Lloyd's syndicates through quota share arrangements relating to the portion of liabilities accounted for by the syndicates prior to 2006.

[Table of Contents](#)

9. Capital Structure

The following table provides a summary of the Company's authorized and issued share capital at June 30, 2008 and December 31, 2007.

	As at June 30, 2008		As at December 31, 2007	
	Number	\$ in thousands	Number	\$ in thousands
Authorized Share Capital				
Ordinary shares 0.15144558¢ per share	969,629,030	\$ 1,469	969,629,030	\$ 1,469
Non-Voting shares 0.15144558¢ per share	6,787,880	10	6,787,880	10
Preference shares 0.15144558¢ per share	100,000,000	152	100,000,000	152
Issued Share Capital				
Issued ordinary shares of 0.15144558¢ per share	81,321,201	123	85,510,673	130
Issued preference shares of 0.15144558¢ each with a liquidation preference of \$50 per share	4,600,000	7	4,600,000	7
Issued preference shares of 0.15144558¢ each with a liquidation preference of \$25 per share	8,000,000	12	8,000,000	12
Total issued share capital		<u>142</u>		<u>149</u>
Additional paid-in capital (\$ in millions)		<u>\$ 1,753.3</u>		<u>\$ 1,846.1</u>

Additional paid-in capital includes the aggregate liquidation preferences of our preference shares of \$430 million (2007 — \$430 million) less issue costs of \$10.8 million (2007 — \$10.8 million).

Ordinary Shares. The following table summarizes transactions in our ordinary shares during the six month period ended June 30, 2008.

	Number of Shares
Shares in issue at December 31, 2007	<u>85,510,673</u>
<i>Share transactions in the six months ended June 30, 2008:</i>	
Shares issued to the Names' Trust upon the exercise of investor options	2,335
Shares issued to employees under the share incentive plan	28,548
Repurchase of shares from shareholders (1)	<u>(4,220,355)</u>
Shares in issue at June 30, 2008	<u>81,321,201</u>

- (1) 139,555 shares were acquired and cancelled on March 20, 2008 in accordance with the accelerated share repurchase program described below and 4,080,800 were acquired and cancelled on May 19, 2008 through a privately-negotiated transaction with the last of our founding shareholders, Candover.

Accelerated Share Repurchase. On November 9, 2007, we entered into a contract with Goldman Sachs & Co. ("Goldman Sachs") for the purchase of ordinary shares to the fixed value of \$50 million (the "ASR"). Under this arrangement we acquired and cancelled the minimum number of shares of 1,631,138 shares on November 28, 2007. On March 20, 2008, the ASR was completed pursuant to which we canceled an additional 139,555 ordinary shares.

On May 13, 2008, we entered into a share purchase agreement with one of the Company's founding shareholders, Candover Investments plc, its subsidiaries and funds under management and Halifax EES Trustees International Limited, as trustees to a Candover employee trust, to repurchase a total of

[Table of Contents](#)

4,080,800 ordinary shares for a total purchase price is \$100 million. The ordinary shares were purchased and cancelled on May 19, 2008.

10. Share Based Payments

The Company has issued options and other equity incentives under three arrangements: investor options, employee awards and non-employee director awards. When options are exercised or other equity awards have vested, new shares are issued as the Company does not hold treasury shares. Until January 1, 2006 the employee stock option grants were measured and recognized according to the fair value recognition provisions of SFAS No. 123 "Accounting For Stock Based Compensation." Effective January 1, 2006, the Company adopted the provisions of SFAS 123R "Share Based Payments" which requires all entities to apply a fair-value based measurement method and an estimate of future forfeitures in the calculation of the compensation costs of stock options and restricted share units.

Investor Options

The investor options were issued on June 21, 2002 to Wellington Investment and members of Syndicate 2020 who were not corporate members of Syndicate 2020. The options conferred to the members of Syndicate 2020 are held for their benefit by Appleby Services (Bermuda) Ltd. (formerly Appleby Trust (Bermuda) Limited) ("Names' Trustee"). The subscription price payable under the options is initially £10 and increases by 5% per annum, less any dividends paid. Option holders are not entitled to participate in any dividends prior to exercise and would not rank as a creditor in the event of liquidation. If not exercised, the options will expire after a period of ten years.

During the three and six months ended June 30, 2008, the Names' Trustee exercised 2,464 and 14,523 options on a cashless basis resulting in the issue of 235 and 2,335 shares, respectively.

Employee and Non-Executive Director awards

Employee options and other awards are granted under the Aspen 2003 Share Incentive Plan and non-executive director options are granted under the 2006 Stock Option Plan for Non-Employee Directors.

Stock options are granted with an exercise price equivalent to the fair value of the share on the grant date. The weighted average value at grant date is determined using the Black-Scholes option pricing model. Stock options vest over a three-year period with a ten-year contract period with vesting dependent on time and performance conditions established at the time of grant. No options were exercised or granted in the six months ended June 30, 2008. Compensation costs charged against income in respect of employee options for the three and six months ended June 30, 2008 was \$1.0 million and \$2.0 million, respectively.

Restricted share units vest equally over a two or three-year period subject to the participants' continued employment. Some of the grants vest at year-end, while some other grants vest on the anniversary of the date of grant. The fair value of the restricted share units is based on the closing price on the date of the grant. The fair value is expensed through the income statement evenly over the vesting period. During the three and six months ended June 30, 2008, the Company granted 38,507 and 62,402 restricted share units (including RSU's granted to non-executive directors). Compensation costs charged against income in respect of employee options for the three and six months ended June 30, 2008 was \$0.5 million and \$1.1 million, respectively.

The fair value of performance share awards is based on the value of the average of the high and the low of the share price on the date of the grant less a deduction for expected dividends which would not accrue during the vesting period. Performance shares vest over a three or four-year period with vesting dependant on the achievement of performance targets at the end of specified periods as established at the time of grant. For the three and six months ended June 30, 2008, the Company granted 587,095

[Table of Contents](#)

performance shares. Compensation costs charged against income in respect of employee options for the three and six months ended June 30, 2008 were \$2.0 million and \$4.3 million, respectively.

11. Commitments and Contingencies

(a) **Restricted assets**

We are obliged by the terms of our contractual obligations to U.S. policyholders and by undertakings to certain regulatory authorities to facilitate the issue of letters of credit or maintain certain balances in trust funds for the benefit of policyholders.

The following table shows the forms of collateral or other security provided to policyholders as at June 30, 2008 and December 31, 2007.

	<u>As at</u> <u>June 30, 2008</u>	<u>As at</u> <u>December 31, 2007</u>
	(\$ in millions, except percentages)	
Assets held in multi-beneficiary trusts	\$ 1,459.9	\$ 1,422.5
Assets held in single beneficiary trusts	53.1	52.5
Letters of credit issued under our revolving credit facilities (1)	107.8	133.3
Secured letters of credit (2)	351.6	344.9
Total	<u>\$ 1,972.4</u>	<u>\$ 1,953.2</u>
Total as % of cash and invested assets	<u>33.0%</u>	<u>33.2%</u>

- (1) These letters of credit are not secured by cash or securities, though they are secured by a pledge of the shares of certain of the Company's subsidiaries under a pledge agreement.
- (2) As of June 30, 2008, the Company had funds on deposit of \$441.3 million and £49.1 million (December 31, 2007 — \$367.2 million and £49.3 million) as collateral for the secured letters of credit.

(b) **Operating leases**

Amounts outstanding under operating leases as of June 30, 2008 were:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Later</u> <u>years</u>	<u>Total</u>
	(\$ in millions)						
Operating Lease Obligations	\$ 4.0	6.9	7.8	7.8	7.4	40.6	\$ 74.5

(c) **Variable interest entities**

As disclosed in Note 6, we have entered into a reinsurance agreement with Ajax Re that provides the Company with \$100 million of aggregate indemnity protection for certain losses from individual earthquakes in California occurring between August 18, 2007 and May 1, 2009.

Ajax Re is a special purpose Cayman Islands exempted company licensed as a restricted Class B reinsurer in the Cayman Islands and formed solely for the purpose of entering into certain reinsurance agreements and other risk transfer agreements with subsidiaries of Aspen to provide up to \$1 billion of reinsurance protection covering various perils, subject to Ajax Re's ability to raise the necessary capital.

The Company has determined that Ajax Re has the characteristics of a variable interest entity that are addressed by FASB Interpretation No. 46R "Consolidation of Variable Interest Entities" ("FIN 46R"). In accordance with FIN 46R, Ajax Re is not consolidated because the majority of the expected

[Table of Contents](#)

losses and expected residual returns will not be absorbed by the Company but rather by the bond holders of Ajax Re.

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

The following is a discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2008 and 2007. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes contained in this Form 10-Q and the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2007, as well as the discussions of critical accounting policies contained in our Financial Statements in our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission on February 29, 2008 (File No. 001-31909).

Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business and in "Outlook and Trends" below, includes forward-looking statements that involve risk and uncertainties. Please see the section captioned "Cautionary Statement Regarding Forward-Looking Statements" in this report and the "Risk Factors" in Item 1A, of our 2007 Annual Report on Form 10-K for more information on factors that could cause actual results to differ materially from the results described in or implied by any forward-looking statements contained in this discussion and analysis.

Overview

We are a Bermudian holding company. We provide property and casualty reinsurance in the global market through Aspen U.K. and Aspen Bermuda. We provide property and liability insurance principally in the United Kingdom and in the United States through Aspen U.K. and we provide marine, liability, hull, energy, non-marine transport, aviation, professional liability, political risk, excess casualty, and financial institutions insurance and specialty reinsurance worldwide principally through Aspen U.K. We have also recently established Lloyd's Syndicate 4711, which commenced for business incepting May 1, 2008. Syndicate 4711's business plan for 2008 is to renew certain participations on selected classes of business currently written by Aspen U.K. These classes include energy, hull, marine liability, transportation-related liability, aviation and certain specialty reinsurance lines.

The most significant features of our results were:

- Net income after tax of \$126.9 million for the quarter ended June 30, 2008, an increase of 10.6% compared to \$114.7 million for the comparative quarter in 2007. For the six months ended June 30, 2008, net income after tax was \$208.1 million compared to \$236.6 million for the same period last year.
- Diluted earnings per share of \$1.39 increased by 16.8% versus \$1.19 in the second quarter of 2007.
- Net investment income of \$70.5 million, increased by 80.3% from the first quarter of 2008 due to the improved performance of funds of hedge funds and decreased by 10.5% compared to the same period in 2007.
- The combined ratio for the second quarter of 2008 was 78.2% compared to 88.4% for the same quarter in 2007.
- Tangible book value per ordinary share at June 30, 2008 was \$29.84, an increase of 22.1% compared to \$24.44 at June 30, 2007.¹

¹ Tangible book value per ordinary share is based on total shareholders' equity, less intangible assets and preference shares (liquidation preference less issue expenses), divided by the number of ordinary shares in issue at the end of the period.

[Table of Contents](#)

	As at June 30, 2008	As at June 30, 2007
	(\$ in millions, except for share amounts)	
Total shareholders' equity	\$ 2,853.9	\$ 2,591.0
Intangible assets	(8.2)	(8.2)
Preference shares less issue expenses	(419.2)	(419.2)
	<u>\$ 2,426.5</u>	<u>\$ 2,163.6</u>
Ordinary shares	81,321,201	88,544,590
Diluted ordinary shares	83,691,242	91,553,439

The following overview of our results for the three months ended June 30, 2008 and 2007 and of our financial condition at June 30, 2008 is intended to identify important trends and should be read in conjunction with the more detailed discussion further below.

Gross written premiums. Total gross written premiums increased by 5.0% in the second quarter of 2008 compared to 2007. The table below shows our gross written premiums for each segment for the three months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each segment.

Business Segment	For the three months ended June 30, 2008		For the three months ended June 30, 2007
	(\$ in millions)	% increase /(decrease)	(\$ in millions)
Property reinsurance	\$ 170.5	(10.4)%	\$ 190.3
Casualty reinsurance	56.8	(28.5)	79.4
International insurance	258.9	30.2	198.9
U.S. insurance	42.6	22.1	34.9
Total	<u>\$ 528.8</u>	<u>5.0%</u>	<u>\$ 503.5</u>

We wrote more business in the second quarter than in the corresponding period in 2007 as a result of a \$63.0 million incremental contribution from lines including political risk, professional liability, excess casualty, non-marine transport and financial institutions insurance which have been established over the past twelve months. This increase has been partially offset by reductions in gross written premiums mainly from our casualty reinsurance lines which have been impacted by reductions in prior period premium estimates. Gross written premiums have also decreased as a result of challenging market conditions, which are particularly acute in our property treaty risk excess line of business.

Reinsurance. Total reinsurance ceded in the three months ended June 30, 2008 of \$22.8 million was \$62.2 million less than in the corresponding period in 2007. The overall decrease is due primarily to reductions in premium from the property reinsurance business line offset by increases for international insurance associated with the new lines of business in this segment. The reduction in ceded premium for property reinsurance for the current period is due to the purchase in 2007 of U.S. wind industry loss warranties which were not renewed in 2008 and the purchase last year of natural peril industry loss warranties which expire on December 31, 2008.

Loss ratio. We monitor the ratio of losses and loss adjustment expenses to net earned premium (the "loss ratio") as a measure of relative underwriting performance where a lower ratio represents a better result than a higher ratio. The loss ratios for our four business segments for the three months ended June 30, 2008 and 2007 were as follows:

[Table of Contents](#)

Business Segment	For the three months ended June 30, 2008	For the three months ended June 30, 2007
Property reinsurance	31.0%	44.1%
Casualty reinsurance	63.3%	72.9%
International insurance	51.3%	61.3%
U.S. insurance	48.4%	86.1%
Total Loss Ratio	47.4%	60.5%

The reduction in the property reinsurance loss ratio in the current quarter is due to limited catastrophic event related losses. In the current quarter the only significant loss resulted from our exposure to the storms and floods in the U.S. Midwest of approximately \$10.0 million compared to \$17.0 million of property reinsurance losses in relation to the June U.K. floods and a \$7.1 million loss caused by a tornado in the second quarter of 2007. Our U.S. Casualty reinsurance line has benefited from a \$28.6 million increase in prior year reserve releases in the quarter which was partially offset by worsening accident year loss ratios due to rate pressures. The increase in reserve releases in the current period was due to better than expected loss experience and the impact from policy commutations. The international insurance segment has been impacted by a pollution loss in France and an airline loss in the United States. In addition, the segment has had a reduction of \$11.9 million in prior period reserve releases compared to the prior year. Notwithstanding the reduction in reserve releases in the quarter, the loss ratio has decreased by 10 percentage points due to the comparative period suffering from greater losses of \$17.2 million of marine hull losses and a \$6.5 million provision relating to U.K. floods. Within the U.S. insurance segment, U.S. property insurance has benefited from improved loss experience and both the U.S. property and casualty insurance lines have benefited from an increase in prior year releases.

Reserve releases. The loss ratios take into account changes in our assessments of reserves for unpaid claims and loss adjustment expenses arising from earlier years. In each of the three months ended June 30, 2008 and 2007, we recorded a reduction in the level of reserves for prior years. The amounts of these reductions and their effect on the loss ratio in each period are shown in the following table:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007
Reserve releases (\$ in millions)	\$ 40.5	\$ 18.1
% of net premiums earned	10.2%	4.0%

The increase in reserve releases compared to the second quarter of 2007 is mainly due to reserve releases from all segments in 2008 compared to a combination of releases and reserve strengthening in 2007. The most significant change is in the casualty reinsurance segment where in the second quarter of 2007 the segment experienced a \$4.6 million reserve strengthening compared to a \$24.0 million release in the second quarter of 2008. The casualty reinsurance reserve strengthening in 2007 was following a review of our casualty facultative account whereas the release in the comparative period in 2008 was a result of better experience from the international casualty account and reserve reductions for U.S. casualty following commutations and favorable prior year experience. Property reinsurance had a \$2.6 million reserve release in the second quarter of 2008 compared to a \$1.0 million strengthening in the second quarter of 2007 and U.S. insurance has seen an increase in reserve releases from \$0.6 million in the second quarter of 2007 to \$2.7 million in the second quarter of 2008. International insurance has experienced a \$11.9 million reduction in reserve releases in the period due primarily to a large release from the U.K. liability account in 2007 which was not replicated in 2008.

Table of Contents

Further information relating to the movement of prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

Expense ratio. We monitor the ratio of expenses to net earned premium (the “expense ratio”) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for each of the three months ended June 30, 2008 and 2007:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007
Policy acquisition expenses	16.4%	18.1%
Operating and administrative expenses	14.4%	9.8%
Expense ratio	30.8%	27.9%

The overall reduction in the policy acquisition ratio is primarily driven by the recognition in the three months ended June 30, 2007 of \$6.0 million in profit commissions and no claims bonuses compared to \$0.9 million in the current period with the remaining variance being due to changes in the ratio of business written by the reinsurance and insurance segments.

Between the two periods we have experienced a \$12.7 million increase in our operating and administrative expenses. The increase is attributed mainly to our investment in new underwriting teams and the balance related to annual salary award increases and strengthening of functions such as I.T., finance and risk management departments. Within the international insurance segment expenses have increased by \$5.9 million of which \$1.7 million related to the direct costs of new teams.

Net investment income. In the second quarter of 2008, we generated net investment income of \$70.5 million (2007 — \$78.8 million). The reduction in income was due primarily to a lower contribution from our investment in funds of hedge funds combined with a slight reduction in yields from 4.9% to 4.8% from our fixed income portfolio.

Change in fair value of derivatives. In the three months ended June 30, 2008, we recorded a reduction of \$1.6 million (2007 — \$2.3 million gain) in the estimated fair value of our credit insurance contract including an interest expense charge of \$0.3 million (2007 — \$0.4 million). In addition, the Company holds foreign currency derivative contracts to purchase \$21.7 million of foreign currencies during 2008. The foreign currency contracts are recorded as derivatives at fair value with changes recorded as a component of changes in fair value of derivative contracts in the Company’s statement of operations. For the three months ended June 30, 2008 the impact of foreign currency contracts on net income is a charge of \$1.4 million (2007 — \$Nil). Further information on these contracts can be found in Note 6 and 7 to the financial statements.

Other revenues and expenses. Other revenues and expenses in the three months ended June 30, 2008 included \$5.0 million of realized and unrealized foreign currency exchange losses (2007 — \$8.0 million gain) and \$0.8 million of realized investment gains (2007 — \$5.6 million loss). Interest expense was \$4.0 million in the three months ended June 30, 2008 (2007 — \$4.0 million).

Taxes. The estimated effective rate of tax for the period is 14.9% (2007 — 12.5%). This is subject to revision in future periods if circumstances change and in particular, depending on the relative claims experience of those parts of business conducted in Bermuda where the rate of tax on corporate profits is zero and the U.K. where the corporate tax rate is 28%.

Dividends. The dividend has been maintained at \$0.15 per ordinary share for the quarter.

Dividends paid on our preference shares in the three months ended June 30, 2008 were \$7.0 million (2007 — \$7.0 million).

[Table of Contents](#)

Shareholders' equity and financial leverage. Total shareholders' equity reduced by \$68.8 million to \$2,853.9 million for the three months ended June 30, 2008. The most significant movements were:

- the repurchase of \$100 million of ordinary shares;
- net retained income after tax and dividends for the period of \$107.1 million; and
- decrease in unrealized gains on investments of \$88.6 million (net of tax).

As at June 30, 2008 total ordinary shareholders' equity was \$2,434.7 million compared to \$2,398.4 million at December 31, 2007. The remainder of our total shareholders' equity, as at June 30, 2008, was funded by two classes of preference shares with a total value as measured by their respective liquidation preferences of \$419.2 million net of share issuance costs (December 31, 2007 — \$419.2 million).

The amounts outstanding under our senior notes, less amortization of expenses, of \$249.5 million were the only material debt that we had outstanding as of June 30, 2008 and December 31, 2007.

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders' equity plus outstanding debt. At June 30, 2008, this ratio was 8.0% (December 31, 2007 — 8.1%).

Our preference shares are classified in our balance sheet as equity but may receive a different treatment in some cases under the capital adequacy assessments made by certain rating agencies. Such securities are often referred to as 'hybrids' as they have certain attributes of both debt and equity. We also monitor the ratio of the total of debt and hybrids to total capital which was 21.5% as of June 30, 2008 (December 31, 2007 — 21.8%).

Capital Management. On February 6, 2008, our Board authorized a new share repurchase program for up to \$300 million of our ordinary shares. The authorization covers the period to March 1, 2010.

On May 13, 2008, we purchased and cancelled 4,080,800 shares for a consideration of \$100 million from Candover Partners Limited, the last of our founding shareholders, and a trustee to a Candover employee trust.

Liquidity. Management monitors the liquidity of Aspen Holdings and of each of its Insurance Subsidiaries. With respect to Aspen Holdings, management monitors its ability to service debt, to finance dividend payments and to provide financial support to the Insurance Subsidiaries. As at June 30, 2008, Aspen Holdings held \$21.8 million in cash and cash equivalents which, taken together with dividends declared or expected to be declared by subsidiary companies and our credit facilities, management considered sufficient to provide Aspen Holdings liquidity at that time.

At June 30, 2008, our subsidiaries held \$599.0 million in cash and cash equivalents that are readily realizable securities. Management monitors the value, currency and duration of the cash and investments within its Insurance Subsidiaries to ensure that they are able to meet their insurance and other liabilities as they become due and was satisfied that there was a comfortable margin of liquidity as at June 30, 2008 and for the foreseeable future.

As of June 30, 2008, we had in issue \$385.9 million and £36.9 million in letters of credit to cedants, for which \$441.3 million and £49.1 million were held as collateral for the secured letters of credit. Our reinsurance receivables decreased by 24.0% from \$304.7 million at December 31, 2007 to \$231.7 million at June 30, 2008, mainly as a result of further amounts received from our reinsurers in respect of 2005 hurricane claims.

Outlook and Trends

The following is a summary of our observations on current market rates, trends and conditions.

Overall. Overall, insurance and reinsurance prices have continued to fall across the majority of our business lines. In contrast to this, we had a very strong performance in our financial institutions and political risk insurance units where rates have moved significantly in our favor. Both lines, but political risk in particular, are benefiting from increased demand and an attractive pricing environment as banking sentiment in the credit and financial markets continues to deteriorate.

Property Reinsurance. In our property reinsurance segment, our catastrophe account has seen rates continue to decline with average rate reductions being moderate. We have also reduced our position in Florida given rate softening. Also, a number of our clients have chosen to increase their retentions and buy less reinsurance as a result. Average rate reductions on our risk excess book were more significant with rates for complex risks less impacted. Pro rata pricing continued to soften and we wrote less business than we had expected due to inadequate rating on certain accounts with rates having decreasing moderately. Our property facultative reinsurance book also saw more significant average decreases. The declines in the U.S. were more marked than in the U.K. and continental Europe reflecting the fact that international rates began to fall roughly a year ahead of the U.S.

Casualty Reinsurance. In this segment, our international treaty line had a better than expected July 1 renewal with relatively flat rates. Competition in U.S. casualty reinsurance remains acute and we non-renewed a number of contracts on rating grounds. The average rate reduction on our book was relatively moderate which was better than our planning assumption and reflects the deliberate reduction of our account where rates are insufficient.

International Insurance. Our international insurance segment has recorded an average decrease of 5% on our renewal book as rates have continued to decrease across most lines. In marine hull insurance, loss impacted accounts have seen price increases and rates on our book have averaged slight increases. In energy physical damage insurance, we have seen some signs of rating pressure beginning to abate on Gulf of Mexico programs with brokers experiencing difficulty in placing certain programs. In excess casualty, rates are continuing to reduce and have fallen moderately to significantly in the U.S., with higher reductions outside the U.S. market. July is the biggest renewal month for our aviation account year to date and rates were generally flat with some risks we declined subsequently being re-offered at higher prices. We recorded marginal rate increases on renewal business in our aviation account. In U.K. commercial property insurance, competition remains strong with large rate concessions in the property owners' sector. We were, however, able to achieve marginal average rate increases on our renewal book. Market conditions also remain challenging in U.K. employers' liability insurance with larger accounts continuing to see declining rates. The average rate reduction on our renewal book continues to be significant although there are some signs that pressure may be abating. In our U.K. and Australian professional lines account, conditions remain very challenging and we have scaled back our underwriting appetite as a result. In political risk, we are seeing increases of as much as 100% in certain segments of the market such as contract frustration and credit insurance. Our financial institutions account is biased towards the U.K., international and emerging markets, and we are seeing rating increases of up to 10% on non-U.K. business, with U.K. business being somewhat more competitive. In the U.S. we are seeing very significant rate increases.

U.S. Insurance. Our U.S. excess and surplus lines insurance business is seeing great levels of competition with significant average reductions on our property account and moderate reductions on our casualty account. We expect property rates to continue to weaken overall, however, the Florida tri-county area is beginning to show signs of a slow down in rate reductions. U.S. casualty insurance saw rate reductions slow in June compared to earlier in the year.

[Table of Contents](#)**Recent Developments**

We were recently approved to conduct reinsurance business in Singapore. Our Singapore office will initially focus on writing property facultative risks in the region.

Application of Critical Accounting Policies

Our consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, which require management to make significant estimates and assumptions. We believe that some of the more critical judgments in the areas of accounting estimates and assumptions that affect our financial condition and results of operations are related to reserves for property and liability losses, premiums receivable in respect of assumed reinsurance and the fair value of derivatives and the value of other investments. For a detailed discussion of our critical accounting policies please refer to our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission. There were no material changes in the application of our critical accounting estimates subsequent to that report. We have discussed the application of these critical accounting estimates with our Board of Directors and Audit Committee.

Results of Operations for the Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007

The following is a discussion and analysis of our consolidated results of operations for the three months ended June 30, 2008 and 2007 starting with a discussion of segmental results and then summarizing our consolidated results under "Total Income Statement — Second Quarter" below.

Underwriting Results by Operating Segments

We are organized into four business segments: Property Reinsurance, Casualty Reinsurance, International Insurance and U.S. Insurance. These segments form the basis of how we monitor the performance of our operations.

Management measures segment results on the basis of the combined ratio, which is obtained by dividing the sum of the losses and loss expenses, acquisition expenses and operating and administrative expenses by net premiums earned. Indirect operating and administrative expenses are allocated to segments based on each segment's proportional share of gross earned premiums. As a relatively new company, our historical combined ratio may not be indicative of future underwriting performance. We do not manage our assets by segment; accordingly, investment income and total assets are not allocated to the individual segments.

Please refer to the tables in Note 4 in our unaudited financial statements of this report for a summary of gross and net written and earned premiums, underwriting results and combined ratios and reserves for each of our four business segments for the three months ended June 30, 2008 and 2007.

The contributions of each segment to gross written premiums in the three months ended June 30, 2008 and 2007 were as follows:

<u>Business Segment</u>	<u>Gross written premiums</u>	
	<u>For the three months ended June 30, 2008</u>	<u>For the three months ended June 30, 2007</u>
	<u>% of total gross written premiums</u>	
Property reinsurance	32.2%	37.8%
Casualty reinsurance	10.7%	15.8%
International insurance	49.0%	39.5%
U.S. insurance	8.1%	6.9%
Total	100.0%	100.0%

[Table of Contents](#)

Business Segment	Gross written premiums	
	For the three months ended June 30, 2008	For the three months ended June 30, 2007
	(\$ in millions)	
Property reinsurance	\$ 170.5	\$ 190.3
Casualty reinsurance	56.8	79.4
International insurance	258.9	198.9
U.S. insurance	42.6	34.9
Total	<u>\$ 528.8</u>	<u>\$ 503.5</u>

Property Reinsurance

Our property reinsurance segment is mainly written on a treaty basis and includes catastrophe, risk excess and proportional treaty risks. We also write property facultative risks. We also write some structured reinsurance contracts out of Aspen Bermuda. These contracts are tailored to the individual client circumstances and although written by a single team are accounted for within the business segment to which the contract most closely relates.

In the first quarter of 2006, we opened a branch office of Aspen U.K. in Paris which writes property facultative business in continental Europe. We have recently established a branch of Aspen U.K. in Zurich which focuses on property and casualty reinsurance in continental Europe. In the three months ended June 30, 2008, the Zurich branch has written \$44.1 million of premium. On June 23, 2008, the Monetary Authority of Singapore authorized us to conduct reinsurance business. Our office in Singapore will initially focus on writing property facultative business in the region.

Gross written premiums. Gross written premiums in our property reinsurance segment decreased by 10.4% compared to the three months ended June 30, 2007. This reduction reflects softening markets, increased competition and the non-renewal of a number of accounts that no longer meet our internal profitability requirements. Premium increases for the treaty pro rata and property facultative business lines include favorable prior year premium adjustments for our U.S.-sourced business.

[Table of Contents](#)

The table below shows our gross written premiums for each line of business in property reinsurance for the three months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the three months ended June 30, 2008		For the three months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
Treaty catastrophe	\$ 79.2	(7.0)%	\$ 85.2
Treaty risk excess	40.0	(39.9)	66.6
Treaty pro rata	36.5	25.0	29.2
Property facultative	14.8	59.1	9.3
Total	\$ 170.5	(10.4)%	\$ 190.3

Losses and loss adjustment expenses. The net loss ratio for the three months ended June 30, 2008 was 31.0% compared to 44.1% in 2007. The loss ratio in 2007 was affected by \$17.0 million of losses associated with floods in the U.K. The second quarter of 2008 has been impacted by losses of approximately \$10.0 million related to the U.S. Midwest storms and floods.

Further information relating to the movement of prior year reserves is found below under “Reserves for Losses and Loss Adjustment Expenses.”

Policy acquisition, operating and administrative expenses. Total expenses were \$42.0 million for the three months ended June 30, 2008 equivalent to 34.0% of net premiums earned (2007 — 33.2%). Policy acquisition expenses have decreased from \$31.1 million in 2007 to \$23.6 million for the second quarter in 2008, mainly as a result of a \$4.3 million reduction in accruals for profit commission. The increase in the operating and administrative expenses to \$18.4 million from \$16.8 million for the comparative period in 2007 is attributable to a \$1.1 million increase in costs associated with our Zurich branch, and increased I.T. infrastructure costs associated with enhancements to our systems.

Casualty Reinsurance

Our casualty reinsurance segment is written mainly on a treaty basis with a small proportion of facultative risks. Casualty treaty reinsurance is primarily written on an excess of loss basis and includes coverage for claims arising from automobile accidents, employers’ liability, professional indemnity and other third party liabilities. It is written in respect of cedants located mainly in the United States, the United Kingdom, Europe and Australia. We also write some structured reinsurance contracts out of Aspen Bermuda.

Gross written premiums. The 28.5% decrease in gross written premiums for the segment was due to reductions in prior year premium estimates for our non-U.S. and U.S. casualty treaty business lines; and a reduction in business written by our U.S. casualty team in London where market conditions are challenging. Also, we have non-renewed certain accounts that no longer meet our internal profitability requirements.

[Table of Contents](#)

The table below shows our gross written premiums for each line of business in casualty reinsurance for the three months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the three months ended		For the three months
	June 30, 2008		ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
U.S. treaty	\$ 46.9	(15.2)%	\$ 55.3
Non-U.S. treaty	5.7	(74.3)	22.2
Casualty facultative	4.2	121.1	1.9
Total	\$ 56.8	(28.5)%	\$ 79.4

Losses and loss adjustment expenses. Losses and loss adjustment expenses decreased by \$37.3 million in the quarter compared to the equivalent period in 2007, primarily due to a \$28.6 million increase in prior year reserve releases and a reduction in net earned premium. The reserve releases reflected favorable loss experience from the international casualty and U.S. casualty reinsurance business lines and the impact from commuting certain U.S. casualty contracts. Prior year reserve releases are further discussed below under “Reserves for Losses and Loss Expenses.”

Policy acquisition, operating and administrative expenses. Total expenses were \$24.2 million for the three months ended June 30, 2008 equivalent to 28.2% of net premiums earned (2007 — 21.8%). Policy acquisition expenses have reduced in line with earned premiums, however operating and administrative expenses have increased by \$2.3 million or 6.5 percentage points in the expense ratio. The \$2.3 million increase in operating costs for the three months ended June 30, 2008 is mainly due to the increase in personnel costs and infrastructure costs associated with our U.K.-based teams.

International Insurance

Our international insurance segment comprises marine hull, marine and specialty liability, energy, non-marine transport, aviation, professional liability, excess casualty, financial institutions, political risk, U.K. commercial property and U.K. commercial liability insurance. The commercial liability line of business consists of U.K. employers’ and public liability insurance. Our specialty reinsurance lines of business include aviation, marine and other specialty reinsurance. Our excess casualty business is written out of our Dublin branch, which was authorized in January 2008.

Gross written premiums. Overall premiums have increased by \$60.0 million in the quarter compared to the second quarter of 2007, mainly due to \$63.0 million of incremental premium contributed by lines including political risk, excess casualty, non-marine transport and financial institutions insurance which have been established over the past year. Written premium in our other lines decreased by \$3.0 million overall, mainly attributed to U.K. commercial liability insurance and aviation insurance which continue to experience rate pressures.

[Table of Contents](#)

The table below shows our gross written premiums for each line of business in international insurance for the three months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each line:

Lines of Business	Gross written premiums		
	For the three months ended June 30, 2008		For the three months ended June 30, 2007
	(\$ in millions)	% increase /(decrease)	(\$ in millions)
Marine and specialty liability insurance	\$ 47.4	18.2%	\$ 40.1
Energy property insurance	41.7	(7.3)	45.0
Marine hull	17.5	(3.9)	18.2
Aviation insurance	23.1	(13.2)	26.6
U.K. commercial property	22.7	18.9	19.1
U.K. commercial liability	17.1	(30.5)	24.6
Non-marine and transportation liability	14.3	NM *	—
Professional liability	7.4	NM *	—
Excess Casualty	6.3	NM *	—
Financial Institutions	9.2	NM *	—
Political Risk	21.3	NM *	—
U.K. Commercial Property — Construction	4.5	NM *	—
Specialty reinsurance	26.4	4.3	25.3
Total	\$ 258.9	30.2%	\$ 198.9

* Not Meaningful—These lines of business were not operational at June 30, 2007.

Losses and loss adjustment expenses. Losses and loss adjustment expenses represented 51.3% of net premiums earned for the three months ended June 30, 2008 compared to 61.3% in 2007. The segment has been impacted by a \$15.9 million pollution loss in France and a \$3.4 million airline loss in the United States. The loss ratio has decreased by 10 percentage points due to the comparative period suffering from a greater number of losses including a \$17.2 million marine hull loss and a \$6.5 million provision relating to U.K. floods. This was partially offset by a reduction of \$11.9 million in prior period reserve releases in the quarter compared to the prior period. Prior year reserve releases are further discussed under “Reserves for Losses and Loss Expenses.”

Policy acquisition, operating and administrative expenses. The acquisition expense ratio has reduced by 2.1 percentage points due in part to a \$0.8 million reduction in profit commission accruals and as a result of the change in business mix following the addition of new business lines. The increase in operating and administrative expenses from \$13.3 million in the second quarter of 2007 to \$19.2 million for the equivalent period in 2008 relates to direct costs of the new teams, salary increases for existing teams and additional infrastructure costs associated with setting up the new teams.

[Table of Contents](#)**U.S. Insurance**

We write both U.S. property and casualty insurance on an excess and surplus lines basis.

Gross written premiums. Gross written premiums increased by \$7.7 million compared to the second quarter of 2007 due to the repositioning of the property account in the second quarter of 2007 which led to a short-term reduction in written premiums in the prior year.

The table below shows our gross written premiums for each line of business in U.S. insurance for the three months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the three months ended June 30, 2008		For the three months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
U.S. property	\$ 21.1	51.8%	\$ 13.9
U.S. casualty	21.5	2.4	21.0
Total	\$ 42.6	22.1	\$ 34.9

Losses and loss adjustment expenses. Losses for the period have decreased significantly by \$9.6 million when compared to the prior period, resulting from the above-mentioned repositioning of our property account which in 2007 suffered from a significant number of medium-sized commercial property losses. In the quarter, we also benefited from a \$2.1 million increase in prior year reserve releases compared to the prior period in 2007.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses have decreased to \$3.7 million from \$5.1 million for the equivalent period in 2007 due to the lower earned premiums and changes in the level of ceding commissions in the period. The acquisition ratio also improved due to the reduction in reinsurance expenditure in the quarter. Operating and administrative expenses have increased from \$4.1 million in the second quarter of 2007 to \$7.0 million in the second quarter of 2008 due primarily to the reorganization costs. The expense ratio continues to be adversely impacted in the short-term as a result of the investment we have made to rebuild the book and reshape our U.S. operations.

Total Income Statement — Second Quarter

Our statement of operations consolidates the underwriting results of our four segments and includes certain other revenue and expense items that are not allocated to the business segments.

Gross written premiums. We wrote more business in the second quarter than in the corresponding period of 2007 as a result of increases in premiums from our new lines of business compensating for the prevailing less favorable pricing environment in some lines of business, predominantly in U.S. casualty reinsurance and property reinsurance.

Reinsurance ceded. Total reinsurance ceded in the three months ended June 30, 2008 of \$22.8 million was \$62.2 million less than in the corresponding period in 2007. The overall decrease is due primarily to reductions in spend from the property reinsurance business line offset by increases for international insurance associated with the new lines of business in this segment. The reduction in ceded premium for property reinsurance is due to the purchase in 2007 of U.S. wind industry loss warranties which were not renewed in 2008 and the purchase last year of natural peril industry loss warranties which expire on December 31, 2008.

[Table of Contents](#)

Gross premiums earned. Gross premiums earned reflect the portion of gross premiums written which are recorded as revenues over the policy periods of the risks we write. Therefore, the earned premium recorded in any year includes premium from policies incepting in prior years and excludes premium to be earned subsequent to the balance sheet date. Gross premiums earned in the second quarter of 2008 decreased by 8.7% compared to the second quarter of 2007 primarily as a result of the reduction in business written in the first quarter of 2008 and the second half of 2007 particularly in the property reinsurance, casualty reinsurance and U.S. insurance segments.

Net premiums earned. Net premiums earned have decreased by 12.0% in 2008 compared to 2007. Although gross earned premiums have decreased by 8.7% for the same period, net earned premiums have decreased by a larger amount as a result of earnings from multi-year property reinsurance purchased in the second quarter of 2007 and adjustment to prior year property reinsurance ceded premium estimates.

Losses and loss adjustment expenses. In the second quarter of 2008, we suffered losses of \$15.9 million from a pollution claim in marine liability and approximately \$10.0 million of losses in our property reinsurance segment in respect of U.S. Midwest floods and storms compared to the second quarter of 2007 which experienced a \$23.5 million loss from the June U.K. floods (\$17.0 million — property reinsurance; \$6.5 million — U.K. property insurance), a marine hull loss of \$14.0 million and a \$7.1 million U.S. tornado loss. In the second quarter of 2008, prior year reserve releases were \$40.5 million compared to \$18.1 million in the second quarter 2007. As a result, the overall loss ratio in the second quarter of 2008 had improved by 13.1 percentage points.

Further information relating to movements in prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

The underlying changes in loss ratios by segment are shown in the table below. The prior year adjustment in the table below reflects claims development and does not reflect the impact of prior year premium adjustments.

	Total Loss Ratio	Prior Year Claims Adjustment	Loss Ratio Excluding Prior Year Reserve Adjustments
For the three months ended June 30, 2008			
Property reinsurance	31.0%	2.1%	33.1%
Casualty reinsurance	63.3%	28.0%	91.3%
International insurance	51.3%	6.9%	58.2%
U.S. insurance	48.4%	10.8%	59.2%
Total	47.4%	10.2%	57.6%

	Total Loss Ratio	Prior Year Claims Adjustment	Loss Ratio Excluding Prior Year Reserve Adjustments
For the three months ended June 30, 2007			
Property reinsurance	44.1%	(0.7)%	43.4%
Casualty reinsurance	72.9%	(3.7)%	69.2%
International insurance	61.3%	14.8%	76.1%
U.S. insurance	86.1%	2.4%	88.5%
Total	60.5%	4.0%	64.5%

[Table of Contents](#)

Expenses. We monitor the ratio of expenses to gross earned premium (the “gross expense ratio”) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for the three months ended June 30, 2008 and 2007. We also show the effect of reinsurance which impacts on the reported net expense ratio by expressing the expenses as a proportion of net earned premiums.

	Expense Ratios	
	For the three months ended June 30, 2008	For the three months ended June 30, 2007
Policy acquisition expenses	14.8%	16.9%
Operating and administrative expenses	13.0%	9.2%
Gross expense ratio	27.8%	26.1%
Effect of reinsurance	3.0%	1.8%
Total net expense ratio	30.8%	27.9%

Changes in the acquisition and operating and administrative ratios to gross earned premiums and the impact of reinsurance on net earned premiums by segment for each of the three months ended June 30, 2008 and 2007 are shown in the following table (ratios shown as percentages):

Ratios based on Gross Earned Premium	For the three months ended June 30, 2008					For the three months ended June 30, 2007				
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Total	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Total
Policy acquisition expense ratio	16.3	13.3	14.6	12.5	14.8	20.6	13.4	16.7	15.3	16.9
Operating and administrative expense ratio	12.7	14.3	10.8	23.6	13.0	11.1	8.0	7.8	12.3	9.2
Gross expense ratio	29.0	27.6	25.4	36.1	27.8	31.7	21.4	24.5	27.6	26.1
Effect of reinsurance	5.0	0.6	2.5	6.5	3.0	1.5	0.4	2.2	8.9	1.8
Total net expense ratio	34.0	28.2	27.9	42.6	30.8	33.2	21.8	26.7	36.5	27.9

The policy acquisition ratio, gross of the effect of reinsurance, has decreased to 14.8% for the three months ended June 30, 2008 from 16.9% for the comparative period in 2007. The overall reduction in the policy acquisition ratio is primarily driven by the recognition in the prior year of \$6.0 million in profit commissions and no claims bonuses compared to \$0.9 million in the current year with the remaining variance due to the impact of changes in the business mix and the new lines in the international insurance segment which incur lower average acquisition expenses. Between the two periods we have experienced a \$12.7 million increase in our operating and administrative expenses. The increase is attributed mainly to our investment in new underwriting teams in our international insurance segment and the balance related to annual salary award increases and strengthening of our I.T. and risk management departments.

Net investment income. Net investment income consists of interest on our investment portfolio and changes in value of other investments less investment management fees. In the second quarter of 2008, we generated net investment income of \$70.5 million (2007 — \$78.8 million). The \$8.3 million decrease in investment income was primarily due to a reduction in the contribution from our investment in funds of hedge funds and a slight reduction in yield from cash and investments. During the quarter the book yield on our fixed income portfolio decreased from 4.9% to 4.8% and the portfolio duration increased marginally from 3.4 years to 3.6 years. The average credit quality of our fixed income book, is “AA+”, with 89% of the portfolio being graded “A” or higher.

[Table of Contents](#)

Change in fair value of derivatives. In the three months ended June 30, 2008, we recorded a reduction of \$1.6 million (2007 — \$2.3 million gain) in the estimated fair value of our credit insurance contract including an interest expense charge of \$0.3 million (2007 — \$0.4 million). In addition, the Company holds foreign currency derivative contracts to purchase \$21.7 million of foreign currencies during 2008. The foreign currency contracts are recorded as derivatives at fair value with changes recorded as a component of changes in fair value of derivative contracts in the Company's statement of operations. For the three months ended June 30, 2008 the impact of foreign currency contracts on net income is a charge of \$1.4 million (2007 — \$Nil). Further information on these contracts can be found in Note 6 and 7 to the financial statements.

Income before tax. In the second quarter of 2008, income before tax was \$149.2 million and comprised \$86.9 million of underwriting profit, \$70.5 million in net investment income, \$4.2 million of net foreign exchange and investment losses and \$4.0 million of interest expense. In the second quarter of 2007, income before tax was \$131.1 million and comprised \$52.4 million of underwriting profit, \$78.8 million in net investment income, \$2.4 million of net exchange and investment gains, \$4.0 million of interest expense and \$1.5 million of other income. Our higher underwriting profit in the quarter compared to the prior period was mainly due to a lower incidence of losses and increased prior year reserve releases

Income tax expense. Income tax expense for the three months ended June 30, 2008 was \$22.3 million. Our consolidated tax rate for the three months ended June 30, 2008 was 14.9% (2007 — 12.5%). The tax rate in the comparative period in 2007 was impacted by a greater proportion of losses being incurred in our taxable jurisdictions. As required by FAS 109 and APB 28, the charge represents an estimate of the tax rate which will apply to our pre-tax income for 2008. As discussed in the "Overview" above, the effective tax rate may be subject to revision for the remainder of the year.

Net income after tax. Net income after tax for the three months ended June 30, 2008 was \$126.9 million, equivalent to \$1.44 basic earnings per ordinary share adjusted for the \$7.0 million preference share dividends and \$1.39 fully diluted earnings per ordinary share adjusted for the preference share dividends on the basis of the weighted average number of ordinary shares in issue during the three months ended June 30, 2008. The net income for the three months ended June 30, 2007 was \$114.7 million equivalent to basic earnings per ordinary share of \$1.22 and fully diluted earnings per share of \$1.19.

[Table of Contents](#)**Results of Operations for the Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007**

The following is a discussion and analysis of our consolidated results of operations for the six months ended June 30, 2008 and 2007 starting with a discussion of segmental results and then summarizing our consolidated results under “Total Income Statement — Half Year” below.

Underwriting Results by Operating Segments

Please refer to the tables in Note 4 in our unaudited financial statements of this report for a summary of gross and net written and earned premiums, underwriting results and combined ratios and reserves for each of our four business segments for the six months ended June 30, 2008 and 2007.

The contributions of each segment to gross written premiums in the six months ended June 30, 2008 and 2007 were as follows:

Business Segment	Gross written premiums	
	For the six months ended June 30, 2008	For the six months ended June 30, 2007
	% of total gross written premiums	
Property reinsurance	31.5%	33.5%
Casualty reinsurance	21.3%	26.6%
International insurance	40.7%	33.7%
U.S. insurance	6.5%	6.2%
Total	100.0%	100.0%

Business Segment	Gross written premiums	
	For the six months ended June 30, 2008	For the six months ended June 30, 2007
	(\$ in millions)	
Property reinsurance	\$ 354.7	\$ 382.4
Casualty reinsurance	238.9	302.7
International insurance	458.2	384.2
U.S. insurance	73.2	70.7
Total	\$ 1,125.0	\$ 1,140.0

Property Reinsurance

For a description of our property reinsurance segment, refer to “Results of Operations for the Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007 — Property Reinsurance,” above.

Gross written premiums. Gross written premiums in our property reinsurance segment decreased by 7.2% compared to the six months ended June 30, 2007. This reduction reflects softening markets, increased competition, the non-renewal of a number of accounts that no longer meet our internal profitability requirements, offset by favorable prior year estimated premium adjustments for the treaty risk excess and property facultative business lines.

[Table of Contents](#)

The table below shows our gross written premiums for each line of business for the six months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the six months ended June 30, 2008		For the six months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
Treaty catastrophe	\$ 190.8	(6.4)	\$ 203.8
Treaty risk excess	69.9	(22.0)	89.6
Treaty pro rata	69.2	(2.8)	71.2
Property facultative	24.8	39.3	17.8
Total	\$ 354.7	(7.2)%	\$ 382.4

Losses and loss adjustment expenses. The net loss ratio for the six months ended June 30, 2008 was 30.4% compared to 42.9% in 2007 due to a lower incidence of losses in 2008 and a \$25.0 million increase in prior year reserve releases compared to the prior period. Specifically the loss ratio in 2007 was affected by \$23.8 million of losses associated with winter storm Kyrill, \$17.0 million of losses from the June U.K. floods, \$7.1 million of losses from a U.S. tornado and an \$8.8 million prior year reserve strengthening. The loss ratio in 2008 experienced a high incidence of risk losses in the first quarter but no significant losses in the second quarter except for approximately \$10.0 million of exposure related to the U.S. Midwest floods and storms, and benefited from a \$16.2 million prior year reserve release. Further information relating to the movement of prior year reserves is found below under “Reserves for Losses and Loss Adjustment Expenses.”

Policy acquisition, operating and administrative expenses. Total expenses were \$84.5 million for the six months ended June 30, 2008 equivalent to 33.8% of net premiums earned (2007 — 30.1%). Policy acquisition expenses have decreased from \$58.5 million in 2007 to \$49.5 million in 2008, mainly as a result of a reduction in gross earned premium but also due to a \$4.7 million reduction in accruals for profit commission. The increase in the operating and administrative expenses to \$35.0 million from \$31.3 million for the comparative period in 2007 is attributable to increases in costs associated with our Zurich branch, incremental salary increases for existing staff and increased I.T. infrastructure costs associated with enhancements to our systems.

[Table of Contents](#)**Casualty Reinsurance**

For a description of our casualty reinsurance segment, refer to “Results of Operations for the Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007 — Casualty Reinsurance.”

Gross written premiums. The 21.1% decrease in gross written premiums for the segment was due mainly to prior year premium reductions in our non-U.S. treaty business written out of London and reductions in business written and prior year premium adjustments by our U.S. casualty team in London where market conditions are challenging, prior year premiums estimates have reduced and a number of contracts have been commuted. The table below shows our gross written premiums for each line of business for the six months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the six months ended June 30, 2008		For the six months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
U.S. treaty	\$ 136.5	(26.8)%	\$ 186.6
Non-U.S. treaty	95.2	(13.9)	110.6
Casualty facultative	7.2	30.9	5.5
Total	\$ 238.9	(21.1)%	\$ 302.7

Losses and loss adjustment expenses. Losses and loss adjustment expenses decreased by \$36.6 million in 2008 compared to the equivalent period in 2007, due to a 23.2% reduction in gross earned premium and a \$20.9 million increase in prior year reserve releases. The reserve releases reflected favorable loss experience from the international casualty and U.S. casualty reinsurance business lines and the impact from commuting certain U.S. casualty contracts. Prior year reserve movements are further discussed below under “Reserves for Losses and Loss Expenses.”

Policy acquisition, operating and administrative expenses. Total expenses were \$52.6 million for the six months ended June 30, 2008 equivalent to 29.2% of net premiums earned (2007 — 24.4%). The increase in acquisition expense ratio was due to a \$1.2 million increase in accrued profit commissions and a \$3.1 million increase in operating costs for the six months ended June 30, 2008 is mainly due to the increase in personnel costs and infrastructure costs associated with our U.K.-based teams.

International Insurance

For a description of our international insurance segment, refer to “Results of Operations for the Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007 — International Insurance.”

Gross written premiums. Overall premiums have increased by \$74.0 million in the period compared to the six months ended June 30, 2007, mainly due to the \$87.1 million of premium contributed by our new lines of business. Written premium for existing lines decreased by \$13.1 million mainly due to energy property insurance which experienced reducing rates and specialty reinsurance which suffered from a prior year premium adjustment. We have reduced our premiums written in U.K. commercial liability due to continuing rate pressure and our decision to decline business that does not meet our internal profitability requirements.

[Table of Contents](#)

The table below shows our gross written premiums for each line of business for the six months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each line:

Lines of Business	For the six months ended		Gross written premiums
	June 30, 2008		For the six months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
Marine and specialty liability insurance	\$ 102.2	8.0%	\$ 94.6
Energy property insurance	65.1	(11.1)	73.2
Marine hull	36.1	4.3	34.6
Aviation insurance	34.3	(8.5)	37.5
U.K. commercial property	32.1	20.7	26.6
U.K. commercial liability	37.2	(20.0)	46.5
Non-marine and transportation liability	21.4	NM*	—
Professional liability	15.0	NM*	—
Excess Casualty	8.3	NM*	—
Financial Institutions	12.1	NM*	—
Political Risk	25.8	NM*	—
U.K. Commercial Property — Construction	4.5	NM*	—
Specialty reinsurance	64.1	(10.0)	71.2
Total	\$ 458.2	19.3%	\$ 384.2

* Not Meaningful—These lines of business were not operational at June 30, 2007.

Losses and loss adjustment expenses. The net loss ratio for the six months ended June 30, 2008 was 57.9% compared to 58.5% in 2007. In 2008, the segment suffered from a first quarter \$6.4 million satellite loss and in the second quarter, a \$15.9 million pollution loss in France and a \$3.4 million airline loss in the United States. In the first half of 2007, the segment suffered significantly greater losses including a \$3.8 million marine loss following the grounding of a container ship during winter storm Kyrill, an \$8.1 million loss following the failure of the Sealaunch satellite launch vehicle, a \$14.0 million loss following a shipping collision and a \$3.2 million loss following the grounding of an ocean liner. In the first half of 2008, the segment experienced a \$20.9 million reduction in prior year reserve releases but this has not resulted in an overall loss ratio increase due to the significant losses experienced in the prior year. Prior year reserve releases are further discussed under “Reserves for Losses and Loss Expenses.”

Policy acquisition, operating and administrative expenses. Total expenses were \$91.1 million for the six months ended June 30, 2008 equivalent to 29.2% of net premiums earned (2007 — 27.0%). The acquisition expense ratio has reduced by 0.4 percentage points in the period due in part to a \$2.2 million reduction in profit commission accruals but also due to the change in business mix following the introduction of new lines which incur lower acquisition expenses.

Operating and administrative expenses have increased by \$9.1 million compared to the six months ended June 30, 2007 mainly due to increases in personnel costs associated with the establishment of our Dublin branch, direct costs of the new underwriting teams, salary increases for existing teams and additional infrastructure costs associated with setting up the new teams.

[Table of Contents](#)**U.S. Insurance**

We write both U.S. property and casualty insurance on an excess and surplus lines basis.

Gross written premiums. Gross written premiums increased by 3.5% compared to the prior period of 2007 due to increased property business compensating for reduced casualty premium as a result of competition and business being declined due to rate adequacy.

The table below shows our gross written premiums for each line of business for the six months ended June 30, 2008 and 2007, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross written premiums		
	For the six months ended June 30, 2008		For the six months ended June 30, 2007
	(\$ in millions)	% increase/(decrease)	(\$ in millions)
U.S. property	\$ 31.6	19.7%	\$ 26.4
U.S. casualty	41.6	(6.1)	44.3
Total	\$ 73.2	3.5%	\$ 70.7

Losses and loss adjustment expenses. Losses for the period have decreased by \$18.9 million when compared to the prior period, which suffered from a significant number of medium-sized commercial property losses. The first half of 2008 has not seen the same level of claims activity on the property account and has also benefited from \$7.4 million of prior year reserve releases.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses have decreased by \$2.2 million due to a \$16.6 million reduction in gross earned premiums. The current year acquisition ratio has been affected by a \$1.6 million accrual for profit commission the impact from which has been further impacted by the reduction in reinsurance expenditure in the quarter. Operating and administrative expenses have increased from \$10.3 million in 2007 to \$12.6 million in 2008 due primarily to the reorganization costs. The expense ratio continues to be adversely impacted in the short-term as a result of the investment we have made to rebuild the book and reshape our U.S. operations.

Total Income Statement — Half Year

Our statements of operations consolidates the underwriting results of our four segments and includes certain other revenue and expense items that are not allocated to the business segments.

Gross written premiums. We wrote less business in the first half of 2008 than in the corresponding period of 2007 as a result of a number of factors including the prevailing less favorable pricing environment in some lines of business, such as U.S. casualty reinsurance and property reinsurance partially offset by increases in premiums from some of our new lines of business in international insurance.

Reinsurance ceded. Our reinsurance spend of \$99.4 million is 40.3% lower than the corresponding period of 2007, because in 2007 we had taken the opportunity to purchase property covers at favorable prices for two wind seasons. This was partially offset by our reinsurance purchases in 2008 for our new lines of business.

Gross premiums earned. Gross premiums earned in the first half year of 2008 decreased by 9.3% compared to the first half of 2007 primarily as a result of the reduction in business written in the property reinsurance and casualty reinsurance segments.

Net premiums earned. Net premiums earned have decreased by 11.4% in the first half of 2008 compared to the first half of 2007 primarily due to earnings from multi-year property reinsurance purchased in the second quarter of 2007, prior year ceded premium re-estimates and reinsurance costs for our new lines of business.

Losses and loss adjustment expenses. Net losses have reduced by \$102.7 million in the first half of 2008 compared to the first half of 2007 due in part to a reduction in earned premiums but primarily due to a lower incidence of large losses in the year and a \$35.6 million increase in prior year reserve releases. Further information relating to movements in prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

The underlying changes in loss ratios by segment are shown in the table below. The prior year adjustment in the table below reflects claims development and does not reflect the impact of prior year premium adjustments.

For the six months ended June 30, 2008	Total Loss Ratio	Prior Year Claims Adjustment	Loss Ratio Excluding Prior Year Reserve Adjustments
Property reinsurance	30.4%	6.5%	36.9%
Casualty reinsurance	64.2%	21.2%	85.4%
International insurance	57.9%	5.8%	63.7%
U.S. insurance	49.4%	16.6%	66.0%
Total	50.1%	10.1%	60.2%

[Table of Contents](#)

For the six months ended June 30, 2007	Total Loss Ratio	Prior Year Claims Adjustments	Loss Ratio Excluding Prior Year Reserve Adjustments
Property reinsurance	42.9%	(3.0)%	39.9%
Casualty reinsurance	65.7%	7.5%	73.2%
International insurance	58.5%	11.9%	70.4%
U.S. insurance	71.2%	—	71.2%
Total	55.9%	5.0%	60.9%

Expenses. We monitor the ratio of expenses to gross earned premium (the “gross expense ratio”) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for the six months ended June 30, 2008 and 2007. We also show the effect of reinsurance which impacts on the reported net expense ratio by expressing the expenses as a proportion of net earned premiums.

	Expense Ratios	
	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Policy acquisition expenses	16.3%	16.7%
Operating and administrative expenses	12.4%	9.4%
Gross expense ratio	28.7%	26.1%
Effect of reinsurance	2.9%	1.9%
Total net expense ratio	31.6%	28.0%

Changes in the acquisition and operating and administrative ratios to gross earned premiums and the impact of reinsurance on net earned premiums by segment for each of the six months ended June 30, 2008 and 2007 are shown in the following table (ratios shown as percentages):

Ratios based on Gross Earned Premium	For the six months ended June 30, 2008					For the six months ended June 30, 2007				
	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Total	Property Reinsurance	Casualty Reinsurance	International Insurance	U.S. Insurance	Total
Policy acquisition expense ratio	17.4	16.0	15.7	15.3	16.3	18.7	15.3	16.2	14.8	16.7
Operating and administrative expense ratio	12.3	12.6	10.8	22.7	12.4	10.0	8.4	8.4	14.3	9.4
Gross expense ratio	29.7	28.6	26.5	38.0	28.7	28.7	23.7	24.6	29.1	26.1
Effect of reinsurance	4.1	0.6	2.7	9.2	2.9	1.4	0.7	2.4	7.4	1.9
Total net expense ratio	33.8	29.2	29.2	47.2	31.6	30.1	24.4	27.0	36.5	28.0

The policy acquisition ratio, gross of the effect of reinsurance, has reduced to 16.3% for the six months ended June 30, 2008 from 16.7% for the comparative period in 2007. The reduction is driven mainly by the \$3.7 million reduction in profit commissions accruals particularly in the property reinsurance segment.

[Table of Contents](#)

Between the two periods we have experienced an \$18.2 million increase in our operating and administrative expenses due to increases in personnel and accommodation costs resulting from the introduction of new teams and an increase in I.T. infrastructure costs associated with the enhancements of our systems.

Net investment income. Net investment income consists of interest on fixed income securities and the change in value of other investments less investment management fees. In the first half year of 2008, we generated net investment income of \$109.6 million (2007 — \$146.3 million). The \$36.7 million decrease in investment income was primarily due to losses from our investment in funds of hedge funds compared to gains in the comparable period of 2007. During the period, the book yield on our fixed income portfolio decreased from 5.1% to 4.8% and the portfolio duration increased from 3.4 years to 3.6 years. Net investment income for the first half of 2008 also included a one-off negative accounting adjustment of \$7.8 million relating to 2007.

Change in fair value of derivatives. In the six months ended June 30, 2008, we recorded a reduction of \$3.8 million (2007 — \$4.5 million) in the estimated fair value of our credit insurance contract including \$0.6 million (2007 — \$0.7 million) of interest expense. In addition, the Company holds foreign currency derivative contracts to purchase \$21.7 million of foreign currencies during 2008. The foreign currency contracts are recorded as derivatives at fair value with changes recorded as a component of changes in fair value of derivative contracts in the Company's statement of operations. For the six months ended June 30, 2008 the impact of foreign currency contracts on net income is a charge of \$1.4 million (2007- \$Nil). Further information on these contracts can be found in Note 6 and 7 to the financial statements.

Income before tax. In the first half year of 2008, income before tax was \$244.7 million and comprised \$144.1 million of underwriting profit, \$109.6 million in net investment income, \$1.1 million of net foreign exchange and investment gains, \$7.9 million of interest expense and \$2.2 million of other expenses. In the first half year of 2007, income before tax was \$278.3 million and comprised \$142.9 million of underwriting profit, \$146.3 million in net investment income, \$3.1 million of net exchange and investment gains, \$7.9 million of interest expense and \$6.1 million of other expenses. Our lower investment income in the first half of 2008 compared to the prior period was mainly due to adverse performance from our fund of hedge fund investments and a \$7.8 million prior year accounting adjustment.

Income tax expense. Income tax expense for the six months ended June 30, 2008 was \$36.6 million. Our consolidated tax rate for the six months ended June 30, 2008 was 15.0% (2007 — 15.0%). As required by FAS 109 and APB 28, the charge represents an estimate of the tax rate which will apply to our pre-tax income for 2008. As discussed in the "Overview" above, the effective tax rate may be subject to revision.

Net income after tax. Net income after tax for the six months ended June 30, 2008 was \$208.1 million, equivalent to \$2.31 basic earnings per ordinary share adjusted for the \$13.9 million preference share dividends and \$2.24 fully diluted earnings per ordinary share adjusted for the preference share dividends on the basis of the weighted average number of ordinary shares in issue during the six months ended June 30, 2008. The net income for the six months ended June 30, 2007 was \$236.6 million equivalent to basic earnings per ordinary share of \$2.53 and fully diluted earnings per share of \$2.46.

Reserves for Losses and Loss Expenses

As of June 30, 2008, we had total net loss and loss adjustment expense reserves of \$2,712.7 million (December 31, 2007 — \$2,641.3 million). This amount represented our best estimate of the ultimate liability for payment of losses and loss adjustment expenses. Of the total gross reserves for unpaid losses of \$2,944.4 million at the balance sheet date of June 30, 2008, a total of \$1,619.9 million or 55.0% represented IBNR claims (December 31, 2007 — \$2,946.0 million and 54.7%, respectively). The following tables analyze gross and net loss and loss adjustment expense reserves by segment.

[Table of Contents](#)

Business Segment	As at June 30, 2008		
	Gross	Reinsurance Recoverable (\$ in millions)	Net
Property reinsurance	\$ 453.3	\$ (57.3)	\$ 396.0
Casualty reinsurance	1,348.9	(14.0)	1,334.9
International insurance	1,006.2	(99.6)	906.6
U.S. insurance	136.0	(60.8)	75.2
Total losses and loss expense reserves	<u>\$ 2,944.4</u>	<u>\$ (231.7)</u>	<u>\$ 2,712.7</u>

Business Segment	As at December 31, 2007		
	Gross	Reinsurance Recoverable (\$ in millions)	Net
Property reinsurance	\$ 537.5	\$ (78.2)	\$ 459.3
Casualty reinsurance	1,276.3	(13.7)	1,262.6
International insurance	999.2	(139.2)	860.0
U.S. insurance	133.0	(73.6)	59.4
Total losses and loss expense reserves	<u>\$ 2,946.0</u>	<u>\$ (304.7)</u>	<u>\$ 2,641.3</u>

The reduction in reinsurance recoverables is due to the continuing settlement of losses associated with Hurricanes Katrina, Rita and Wilma.

For the six months ended June 30, 2008, there was a reduction of our estimate of the ultimate net claims to be paid in respect of prior accident years of \$80.0 million. An analysis of this reduction by line of business is as follows for each of the three and six months ended June 30, 2008 and 2007:

Business Segment	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(\$ in millions)		(\$ in millions)	
Property reinsurance	\$ 2.6	\$ (1.0)	\$ 16.2	\$ (8.8)
Casualty reinsurance	24.0	(4.6)	38.3	17.4
International insurance	11.2	23.1	18.1	35.8
U.S. insurance	2.7	0.6	7.4	(0.0)
Total Losses and loss expense reserves reductions	<u>\$ 40.5</u>	<u>\$ 18.1</u>	<u>\$ 80.0</u>	<u>\$ 44.4</u>

The key elements which gave rise to the net favorable development during the three months ended June 30, 2008 were as follows:

Property Reinsurance. The \$2.6 million reserve release in this segment was predominantly due to releases on the catastrophe in relation to decreases in loss estimates for the 2007 U.K. Floods, for which our estimate of ultimate claims has fallen by nearly \$2 million. This is a result of the latest information provided by clients. Ultimate claim estimates for the 2004 and 2005 major hurricanes are largely unchanged in the six months ended June 30, 2008.

Casualty Reinsurance. The \$24.0 million reserve release in our casualty reinsurance segment is mainly attributable to reserve releases on our U.S. casualty and international casualty reinsurance business which contributed \$16.3 million and \$6.3 million respectively. These releases are from a combination of several factors. For both U.S. and international casualty, where claims may take several years to emerge, the experience to date compared with starting loss ratios and expected patterns has generally been better

[Table of Contents](#)

than expected at the aggregate level. Additional releases occurred from commutations of certain contracts and the ultimates associated with loss dependent contracts.

International Insurance. The \$11.2 million reduction in the net reserves in this segment was due to an improvement over several lines of business. The largest movement occurred in our specialty reinsurance account from which we released \$5.9 million as a result of favorable loss experience. U.K. commercial property and U.K. commercial liability also improved by over \$2.3 million for each line of business. This was offset by a deterioration of \$4.0 million on the energy physical damage account mainly as a result of an increase in our case reserves for a pipeline loss.

U.S. Insurance. Owing to better than expected experience on prior years, we had a release of \$2.7 million mainly from our property line of business.

We did not make any significant changes in assumptions used in our reserving process. However, because the period of time we have been in operation is relatively short, our loss experience is limited and reliable evidence of changes in trends of numbers of claims incurred, average settlement amounts, numbers of claims outstanding and average losses per claim will necessarily take years to develop.

For a more detailed description see “Management’s Discussion and Analysis — Critical Accounting Policies” and “Management’s Discussion and Analysis — Reserves for Losses and Loss Adjustment Expenses,” included in our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Valuation of Investments

Valuation of Fixed Income and Short Term Available for Sale Investments. All of the fixed income securities are traded on the over the counter market, based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasuries, over the yield curve. We use a variety of pricing sources to value our fixed income securities including those securities that have pay down/prepay features such as mortgage-backed securities and asset-backed securities in order to ensure fair and accurate pricing. The fair value estimates of the securities in our portfolio are not sensitive to significant unobservable inputs or modeling techniques.

Valuation of Other Investments. The value of our investments in funds of hedge funds are based upon monthly net asset values reported by the underlying funds to our fund of hedge fund managers. The financial statements of our funds of hedge funds are subject to annual audits evaluating the net asset positions of the underlying investments. We periodically review the performance of our funds of hedge funds and evaluate the reasonableness of the valuations.

Capital Management

On February 6, 2008, our Board authorized a new share repurchase program for up to \$300 million of ordinary shares. The authorization covers the period to March 1, 2010. On May 13, 2008, we purchased \$100 million of our ordinary shares under our share repurchase program.

The following table shows our capital structure at June 30, 2008 compared to December 31, 2007.

	As at <u>June 30, 2008</u>	As at <u>December 31, 2007</u>
	(\$ in millions)	
Share capital, additional paid in capital and retained income and accumulated other comprehensive income attributable to ordinary shareholders	\$ 2,434.7	\$ 2,398.4
Preference shares (liquidation preference less issue expenses)	419.2	419.2
Long-term debt	<u>249.5</u>	<u>249.5</u>
Total capital	<u>\$ 3,103.4</u>	<u>\$ 3,067.1</u>

[Table of Contents](#)

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders' equity plus outstanding debt. At June 30, 2008, this ratio was 8.0% (December 31, 2007 — 8.1%).

Our preference shares are classified in our balance sheet as equity but may receive a different treatment in some cases under the capital adequacy assessments made by certain rating agencies. Such securities are often referred to as 'hybrids' as they have certain attributes of both debt and equity. We also monitor the ratio of the total of debt and hybrids to total capital which was 21.6% as of June 30, 2008 (December 31, 2007 — 21.8%).

Access to capital. Our business operations are in part dependent on our financial strength and the market's perception thereof, as measured by total shareholders' equity, which was \$2,853.9 million at June 30, 2008 (December 31, 2007 — \$2,817.6 million). We believe our financial strength provides us with the flexibility and capacity to obtain funds through debt or equity financing. Our continuing ability to access the capital markets is dependent on, among other things, our operating results, market conditions and our perceived financial strength. We continuously monitor our capital and financial position, as well as investment and security market conditions, both in general and with respect to Aspen Holdings' securities. Our ordinary shares and all our preference shares are listed on the New York Stock Exchange.

Liquidity

Liquidity is a measure of a company's ability to generate cash flows sufficient to meet short-term and long-term cash requirements of its business operations. Management monitors the liquidity of Aspen Holdings and of each of its Insurance Subsidiaries and arranges credit facilities to enhance short-term liquidity resources on a stand-by basis.

Holding company. We monitor the ability of Aspen Holdings to service debt, to finance dividend payments to ordinary and preference shareholders and to provide financial support to the Insurance Subsidiaries.

As at June 30, 2008, Aspen Holdings held \$21.8 million (December 31, 2007 — \$17.9 million) in cash and cash equivalents which management considers sufficient to provide Aspen Holdings liquidity at such time. Holding company liquidity depends on dividends, capital distributions and interest payments from our Insurance Subsidiaries.

In the six months ended June 30, 2008, Aspen Bermuda and Aspen U.K. Holdings paid Aspen Holdings a dividend of \$25.0 million and \$60.0 million, respectively. In the six months ended June 30, 2007, Aspen Bermuda and Aspen U.K. Holdings paid Aspen Holdings a dividend of \$25.0 million and \$20.0 million, respectively. No other dividends were paid to Aspen Holdings in 2007. Aspen Holdings also received interest of \$18.3 million (2007 — \$13.0 million) from Aspen U.K. Holdings in respect of an intercompany loan.

The ability of our Insurance Subsidiaries to pay us dividends or other distributions is subject to the laws and regulations applicable to each jurisdiction, as well as the Insurance Subsidiaries' need to maintain capital requirements adequate to maintain their insurance and reinsurance operations and their financial strength ratings issued by independent rating agencies. For a discussion of the various restrictions on our ability and our Insurance Subsidiaries' ability to pay dividends, see Part I, Item 1 "Business — Regulatory Matters" in our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

In addition to its dividend capacity as at June 30, 2008, Aspen Bermuda could also make capital repayments to Aspen Holdings of approximately \$174 million without prior approval from the Bermuda Monetary Authority. Aspen U.K. has \$150 million available for capital repayments to Aspen U.K. Holdings which could in turn be used to fund repayments of loans made by Aspen Holdings to Aspen U.K. Holdings.

[Table of Contents](#)

Insurance subsidiaries. As of June 30, 2008, the Insurance Subsidiaries held approximately \$595.4 million (December 31, 2007 — \$633.5 million) in cash and cash equivalents. Management monitors the value, currency and duration of cash and investments held by its Insurance Subsidiaries to ensure that they are able to meet their insurance and other liabilities as they become due and was satisfied that there was a comfortable margin of liquidity as at June 30, 2008 and for the foreseeable future.

On an ongoing basis, our Insurance Subsidiaries' sources of funds primarily consist of premiums written, investment income and proceeds from sales and redemptions of investments.

Cash is used primarily to pay reinsurance premiums, losses and loss adjustment expenses, brokerage commissions, general and administrative expenses, taxes, interest and dividends and to purchase new investments.

The potential for individual large claims and for accumulations of claims from single events means that substantial and unpredictable payments may need to be made within relatively short periods of time.

We manage these risks by making regular forecasts of the timing and amount of expected cash outflows and ensuring that we maintain sufficient balances in cash and short-term investments to meet these estimates. Notwithstanding this policy, if our cash flow forecast is incorrect, we could be forced to liquidate investments prior to maturity, potentially at a significant loss.

The liquidity of our Insurance Subsidiaries is also affected by the terms of our contractual obligations to policyholders and by undertakings to certain regulatory authorities to facilitate the issue of letters of credit or maintain certain balances in trust funds for the benefit of policyholders. The following table shows the forms of collateral or other security provided to policyholders as at June 30, 2008 and December 31, 2007:

	As at June 30, 2008	As at December 31, 2007
	(\$ in millions except percentages)	
Assets held in multi-beneficiary trusts	\$ 1,459.9	\$ 1,422.5
Assets held in single beneficiary trusts	53.1	52.5
Letters of credit issued under our revolving credit facilities (1)	107.8	133.3
Secured letters of credit (2)	351.6	344.9
Total	<u>\$ 1,972.4</u>	<u>\$ 1,953.2</u>
Total as % of cash and invested assets	<u>33.0%</u>	<u>33.2%</u>

(1) These letters of credit are not secured by cash or securities, though they are secured by a pledge of the shares of certain of the Company's subsidiaries under a pledge agreement.

(2) As of June 30, 2008, the Company had funds on deposit of \$441.3 million and £49.1 million (December 31, 2007 — \$367.2 million and £49.3 million) as collateral for the secured letters of credit.

Further information on these arrangements can be found in our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Consolidated cash flows for the six months ended June 30, 2008. Total net cash flow from operations from December 31, 2007 through June 30, 2008 was \$319.8 million, an increase of \$0.2 million over the comparative period. For the six months ended June 30, 2008, our cash flow from operations provided us with sufficient liquidity to meet our operating requirements. On May 27, 2008, we paid a dividend of \$0.15 per ordinary share to shareholders of record on May 12, 2008. On July 1, 2008 dividends totaling \$3.2 million on our Perpetual Preferred Income Equity Replacement Securities ("Perpetual PIERS") were paid to our dividend disbursing agent, for payment to our Perpetual PIERS holders on June 15, 2008. On July 1, 2008 dividends totaling \$3.7 million on our Perpetual Non-Cumulative Preference Shares ("Perpetual

[Table of Contents](#)

Preference Shares”) were paid to our dividend disbursing agent, for payment to our Perpetual Preference Share holders on June 15, 2008.

Credit Facility. On August 2, 2005, we entered into a five-year \$400 million revolving credit facility pursuant to a credit agreement dated as of August 2, 2005 (the “credit facilities”) by and among the Company, certain of our direct and indirect subsidiaries (collectively, the “Borrowers”) the lenders party thereto, Barclays Bank plc, as administrative agent and letter of credit issuer, Bank of America, N.A. and Calyon, New York Branch, as co-syndication agents, Credit Suisse, Cayman Islands Branch and Deutsche Bank AG, New York Branch, as co-documentation agents and The Bank of New York, as collateral agent. On September 1, 2006 the aggregate limit available under the credit facility was increased to \$450 million.

The credit facility can be used by any of the Borrowers to provide funding for the Insurance Subsidiaries of the Company, to finance the working capital needs of the Company and our subsidiaries and for general corporate purposes of the Company and our subsidiaries. The revolving credit facility provides for a \$250 million sub-facility for collateralized letters of credit. The credit facility will expire on August 2, 2010. As of June 30, 2008, no borrowings were outstanding under the credit facilities, although we had \$107.8 million of outstanding uncollateralized letters of credit. The fees and interest rates on the loans and the fees on the letters of credit payable by the Borrowers increase based on the consolidated leverage ratio of the Company.

Under the credit facilities, we must maintain at all times a consolidated tangible net worth of not less than approximately \$1.1 billion plus 50% of consolidated net income and 50% of aggregate net cash proceeds from the issuance by the Company of its capital stock, each as accrued from January 1, 2005. On June 28, 2007, we amended the credit agreement to permit dividend payments on existing and future hybrid capital notwithstanding a default or event of default under the credit agreement. On April 13, 2006, the agreement was amended to remove any downward adjustment on maintaining the Company’s consolidated tangible net worth in the event of a net loss. We must also not permit our consolidated leverage ratio of total consolidated debt to consolidated tangible net worth to exceed 35%. In addition, the credit facilities contain other customary affirmative and negative covenants as well as certain customary events of default, including with respect to a change in control. The various affirmative and negative covenants, include, among others, covenants that, subject to important exceptions, restrict the ability of the Company and its subsidiaries to: create or permit liens on assets; engage in mergers or consolidations; dispose of assets; pay dividends or other distributions, purchase or redeem the Company’s equity securities or those of its subsidiaries and make other restricted payments; permit the rating of any insurance subsidiary to fall below A.M. Best Company (“A.M. Best”) financial strength rating of B++ or S&P financial strength rating of A-; make certain investments; agree with others to limit the ability of the Company’s subsidiaries to pay dividends or other restricted payments or to make loans or transfer assets to the Company or another of its subsidiaries. The credit facilities also include covenants that restrict the ability of our subsidiaries to incur indebtedness and guarantee obligations.

[Table of Contents](#)

Contractual Obligations and Commitments

The following table summarizes our contractual obligations (other than our obligations to employees, our Perpetual PIERS and our Perpetual Preference Shares) under long-term debt, operating leases and reserves relating to insurance and reinsurance contracts as of June 30, 2008:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> (\$ in millions)	<u>2012</u>	<u>Later Years</u>	<u>Total</u>
Operating Lease Obligations	\$ 4.0	6.9	7.8	7.8	7.4	40.6	\$ 74.5
Long-Term Debt Obligations (1)	—	—	—	—	—	250.0	\$ 250.0
Reserves for Losses and loss adjustment expenses (2)	\$630.7	761.3	508.7	303.8	177.8	562.1	\$2,944.4

- (1) The long-term debt obligations disclosed above do not include the \$15 million annual interest payments on our outstanding senior notes.
- (2) In estimating the time intervals into which payments of our reserves for losses and loss adjustment expenses fall, as set out above, we have utilized actuarially assessed payment patterns. By the nature of the insurance and reinsurance contracts under which these liabilities are assumed, there can be no certainty that actual payments will fall in the periods shown and there could be a material acceleration or deceleration of claims payments depending on factors outside our control. This uncertainty is heightened by the short time in which we have operated, thereby providing limited Company-specific claims loss payment patterns. The total amount of payments in respect of our reserves, as well as the timing of such payments, may differ materially from our current estimates for the reasons set out above under “— Critical Accounting Policies-Reserves for Losses and Loss Expenses.”

Further information on operating leases is given in our 2007 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Off-Balance Sheet Arrangements

Ajax Re is a variable interest entity under the provisions of FASB interpretation No.46 (R). We have a variable interest in the entity, however we are not the primary beneficiary of the entity and therefore we are not required to consolidate its results into our consolidated financial statements. For further details on the Ajax Re transactions please see Note 6 to the unaudited financial statements for the six months ended June 30, 2008 included elsewhere in this report.

We are not party to any transaction, agreement or other contractual arrangement to which an affiliated entity unconsolidated with us is a party, other than that noted above with Ajax Re, that management believes is reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Effects of Inflation

The effects of inflation could cause the severity of claims from catastrophes or other events to rise in the future. Our calculation of reserves for losses and loss adjustment expenses includes assumptions about future payments for settlement of claims and claims-handling expenses, such as medical treatments and litigation costs. We write casualty/liability business in the United States, the United Kingdom, Ireland, Switzerland and Australia, where claims inflation has grown particularly strong in recent years. To the extent inflation causes these costs to increase above reserves established for these claims, we will be required to increase our loss reserves with a corresponding reduction in current period earnings.

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-Q contains, and the Company may from time to time make other verbal or written, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve risks and uncertainties, including statements regarding our capital needs, business strategy, expectations and intentions. Statements that use the terms “believe”, “do not believe”, “anticipate”, “expect”, “plan”, “estimate”, “project”, “seek”, “will”, “may”, “continue”, “intend” and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and because our business is subject to numerous risks, uncertainties and other factors, our actual results could differ materially from those anticipated in the forward-looking statements. The risks, uncertainties and other factors set forth in the Company’s 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission and other cautionary statements made in this report, as well as the following factors, should be read and understood as being applicable to all related forward-looking statements wherever they appear in this report.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the impact of the deteriorating credit environment created by the sub-prime crisis and the global credit crunch;
- a decline in the value of our investment portfolio or a rating downgrade of the securities in our portfolio;
- the Company’s reliance on loss reports received from cedants and loss adjustors;
- our reliance on industry loss estimates and those generated by modeling techniques; changes in assumptions on flood damage exclusions as a result of prevailing lawsuits and case law, any changes in our reinsurers’ credit quality;
- the amount and timing of reinsurance recoverables and reimbursements actually received by us from our reinsurers;
- our ability to execute our business plan to enter new markets, introduce new products and develop new distribution channels, including their integration into our existing operations;
- the impact that our future operating results, capital position and rating agency and other considerations have on the execution of any capital management initiatives;
- the impact of any capital management initiatives on our financial condition;
- the impact of acts of terrorism and related legislation and acts of war;
- the impact of commodity price inflation on our claims costs;
- the possibility of greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving, reinsurance purchasing or investment practices have anticipated;
- evolving interpretive issues with respect to coverage after major loss events;
- the level of inflation in repair costs due to limited availability of labor and materials after catastrophes;
- the effectiveness of our loss limitation methods;

Table of Contents

- changes in the availability, cost or quality of reinsurance or retrocessional coverage;
- the reliability of, and changes in assumptions to, catastrophe pricing, accumulation and estimated loss models;
- loss of key personnel;
- a decline in our operating subsidiaries' ratings with Standard & Poor's, A.M. Best or Moody's Investors Service;
- changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors that could affect our investment portfolio;
- increased competition on the basis of pricing, capacity, coverage terms or other factors and the related demand and supply dynamics as contracts come up for renewal;
- decreased demand for our insurance or reinsurance products and cyclical downturn of the industry;
- changes in governmental regulations or tax laws in jurisdictions where we conduct business;
- Aspen Holdings or Aspen Bermuda becoming subject to income taxes in the United States or the United Kingdom; and
- the effect on insurance markets, business practices and relationships of ongoing litigation, investigations and regulatory activity by insurance regulators and prosecutors.

In addition, any estimates relating to loss events involve the exercise of considerable judgment and reflect a combination of ground-up evaluations, information available to date from brokers and cedants, market intelligence, initial tentative loss reports and other sources. Due to the complexity of factors contributing to the losses and the preliminary nature of the information used to prepare estimates, there can be no assurance that our ultimate losses will remain within the stated amounts.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise or disclose any difference between our actual results and those reflected in such statements.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this report reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by the points made above. You should specifically consider the factors identified in this report which could cause actual results to differ before making an investment decision.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk. Our investment portfolio consists primarily of fixed income securities. Accordingly, our primary market risk exposure is to changes in interest rates. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, the market value of our fixed-income portfolio falls, and the converse is also true. Our strategy for managing interest rate risk includes ensuring our asset duration does not materially exceed our liability duration and maintaining a relatively short duration to reduce the effect of interest rate changes on book value.

Table of Contents

As at June 30, 2008, our fixed income portfolio had an approximate duration of 3.6 years. The table below depicts interest rate change scenarios and the effect on our interest-rate sensitive invested assets:

Movement in rates in basis points	Effect of changes in interest rates on portfolio given a parallel shift in the yield curve				
	-100	-50	0	50	100
	(\$ in millions, except percentages)				
Market value \$ in millions	\$ 4,981.4	\$ 4,894.4	\$ 4,806.3	\$ 4,717.8	\$ 4,629.4
Gain/(loss) \$ in millions	\$ 175.1	\$ 88.1	0.0	\$ (88.5)	\$ (176.9)
Percentage of portfolio	3.64%	1.83%	0.00%	(1.84)%	(3.68)%

Equity risk. We have invested in three funds of hedge funds with an estimated fair value of \$555.3 million at June 30, 2008. These investments comprise 9.3% of our total of cash and cash equivalents and invested assets as at that date. The value of these funds reduced by 1.1% from \$561.4 million at December 31, 2007. These funds of hedge funds are structured to have low volatility and limited correlation with traditional fixed income markets. The nature of the underlying hedge funds consists of diverse strategies and securities.

To the extent the underlying hedge funds have equity positions and are market neutral, we are exposed to losses from changes in prices of those positions; to the extent the underlying hedge funds have net long or net short equity positions, we are exposed to losses that are more correlated to changes in equity markets in general.

Foreign currency risk. Our reporting currency is the U.S. Dollar. The functional currencies of our segments are U.S. Dollars and British Pounds. As of June 30, 2008, approximately 81% of our cash, cash equivalents and investments were held in U.S. Dollars, approximately 13% were in British Pounds and approximately 6% were in other currencies. For the six months ended June 30, 2008, 15.4% of our gross premiums were written in currencies other than the U.S. Dollar and the British Pound and we expect that a similar proportion will be written in currencies other than the U.S. Dollar and the British Pound in the remainder of 2008. Other foreign currency amounts are re-measured to the appropriate functional currency and the resulting foreign exchange gains or losses are reflected in the statement of operations. Functional currency amounts of assets and liabilities are then translated into U.S. Dollars. The unrealized gain or loss from this translation, net of tax, is recorded as part of shareholders' equity. The change in unrealized foreign currency translation gain or loss during the year, net of tax, is a component of comprehensive income. Both the re-measurement and translation are calculated using current exchange rates for the balance sheets and average exchange rates for the statement of operations. We may experience exchange losses to the extent our foreign currency exposure is not hedged, which in turn would adversely affect our results of operations and financial condition. Management estimates that a 10% change in the exchange rate between British Pounds and U.S. Dollars as at June 30, 2008, would have impacted reported net comprehensive income by approximately \$58.1 million for the six months ended June 30, 2008.

We manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance policies that are payable in foreign currencies with investments that are denominated in these currencies. This may involve the use of forward exchange contracts from time to time. A forward exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our assets and liabilities denominated in foreign currencies, but rather allows us to establish a rate of exchange for a future point in time. All realized gains and losses on foreign exchange forward contracts are recognized in the Statements of Operations.

In the second quarter of 2008, we entered into a foreign exchange forward contract to purchase \$21.7 million of foreign currencies at a fixed exchange rate. For the three and six months ended June 30, 2008, a charge of \$1.4 million on net income under this contract was incurred. There were no outstanding contracts at June 30, 2007.

[Table of Contents](#)

Credit risk. We have exposure to credit risk primarily as a holder of fixed income securities. Our risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories, business sectors and any one issuer. As at June 30, 2008 and December 31, 2007, the average rating of fixed income securities in our investment portfolio was respectively, “AAA” and “AA+”. During the first quarter of 2007 there were growing reports of defaults in the U.S. sub-prime mortgage market. We took an early view on the sub-prime sector of the mortgage-backed securities market and exited the minimal direct exposure we had by the end of the second quarter of 2007. We also reduced our exposure to corporate debt of companies that operate or engage in, and we believe have meaningful exposure to, sub-prime mortgage business.

In addition, we are exposed to the credit risk of our insurance and reinsurance brokers to whom we make claims payments for our policyholders, as well as to the credit risk of our reinsurers and retrocessionaires who assume business from us. Other than fully collateralized reinsurance the substantial majority of our reinsurers have a rating of “A” (Excellent), the third highest of fifteen rating levels, or better by A.M. Best and the minimum rating of any of our material reinsurers is “A-” (Excellent), the fourth highest of fifteen rating levels, by A.M. Best.

We have also entered into a credit insurance contract which, subject to its terms, insures us against losses due to the inability of one or more of our reinsurance counterparties to meet their financial obligations to the Company. Payments are made on a quarterly basis throughout the period of the contract based on the aggregate limit, which was set initially at \$477 million but is subject to adjustment. See Note 6 to the unaudited financial statements for the six months ended June 30, 2008 above.

The table below shows our reinsurance recoverables as of June 30, 2008 and December 31, 2007, and our reinsurers’ ratings.

A.M. Best	As at June 30, 2008 (\$ in millions)	As at December 31, 2007 (\$ in millions)
A++	\$ 23.0	\$ 31.0
A+	36.6	46.3
A	126.6	166.9
A-	27.9	37.2
B++	2.4	3.3
Not rated	15.2	20.0
Total	<u>\$ 231.7</u>	<u>\$ 304.7</u>

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the design and operation of the Company's disclosure controls and procedures as of the end of the period of this report. Our management does not expect that our disclosure controls or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. As a result of the inherent limitations in a cost-effective control system, misstatement due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure requirements are met. Based on the evaluation of the disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in the reports filed or submitted to the Commission under the Exchange Act by the Company is recorded, processed, summarized and reported in a timely fashion, and is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company's management has performed an evaluation, with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer, of changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2008. Based upon that evaluation, the Company's management is not aware of any change in its internal control over financial reporting that occurred during the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings

Similar to the rest of the insurance and reinsurance industry, we are subject to litigation and arbitration in the ordinary course of business. We are not currently involved in any material pending litigation or arbitration proceedings.

Item 1A. Risk Factors

There have been no significant changes in the Company's risk factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. However, also please refer to the "Cautionary Statement Regarding Forward Looking Statements" provided elsewhere in this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In connection with the options held by the Names' Trustee as described further in Note 10 to our financial statements, the Names' Trustee may exercise the options on a monthly basis. The options were exercised on a cashless basis at the exercise price as described in Note 10 to our financial statements. As a result, we issued the following unregistered shares to the Names' Trustee and its beneficiaries as described below.

Date Issued	Number of Shares Issued
April 15, 2008	75
May 15, 2008	160

None of the transactions involved any underwriters, underwriting discounts or commissions, or any public offering and we believe that each transaction, if deemed to be a sale of a security, was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof or Regulation S for offerings of securities outside the United States. Such securities were restricted as to transfers and appropriate legends were affixed to the share certificates and instruments in such transactions.

In the second quarter of 2008, we made the following share repurchases:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased under the Plans of Programs
May 13, 2008 (1)	4,080,800	\$ 24.505	4,080,800	\$200 million
June 26, 2008 (2)	9,140	\$ 24.30	—	—

- (1) On May 13, 2008, we entered into a share purchase agreement with one of our founding shareholders, Candover Investments plc, its subsidiaries and funds under management ("Candover") and Halifax EES Trustees International Limited, as trustees to a Candover employee trust ("Halifax"), to repurchase a total of 4,080,800 ordinary shares at price per share of \$24.505 for a total of \$100 million. The shares were repurchased in connection with the share repurchase program announced on February 6, 2008 of up to \$300 million. The Board authorization covers the period to March 1, 2010.
- (2) On June 26, 2008, we entered into a share purchase agreement with Appleby Services (Bermuda) Limited (the "Names' Trustee") to repurchase a total of 9,140 ordinary shares at a price per share of \$24.30 for a total of \$222,102. The repurchase was completed on August 4, 2008.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submissions of Matters to a Vote of Security Holders

(a) Our 2008 Annual General Meeting of Shareholders was held on April 30, 2008.

(b) Proxies were solicited by our management in connection with our 2008 Annual General Meeting.

(c) The following matters were voted upon at the Annual General Meeting with the voting results indicated. Paragraphs (8) through (12) below relate to matters concerning the Company's subsidiaries. The Company's Bye-Law 84 provides that if the Company is required or entitled to vote at a general meeting of any of its subsidiaries organized under the laws of a jurisdiction outside the United States of America (each, a "Non-U.S. Subsidiary") the Board will refer the subject matter of the vote to the Shareholders of the Company in a general meeting of the Company.

(1) Proposal Regarding Re-Election of Mr. Christopher O'Kane, Ms. Heidi Hutter, Mr. David Kelso, Mr. John Cavoores and Mr. Liaquat Ahamed as Class I Directors, who will serve until our 2011 Annual General Meeting

Nominee	Votes For	Votes Against
Christopher O'Kane	79,074,664	77,848
Heidi Hutter	79,031,508	121,004
David Kelso	74,730,319	4,422,193
John Cavoores	71,410,831	7,741,681
Liaquat Ahamed	79,031,508	121,004

(2) Proposal Regarding Re-Election of Mr. Richard Houghton as a Class II Director, who will serve until our 2009 Annual General Meeting

Nominee	Votes For	Votes Against	Votes Abstained
Richard Houghton	79,024,791	118,660	9,061

(3) Proposal Regarding Election of Class III Directors

Our Bye-Laws provide for a classified board of directors, divided into three classes. At the 2008 Annual General Meeting, the Shareholders re-elected two of our Class III Directors, who will serve until our 2010 Annual General Meeting.

Nominee	Votes For	Votes Against
Matthew Botein	71,297,461	7,855,051
Richard Bucknall	71,321,061	7,831,451

(4) Proposal Regarding Adoption of the Employee Share Purchase Plan

Our shareholders voted to approve the adoption of the Company's Employee Share Purchase Plan, to provide eligible employees of the Company and its designated subsidiaries with an opportunity to share in the ownership of the Company by offering successive options to purchase ordinary shares on terms mutually advantageous to the Company and its employees.

Votes For	Votes Against	Votes Abstained
78,301,292	823,735	27,485

[Table of Contents](#)

(5) Proposal Regarding Adoption of the 2008 Sharesave Scheme

Our shareholders voted to approve the adoption of the Company's 2008 Sharesave Scheme, to provide eligible employees of the Company and its designated subsidiaries with an opportunity to share in the ownership of the Company by offering successive options to purchase ordinary shares on terms mutually advantageous to the Company and its employees.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
77,605,706	1,523,400	23,406

(6) Proposal Regarding Appointment of an Independent Registered Public Accounting Firm

Our Shareholders voted to approve the appointment of KPMG Audit Plc ("KPMG") as our independent registered public accounting firm for the 2008 fiscal year, and have authorized the Company's Board of Directors through the Audit Committee to set their remuneration.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
78,622,289	514,217	16,006

(7) Proposal Regarding the Amendment and Restatement of the Bye-Laws of the Company

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
77,832,394	1,291,565	28,553

(8) Proposals Regarding Various Matters Concerning Aspen U.K., a wholly owned insurance company organized under the laws of England and Wales

At the 2008 Annual General Meeting, the Shareholders elected eight nominees as designated company directors who will serve as Aspen U.K. directors.

<u>Nominee</u>	<u>Votes For</u>	<u>Votes Against</u>
Glyn Jones	73,871,879	5,280,633
Christopher O'Kane	78,836,017	316,495
Richard Bucknall	71,981,251	7,171,261
Ian Cormack	73,983,823	5,168,689
Marek Gumienny	76,519,663	2,632,849
Stephen Rose	75,510,635	3,641,877
Oliver Peterken	76,342,875	2,809,637
Heidi Hutter	79,016,805	135,707

At the 2008 Annual General Meeting, the Shareholders voted to authorize the directors of Aspen U.K. to allot shares pursuant to Section 80 of the United Kingdom's Companies Act.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
77,597,281	1,526,436	28,795

Mr. Gumienny has resigned with effect May 27, 2008. Mr. Richard Houghton was appointed with effect May 6, 2008.

[Table of Contents](#)

At the 2008 Annual General Meeting, the Shareholders voted to amend Aspen U.K.'s Memorandum and Articles of Association in order to update them to take account of changes in UK company law brought about by the United Kingdom's Companies Act 2006.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
78,361,659	754,731	36,122

At the 2008 Annual General Meeting, the Shareholders voted to approve the re-appointment of KPMG as the auditor of Aspen U.K. for the 2008 fiscal year and to hold office until the next annual general meeting, and have authorized the board of directors through the Audit Committee of the Company to set their remuneration.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
78,733,043	215,967	203,502

(9) Proposals Regarding Various Matters Concerning Aspen Insurance UK Services Limited ("Aspen Services"), a wholly owned company organized under the laws of England and Wales

At the 2008 Annual General Meeting, the Shareholders elected three nominees as designated company directors who will serve as Aspen Services directors.

<u>Nominee</u>	<u>Votes For</u>	<u>Votes Against</u>
Christopher O'Kane	78,840,842	311,670
Richard Houghton	78,838,022	314,490
Stephen Rose	76,342,875	2,809,637

At the 2008 Annual General Meeting, the Shareholders voted to authorize the directors of Aspen Services to allot shares pursuant to Section 80 of the United Kingdom's Companies Act.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
77,597,952	1,526,189	28,371

At the 2008 Annual General Meeting, the Shareholders voted to amend Aspen Services' Memorandum and Articles of Association in order to update them to take account of changes in UK company law brought about by the United Kingdom's Companies Act 2006.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
78,360,261	753,158	39,093

At the 2008 Annual General Meeting, the Shareholders voted to approve the re-appointment of KPMG as the auditor of Aspen Services for the 2008 fiscal year and to hold office until the next annual general meeting, and have authorized the board of directors through the Audit Committee of the Company to set their remuneration.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
78,324,748	521,359	306,405

(10) Proposals Regarding Various Matters Concerning Aspen (UK) Holdings Limited ("Aspen (UK) Holdings"), a wholly owned intermediary holding company organized under the laws of England and Wales

[Table of Contents](#)

At the 2008 Annual General Meeting, the Shareholders elected three nominees as designated company directors who will serve as Aspen (UK) Holdings directors.

Nominee	Votes For	Votes Against
Christopher O’Kane	78,832,617	319,895
Richard Houghton	78,832,617	319,895
Stephen Rose	76,342,875	2,809,637

At the 2008 Annual General Meeting, the Shareholders voted to authorize the directors of Aspen (UK) Holdings to allot shares pursuant to Section 80 of the United Kingdom’s Companies Act.

Votes For	Votes Against	Votes Abstained
77,596,524	1,526,181	29,807

At the 2008 Annual General Meeting, the Shareholders voted to amend Aspen (UK) Holdings’ Memorandum and Articles of Association in order to update them to take account of changes in UK company law brought about by the United Kingdom’s Companies Act 2006.

Votes For	Votes Against	Votes Abstained
78,360,471	752,036	40,005

At the 2008 Annual General Meeting, the Shareholders voted to approve the re-appointment of KPMG as the auditor of Aspen (UK) Holdings for the 2008 fiscal year and to hold office until the next annual general meeting, and have authorized the board of directors through the Audit Committee of the Company to set their remuneration.

Votes For	Votes Against	Votes Abstained
78,622,454	221,226	308,832

(11) Proposals Regarding Various Matters Concerning AIUK Trustees Limited (“AIUK Trustees”), a wholly owned company organized under the laws of England and Wales.

At the 2008 Annual General Meeting, the Shareholders elected four nominees as designated company directors who will serve as AIUK Trustees directors.

Nominee	Votes For	Votes Against
Stephen Rose	76,578,413	2,574,099
John Henderson	76,342,875	2,809,637
Christopher Woodman	76,381,485	2,771,037
Tania Kerno	76,345,150	2,807,362

At the 2008 Annual General Meeting, the Shareholders voted to authorize the directors of AIUK Trustees to allot shares pursuant to Section 80 of the United Kingdom’s Companies Act.

Votes For	Votes Against	Votes Abstained
77,588,874	1,529,830	33,808

At the 2008 Annual General Meeting, the Shareholders voted to amend AIUK Trustees’ Memorandum and Articles of Association in order to update them to take account of changes in UK company law brought about by the United Kingdom’s Companies Act 2006.

[Table of Contents](#)

<u>Votes For</u> 78,359,137	<u>Votes Against</u> 756,576	<u>Votes Abstained</u> 36,799
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At the 2008 Annual General Meeting, the Shareholders voted to approve the re-appointment of KPMG as the auditor of AIUK Trustees for the 2008 fiscal year and to hold office until the next annual general meeting, and have authorized the board of directors through the Audit Committee of the Company to set their remuneration.

<u>Votes For</u> 78,723,555	<u>Votes Against</u> 222,981	<u>Votes Abstained</u> 205,976
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(12) Proposals Regarding Various Matters Concerning Aspen Bermuda, a wholly owned insurance company organized under the laws of Bermuda.

At the 2008 Annual General Meeting, the Shareholders elected eight nominees as designated company directors who will serve as Aspen Bermuda directors and voted to authorize the board of directors of Aspen Bermuda to appoint any individual as an alternate director or as a director to fill any casual vacancy created from time to time.

<u>Nominee</u>	<u>Votes For</u>	<u>Votes Against</u>
Christopher O’Kane	78,854,017	298,495
Julian Cusack	78,871,217	281,295
James Few	76,351,100	2,801,412
Oliver Peterken	76,351,100	2,801,412
David Skinner	76,351,100	2,801,412
Karen Green	77,367,233	1,785,279
Kate Vacher	76,357,900	2,794,612
Heather Kitson	76,422,115	2,730,397

At the 2008 Annual General Meeting, the Shareholders voted to approve the appointment of KPMG as the auditor of Aspen Bermuda for the 2008 fiscal year, and have authorized the board of directors through the Audit Committee of the Company to set their remuneration.

<u>Votes For</u> 78,720,613	<u>Votes Against</u> 225,373	<u>Votes Abstained</u> 206,526
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At the 2008 Annual General Meeting, the Shareholders voted to approve the proposal regarding the Amendment and Restatement of the Bye-Laws of the Company

<u>Votes For</u> 78,359,138	<u>Votes Against</u> 758,365	<u>Votes Abstained</u> 35,009
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Item 5. Other Information

None.

[Table of Contents](#)

Item 6. Exhibits

(a) The following sets forth those exhibits filed pursuant to Item 601 of Regulation S-K:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Service Agreement between Julian Cusack and Aspen Insurance UK Services Limited, dated May 1, 2008.
10.2	Amended and Restated Service Agreement between Julian Cusack and Aspen Insurance Holdings Limited, dated May 1, 2008.
10.3	Amendment to Richard Houghton's Service Agreement, dated May 13, 2008
10.4	Form of 2008 Performance Share Agreement.
10.5	Form of 2008 Non-Employee Director RSU Agreement.
31.1	Officer Certification of Christopher O'Kane, Chief Executive Officer of Aspen Insurance Holdings Limited, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with this report.
31.2	Officer Certification of Richard Houghton, Chief Financial Officer of Aspen Insurance Holdings Limited, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with this report.
32.1	Officer Certification of Christopher O'Kane, Chief Executive Officer of Aspen Insurance Holdings Limited, and Richard Houghton, Chief Financial Officer of Aspen Insurance Holdings Limited, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, submitted with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aspen Insurance Holdings Limited
(Registrant)

Date: August 6, 2008

By: /s/ Christopher O'Kane
Christopher O'Kane
Chief Executive Officer

Date: August 6, 2008

By: /s/ Richard Houghton
Richard Houghton
Chief Financial Officer

JULIAN MICHAEL CUSACK
AND
ASPEN INSURANCE UK SERVICES LIMITED

SERVICE AGREEMENT

TABLE OF CONTENTS

Clause	Page
1. INTERPRETATION	1
2. POSITION	1
3. TERM	2
4. DUTIES	2
5. REMUNERATION AND COMMISSION	3
6. PENSION AND INSURANCE BENEFITS	4
7. EXPENSES	4
8. HOLIDAYS AND HOLIDAY PAY	4
9. DISABILITY OR DEATH	5
10. CONFIDENTIAL INFORMATION	5
11. COPYRIGHT AND DESIGNS	6
12. GRATUITIES AND CODES OF CONDUCT	7
13. RESTRICTIVE COVENANTS	7
14. TERMINATION BY RECONSTRUCTION OR AMALGAMATION; CHANGE IN CONTROL	9
15. TERMINATION OF EMPLOYMENT BY THE COMAPNY FOR CAUSE	9
16. TERMINATION OF EMPLOYMENT BY THE COMPANY WITHOUT CAUSE	10
17. TERMINATION OF EMPLOYMENT BY THE EXECUTIVE	10
18. OBLIGATIONS UPON TERMINATION OF EMPLOYMENT; CERTAIN OTHER TERMINATIONS	11
19. EFFECT OF TERMINATION OF THIS AGREEMENT	13
20. GENERAL RELEASE	13
21. OTHER TERMS AND CONDITIONS	13

Clause	Page
22. NOTICES	14
23. PREVIOUS AND OTHER AGREEMENTS	14
24. ENTIRE AGREEMENT/AMENDMENT	14
25. ASSIGNMENT	14
26. SEVERABILITY	15
27. SUCCESSORS/BINDING AGREEMENT	15
28. CO-OPERATION	15
29. GOVERNING LAW	15
30. COUNTERPARTS	15

SERVICE AGREEMENT

DATE: 1 May 2008

PARTIES:

- (1) **JULIAN MICHAEL CUSACK** of [Address] (the “Executive”); and
- (2) **ASPEN INSURANCE UK SERVICES LIMITED** (Registered in England No. 1184193), 30 Fenchurch St, London, EC3M 3BD, England (the “Company”).

OPERATIVE TERMS:

1. INTERPRETATION

1.1 In this Agreement:

- “Affiliate” means any entity directly or indirectly controlling, controlled by, or under common control with Holdings; or any other entity designated by the Board of Directors of Holdings in which Holdings or an Affiliate has an interest;
- “Board” means the Board of Directors of the Company from time to time;
- “Chief Executive Officer” means the Chief Executive Officer of Holdings from time to time;
- “Group” means Holdings and its Affiliates (and “Group Company” means Holdings or any one of its Affiliates);
- “Holdings” means Aspen Insurance Holdings Limited, a Bermuda limited company; and
- “Manager” means Chief Executive Officer or such other person as the Company may nominate from time to time as the person to whom the Executive shall report.

1.2 In this Agreement references to any statutory provision shall include such provision as from time to time amended, whether before on or (in the case of re-enactment or consolidation only) after the date hereof, and shall be deemed to include provision of earlier legislation (as from time to time amended) which have been re-enacted (with or without modification) or replaced (directly or indirectly) by such provision and shall further include all statutory instruments or orders from time to time made pursuant thereto.

2. POSITION

The Company shall employ the Executive as Chief Operating Officer of the Group.

3. **TERM**

3.1 The Company shall employ the Executive, and the Executive shall serve the Company, on the terms and conditions set forth in this Agreement, beginning on the date hereof (the "Effective Date") and continuing unless and until terminated in accordance with the provisions contained in this Agreement.

3.2 Notwithstanding the provisions of Clause 3.1, the Executive's employment shall terminate automatically when the Executive reaches the age of 65 years.

4. **DUTIES**

4.1 Subject to the requirements for the Executive to comply with his duties and obligations under his contract of employment with Aspen Insurance Holdings Limited dated 1 May 2008 (the "**AIHL Contract**"), during his employment hereunder the Executive shall:

- 4.1.1 report to the Manager and perform the duties and exercise the powers and functions which from time to time may reasonably be assigned to or vested in him by the Board or the Chief Executive Officer in relation to the Company and any other Group Company to the extent consistent with his job title set out in Clause 2 (without being entitled to any additional remuneration in respect of such duties for any Group Company) other than in accordance with the AIHL Contract;
- 4.1.2 devote the whole of his working time, attention and ability to his duties in relation to the Company and any other Group Company at such place or places as the Board shall determine. The Executive shall carry out his duties under this Agreement at the Company's premises at 30 Fenchurch St, London EC3M 3BD, or the Company's premises at the Maxwell Roberts Building, 1 Church Street, Hamilton HM11, Bermuda or such other place as the Company and the Executive shall mutually agree;
- 4.1.3 comply with all reasonable requests, instructions and regulations given or made by the Board (or by any one authorised by it) and promptly provide such explanations, information and assistance as to the performance of his duties assigned to him under this Agreement as the Board or the Chief Executive Officer may reasonably require;
- 4.1.4 faithfully and loyally serve the Company and each other Group Company to the best of his ability and use his utmost endeavours to promote its interests in all respects;
- 4.1.5 not engage in any activities which would detract from the proper performance of his duties hereunder, nor without the prior written consent of the Board in any capacity including as director, shareholder, principal, consultant, agent, partner or employee of any other company, firm or person (save as the holder for investment of securities which do not exceed three percent (3%) in nominal value of the share capital or stock of any class of any company quoted on a recognised stock exchange) engage or be concerned or interested directly or indirectly in any other trade, business or occupation whatsoever; and
- 4.1.6 comply (and shall use every reasonable endeavour to procure that his spouse and minor

children will comply) with all applicable rules of law, stock exchange regulations, individual registration requirements (at a cost to be borne by the Company) and codes of conduct of the Company and any other Group Company in effect with respect to dealing in shares, debentures or other securities of the Company or other Group Company.

4.2 Nothing herein shall preclude the Executive from (a) serving on the boards of directors of a reasonable number of other corporations subject to the approval of the Chief Executive Officer in each case, which approval shall not be unreasonably withheld, (b) serving on the boards of a reasonable number of trade associations subject to the approval of the Chief Executive Officer, which approval shall not unreasonably be withheld, and/or charitable organizations, (c) engaging in any charitable activities and community affairs, and (d) managing his personal investments and affairs, provided that such activities set forth in this Clause 4.2 do not significantly interfere with the performance of his duties and responsibilities to any Group Company.

5. **REMUNERATION AND COMMISSION**

5.1 The Executive shall be paid by way of remuneration for his services during his employment hereunder a salary at the rate (the "Salary Rate") of £280,000 per annum (less necessary deductions for income tax and national insurance and any other authorised deductions), subject to increase pursuant to Clause 5.3, which shall be inclusive of any fees to which the Executive may be entitled as a director of the Company or of any other Group Company.

5.2 The Executive shall be eligible for a cash bonus ("the annual incentive award") based on a bonus potential of 100% of his annual salary during his employment hereunder of such amounts (if any) at such times and subject to such conditions as the Compensation Committee of the Board of Directors of Holdings (the "Compensation Committee") may in its absolute discretion decide; provided, however, that notwithstanding the preceding language of this Clause 5.2, the Executive shall participate in all management incentive plans made available to the Company's senior executives at a level commensurate with Executive's status and position at the Company.

5.3 The Company shall review the Salary Rate for increase at least once each year, and any change in the Salary Rate resulting from such review will take effect from 1 April. The Company's review shall take into consideration, among other factors, the base salary paid to individuals performing similar services at comparable companies based in Bermuda, the United Kingdom and the United States, as well as other relevant local or global talent pool comparables, it being expressly understood that while it is intended that the Company shall consider these factors, it shall have no obligation to take any specific action based on such factors.

5.4 The Executive's salary will be payable by equal monthly instalments; each monthly instalments will be in respect of a calendar month and will be paid on or before the last day of such calendar month. Where the employment has begun or ended in a calendar month, salary in respect of that month will be the proportion of a normal month's instalments which the days of employment in that month bear to the total days in the month.

5.5 The Company may withhold from amounts payable under this Agreement all applicable taxes that are required to be withheld by applicable laws or regulations.

6. **PENSION AND INSURANCE BENEFITS**

- 6.1 During his employment hereunder, the Executive shall continue to be a member of the Aspen Insurance UK Pension Plan (the "Scheme"). The Executive's membership in the Scheme shall be subject to the provisions thereof as may be amended from time to time.
- 6.2 During his employment hereunder, the Company will pay contributions to the Scheme in accordance with the age related contribution rates established by the Company for directors from time to time. Such contributions shall be calculated by reference to the aggregate of the Executive's salary payable under clause 5.1 of this Agreement and the Executive's salary payable under clause 6.1 of the AIHL Contract (the "**Aggregate Salary**") as increased from time to time.
- 6.3 During his employment hereunder, the Executive shall be entitled to participate in all employee benefit and perquisite plans and programs made available to the Company's senior level executives or to its employees generally, as such plans or programs may be in effect from time to time.
- 6.4 During his employment hereunder, the Company shall (subject to the relevant insurers' terms and conditions) provide the Executive with:
- 6.4.1 medical insurance;
 - 6.4.2 permanent health insurance (such cover to be calculated by reference to the Aggregate Salary);
 - 6.4.3 personal accident insurance; and
 - 6.4.4 life insurance (such cover to be calculated by reference to the Aggregate Salary).

The Board shall have the right to change the arrangements for the provision of such benefits as it sees fit or, if in the reasonable opinion of the Board, the Company is unable to secure any such insurance under the rules of any applicable scheme or otherwise at reasonable rates due to market conditions to cease to provide any or all of the insurances unless in either case the Executive or a member of his family is at that time suffering from a medical condition which would entitle them to benefits under the policy in question in which case the existing policy is to be maintained in force by the Company or an alternative policy provided which would provide the same benefit in relation to the medical condition in question.

7. **EXPENSES**

The Company shall reimburse to the Executive all travelling, hotel, entertainment and other expenses properly and reasonably incurred by him in the performance of his duties hereunder and properly claimed and vouched for in accordance with the Company's expense reporting procedure in force from time to time.

8. **HOLIDAYS AND HOLIDAY PAY**

- 8.1 The Executive shall be entitled to an aggregate of 30 working days' paid holiday per holiday year (in addition to English bank, public and statutory holidays) in relation to his employment by the Company and by any other Group Company and, if applicable, such additional days as are set out

in the Company's standard terms and conditions of employment from time to time, during each holiday year to be taken at such time or times as may be agreed with the Manager. Except as otherwise provided in the Company's holiday policy, the Executive may not carry forward any unused part of his holiday entitlement to a subsequent holiday year and the Executive shall not be entitled to any salary in lieu of untaken holiday.

8.2 For the holiday year during which the Executive's employment hereunder commences or terminates he shall be entitled to such proportion of his annual holiday entitlement as the period of his employment in each such holiday year bears to one holiday year as set out in the Company's holiday policy. Upon termination of his employment for whatever reason, he shall, if appropriate, be entitled to salary in lieu of any outstanding holiday entitlement.

9. **DISABILITY OR DEATH**

9.1 The Company reserves the right at any time to require the Executive (at the expense of the Company) to be examined by a medical adviser nominated by the Company and the Executive consents to the medical adviser disclosing the results of the examination to the Company and shall provide the Company with such formal consents as may be necessary for this purpose.

9.2 If the Executive shall be prevented by illness, accident or other incapacity from properly performing his duties hereunder he shall report this fact forthwith to the Company Secretary's office and if he is so prevented for seven or more consecutive days he shall if required by the Company provide an appropriate doctor's certificate.

9.3 If the Executive shall be absent from his duties hereunder owing to illness, accident or other incapacity duly certified in accordance with the provisions of clause 9.2 he shall be paid his full remuneration for any period of absence of up to a maximum of 26 weeks in aggregate in any period of 52 consecutive weeks and thereafter, subject to the provisions of clause 16, to such remuneration (if any) as the Board shall in its absolute discretion allow.

9.4 In the event that the Executive's employment is terminated due to his death, his estate or his beneficiaries, as the case may be, shall be entitled to: (a) salary at his Salary Rate up to and including the end of the month in which his death occurs, (b) the annual incentive award, if any, to which the Executive would have been entitled to pursuant to Clause 5.2 for the year in which the Executive's death occurs, multiplied by a fraction, the numerator of which is the number of days that the Executive was employed during the applicable year and the denominator of which is 365, and (c) the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed, all of which amounts shall be payable in a lump sum in cash within 30 days after his death, except that the pro-rated annual incentive award shall be payable when such award would have otherwise been payable had the Executive not died.

10. **CONFIDENTIAL INFORMATION**

10.1 Except as otherwise provided in this Section, the Executive shall not during his employment hereunder or at any time after its termination for any reason whatsoever disclose to any person whatsoever or otherwise make use of any Confidential Information.

10.2 As used in this Section, the term "Confidential Information" shall mean any confidential or secret information which he has or may have acquired in the course of his employment relating to the

Company or any other Group Company or any customers or clients of the Company or any other Group Company, including without limiting the generality of the foregoing:

10.2.1 confidential or secret information relating to the past, current or future business, finances, activities and operations of the Company or any other Group Company;

10.2.2 confidential or secret information relating to the past, current or future business, finances, activities and operations of any third party to the extent that such information was obtained by the Company or any other Group Company pursuant to a confidentiality agreement;

but shall not include information that is generally known to, or recognised as standard practice in, the industry in which the Company is engaged unless such information is known or recognised as a result of the Executive's breach of this covenant.

10.3 The Executive will only use Confidential Information for the benefit of the Company or any other Group Company in the course of his employment and shall at all times exercise all due care and diligence to prevent the unauthorised disclosure or use of Confidential Information.

10.4 In the event that the Executive becomes compelled by a court or administrative order to disclose any of the Confidential Information other than as permitted pursuant to this Section, he will provide prompt notice to the Company so that the Company may seek a protective order or other appropriate remedy. In the event the Company fails to seek, or seeks and fails to obtain, such a protective order or other protective remedy, the Executive will furnish only that portion of the Confidential Information that, in the opinion of his counsel, he is legally required to furnish.

11. **COPYRIGHT AND DESIGNS**

11.1 The Executive hereby assigns to the Company all present and future copyright, design rights and other proprietary rights if any for the full term thereof throughout the world in respect of all works originated by him at any time during the period of his employment by the Company or any other Group Company whether during the course of his normal duties or other duties specifically assigned to him (whether or not during normal working hours) either alone or in conjunction with any other person and in which copyright or design rights may subsist except only those designs or other works written, originated, conceived or made by him wholly unconnected with his service hereunder.

11.2 The Executive agrees and undertakes that he will execute such deeds or documents and do all such acts and things as may be necessary or desirable to substantiate the rights of the Company in respect of the matters referred to in this Clause. To secure his obligation under this Agreement the Executive irrevocably appoints the Company to be his attorney in his name and on his behalf to execute such deeds or documents and do all such acts and things as may be necessary or desirable to substantiate the rights of the Company in respect of the matters referred to in this Clause.

11.3 The Executive hereby irrevocably waives all moral rights that he had or may have in any of the works referred to in Clause 11.1, subject to the exception therein.

12. **GRATUITIES AND CODES OF CONDUCT**

12.1 The Executive shall comply with all codes of conduct from time to time adopted by the Board or the Board of Directors of Holdings.

12.2 The Executive shall not, except in accordance with the Holdings Gift and Hospitality Policy and any other code of conduct adopted by the Board of Holdings or with the prior written consent of the Board, directly or indirectly accept any commission, rebate, discount, gratuity or gift, in cash or in kind from any person who has or is likely to have a business relationship with the Company or any other Group Company and shall notify the Company upon acceptance by the Executive of any commission, rebate, discount, gratuity or gift in accordance with the Holdings Gift and Hospitality Policy or any such code of conduct from time to time.

13. **RESTRICTIVE COVENANTS**

13.1 For the purpose of this Clause:

“**the Business**” means the business of the Group or any Group Company at the date of termination of the Executive’s employment with which the Executive has been concerned to a material extent at any time in the Relevant Period;

references to the “**Group**” and “**Group Companies**” shall only be reference to the Group and Group Companies in respect of which the Executive has carried out material duties in the Relevant Period;

“**Relevant Period**” shall mean the period of 24 months immediately preceding the date on which the Restricted Period defined in clause 13.3 commences or the date on which the Company seeks to enforce the restriction in question;

“**Restricted Person**” shall mean any person who or which has at any time during the Relevant Period done business with the Company or any other Group Company as customer or client or consultant and whom or which the Executive shall have had personal dealings with, contact with or responsibility for (each, in a business or commercial capacity) during the Relevant Period;

“**Key Employee**” shall mean any person who at the date of termination of the Executive’s employment is employed or engaged by the Company or any other Group Company with whom the Executive has had material contact during the Relevant Period and (a) is employed or engaged in the capacity of Manager, Underwriter or otherwise in a senior capacity or in any other capacity as may be agreed in writing between the Executive Committee and the Executive from time to time and/or (b) is in the possession of Confidential Information and/or (c) is directly managed by or reports to the Executive.

13.2 The Executive covenants with the Company that he will not in connection with the carrying on of any business in competition with the Business during his employment or any Restricted Period applicable upon the termination of the Executive’s employment (as defined in clause 13.3)

without the prior written consent of the Board either alone or jointly with or on behalf of any person directly or indirectly:

- 13.2.1 canvass, solicit or approach or cause to be canvassed or solicited or approached for orders in respect of any services provided and/or any products sold by the Company or any other Group Company any Restricted Person;
 - 13.2.2 solicit or entice away or endeavour to solicit or entice away from the Company or any other Group Company any Key Employee;
 - 13.2.3 be employed, engaged, interested in or concerned with any business or undertaking which is engaged in or carries on business in the United Kingdom, Bermuda or the USA which is or is about to be in competition with the Business;
- 13.3 The length of the Restricted Period depends upon the circumstances in which the Executive's employment terminates as follows:-
- 13.3.1 if the Executive serves 12 months' notice to terminate his employment without Good Reason under clause 17.2 the Restricted Period shall be a period of 12 months (or 18 months in respect of clause 13.2.2 only) from the date on which notice is served which period shall run concurrently with the 12 month notice period irrespective of whether the Executive is working his notice, on garden leave or his employment has terminated prior to the expiry of the notice period as a result of the Company making a payment pursuant to clause 18.2 within the time period specified in that clause;
 - 13.3.2 if the Company serves notice to terminate the Executive's employment without Cause under clause 16 the Restricted Period shall be a period of 6 months from the date on which notice is served by the Company which period shall run concurrently with the 12 month notice period irrespective of whether the Executive is working his notice, on garden leave or his employment has terminated prior to the expiry of the notice period as a result of the Company making a payment pursuant to clause 18.2 within the time period specified in that clause;
 - 13.3.3 if the Executive serves immediate notice to terminate his employment with Good Reason under clause 17.1 the Restricted Period shall be 6 months from the date of termination provided the Executive is paid the payment due under clause 18.2 within the time period specified in that clause;
 - 13.3.4 if the Company serves immediate notice to terminate the Executive's employment with Cause under clause 15.1 the Restricted Period shall be 6 months from the date of termination provided the Company complies with clause 15.1;
- 13.4 The covenants contained in Clauses 13.2.1, 13.2.2 and 13.2.3 are intended to be separate and severable and enforceable as such. It is expressly understood and agreed that although the Executive and the Company consider the restrictions contained in this Clause 13 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine to be enforceable. Alternatively, if any court of competent

jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13.5 The Executive acknowledges and agrees that the Company's remedies at law for a breach of any of the provisions of Clauses 10, 11 or 13 would be inadequate and the Company would suffer irreparable damages as a result of such breach. In recognition of this fact, the Executive agrees that, in the event of such a breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

14. TERMINATION BY RECONSTRUCTION OR AMALGAMATION; CHANGE IN CONTROL

14.1 If the employment of the Executive hereunder shall be terminated solely by reason of the liquidation of any Group Company for the purposes of amalgamation or reconstruction or as part of any arrangement for the amalgamation of the undertaking of such Group Company not involving liquidation (in each case, other than a "Change in Control", as defined below) and the Executive shall be offered employment with the amalgamated or reconstructed company on the same terms as the terms of this Agreement, the Executive shall have no claim against the Company or any Group Company in respect of the termination of his employment by the Company.

14.2 If the employment of the Executive hereunder shall be terminated by the Company without Cause or by the Executive with Good Reason within the six-month period prior to a Change in Control or within the two-year period after a Change in Control, in addition to the benefits provided in Clause 18.2, the Executive shall be entitled to the following benefits: other than share options and other equity-based awards granted in 2004 and 2005, which shall vest and be exercisable in accordance with the terms of their grant agreements, all share options and other equity-based awards shall immediately vest and remain exercisable for the remainder of their terms.

14.3 For purposes of this Agreement, "Change in Control" shall have the same meaning as under the Aspen Insurance Holdings 2003 Share Incentive Plan as in effect as of the date hereof.

15. TERMINATION OF EMPLOYMENT BY THE COMPANY FOR CAUSE

15.1 The Company, without prejudice to any remedy which it may have against the Executive for the breach or non-performance of any of the provisions of this Agreement, may by notice in writing to the Executive forthwith terminate his employment for "Cause". In the event the Company terminates the Executive's employment for Cause, the Executive shall be entitled to salary at his Salary Rate and the benefits of his employment up to the date of termination.

For the purposes of this Agreement, "Cause" shall mean circumstances where the Executive:

- (a) becomes bankrupt or becomes the subject of an interim order under the Insolvency Act 1986 or makes any arrangement or composition with his creditors; or

- (b) is convicted of any criminal offence (other than an offence under road traffic legislation in the United Kingdom or elsewhere for which a penalty other than imprisonment is imposed); or
- (c) is guilty of any serious misconduct, any conduct tending to bring the Company or any other Group Company or himself into disrepute, any material breach or non-observance of any of the provisions of this Agreement, or conducts himself in a way which is materially prejudicial or calculated to be materially prejudicial to the business of the Group;
- (d) is disqualified from being a director of any company by reason of an order made by any competent court; or
- (e) is guilty of any repeated breach or non-observance of any code of conduct or fails or ceases to be registered (where such registration is, in the reasonable opinion of the Board, required for the performance of his duties) by any regulatory body in the United Kingdom or elsewhere.

16. **TERMINATION OF EMPLOYMENT BY THE COMPANY WITHOUT CAUSE**

The Company may terminate the employment of the Executive at any time during the employment hereunder without Cause by either (i) giving to the Executive 12 months' prior notice in writing; or (ii) terminating the employment of the Executive immediately and paying the Executive in lieu of the notice to which he would have otherwise been entitled under (i) above (which payment in lieu shall be deemed to be included within the Severance Payment referred to in Clause 18.2) provided that the Company may not terminate the employment of the Executive under this clause without his consent at a time when he is unable to perform his duties through illness if the consequence of such termination would be to deprive him of any benefits that would otherwise be payable to him under the provisions of any permanent health insurance policy taken out by the Company.

17. **TERMINATION OF EMPLOYMENT BY THE EXECUTIVE**

17.1 The Executive shall have the right to terminate his employment at any time for Good Reason by immediate notice if, following submission of the written notice by the Executive to the Company detailing the events alleged to constitute Good Reason in accordance with this Clause, the Company shall have failed to cure such events within the 30 day period following submission of such notice. For purposes of this Agreement, "Good Reason" shall mean (i) a reduction in the Executive's annual base salary or annual bonus opportunity, or the failure to pay or provide the same when due, (ii) a material diminution in the Executive's duties, authority, responsibilities or title, or the assignment to the Executive of duties or responsibilities which are materially inconsistent with his positions, (iii) the removal of the Executive from the position described in Clause 2, (iv) a material change in the Executive's reporting line; (v) the Company's requiring the Executive to be based at any office or location more than fifty (50) miles from the Executive's office as of the date hereof or (vi) any other fundamental breach of this Agreement; *provided, however*, that no such event(s) shall constitute "Good Reason" unless the Company shall have failed to cure such event(s) within 30 days after receipt by the Company from the Executive of written notice describing in detail such event(s).

17.2 The Executive shall have the right to terminate his employment at any time without Good Reason

upon giving 12 months' prior written notice to the Company.

17.3 If the Executive gives notice to terminate his employment without Good Reason under Clause 17.2 or if the Executive seeks to terminate his employment without Good Reason and without the notice required by Clause 17.2 or the Company gives notice to terminate the Executive's employment under Clause 16(i), then provided the Company continues to provide the Executive with the salary and contractual benefits and allows all previously earned incentive awards such as share awards and share options and any awards under any Long Term Incentive plans to continue to vest and pays any annual incentive award due under clause 17.4 / in accordance with this Agreement the Company has, at its discretion, the right for the period (the "**Garden Leave Period**") then outstanding until the date of the termination of the Executive's employment:

17.3.1 to exclude the Executive from any premises of the Company or any Group Company and require the Executive not to attend at any premises of the Company or any Group Company; and/or

17.3.2 to require the Executive to carry out no duties; and/or

17.3.3 to require the Executive not to communicate or deal with any employees, agents, consultants, clients or other representatives of the Company or any other Group Company; and/or

17.3.4 to require the Executive to resign with immediate effect from any offices he holds with the Company or any other Group Company (and any related trusteeships); and/or

17.3.5 to require the Executive to take any holiday which has accrued under clause 8 during the Garden Leave Period.

The Executive shall continue to be bound by the duties set out in Clause 4 (insofar as they are compatible with being placed on garden leave), the restrictions set out in Clause 13.2 and all duties of good faith and fidelity during the Garden Leave Period.

17.4 If the Executive is required to take garden leave under clause 17.3 the Company will during this time (where the Company has served notice to terminate his employment Without Cause under clause 16(i) but not otherwise) pay to the Executive an annual incentive award equal to the lesser of (x) the target annual incentive award for the year in which notice was served and (y) the average of the annual incentive awards received by the Executive in the prior three years (or if less the number of prior years in which the Executive was employed by the Company) multiplied by a fraction, the numerator of which is the number of days that the Executive was on garden leave and the denominator of which is 365 such award to be paid on the completion of garden leave.

18. **OBLIGATIONS UPON TERMINATION OF EMPLOYMENT; CERTAIN OTHER TERMINATIONS**

18.1 Upon the termination of his employment hereunder for whatever reason the Executive shall:

18.1.1 forthwith tender his resignation as a Director of the Company and of any other Group Company without compensation, but without prejudice to any other rights which he may have under this Agreement. To secure his obligation under this Agreement the Executive

irrevocably appoints the Company to be his attorney in his name and on his behalf to sign any documents and do any things necessary to give effect thereto, if the Executive shall fail to sign or do the same himself;

- 18.1.2 deliver up to the Company all keys, credit cards, correspondence, documents, specifications, reports, papers and records (including any computer materials such as discs or tapes) and all copies thereof and any other property (whether or not similar to the foregoing or any of them) belonging to the Company or any other Group Company which may be in his possession or under his control, and (unless prevented by the owner thereof) any such property belonging to others which may be in his possession or under his control and which relates in any way to the business or affairs of the Company or any other Group Company or any supplier, agent, distributor or customer of the Company or any other Group Company, and he shall not without written consent of the Board retain any copies thereof;
 - 18.1.3 if so requested send to the Company Secretary a signed statement confirming that he has complied with Clause 18.1.1; and
 - 18.1.4 not at any time make any untrue or misleading oral or written statement concerning the business and affairs of the Company or any other Group Company or represent himself or permit himself to be held out as being in any way connected with or interested in the business of the Company or any other Group Company (except as a former employee for the purpose of communicating with prospective employers or complying with any applicable statutory requirements).
- 18.2 In the event of a termination of Executive's employment hereunder by the Executive with Good Reason or by the Company without Cause (other than by reason of death), the Executive shall be entitled to (a) salary at his Salary Rate through the date in which his termination occurs; (b) the lesser of (x) the target annual incentive award for the year in which the Executive's termination occurs or notice is served, and (y) the average of the annual incentive awards received by the Executive in the prior three years (or, if less the number of prior years in which the Executive was employed by the Company), multiplied by a fraction, the numerator of which is the number of days that the Executive was employed from the end of the last financial year in which he received a bonus to the end of his employment and the denominator of which is 365; (c) subject to Clause 18.3 below, the sum of (x) the Executive's highest Salary Rate during the term of this Agreement and (y) the lesser of the target annual award incentive/for the year in which Executives termination occurs and the average bonus under the Company's annual incentive plan actually earned by the Executive during the three years (or number of complete years employed by the Company, if fewer) immediately prior to the year of termination (the sum of (x) and (y) hereafter referred to as the "Severance Payment"), and (d) the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed, but which have not yet been paid, all of which amounts shall be payable in a lump sum in cash within 30 days after his termination. In the event that the Company terminates the Executive's employment without Cause under the provisions of Clause 16(ii) the parties acknowledge that the Severance Payment will be inclusive of the Executive's rights to be paid in lieu of the 12 months' notice period to which he is entitled under that Clause.
- 18.3 In the event that the Executive's employment is terminated by the Company without Cause under the provisions of Clause 16(i) and the Company exercises all or any of its rights under Clause

17.3 during the 12 months' notice period, the Severance Payment shall be reduced by a sum equal to the total salary and bonus payments received by the Executive during the Garden Leave Period.

18.4 Benefits. In the event of a termination of Executive's employment hereunder by the Executive with Good Reason or by the Company without Cause (other than by reason of death) for which (in each case) the Company pays the Executive in lieu of his notice period, the Executive shall be entitled to the value of pension contributions for his notice period based on the Aggregate Salary as referred to in clause 6.2, the continuation of membership of the medical plan in accordance with this Agreement and the AIHL Contract for up to one year following termination or, if earlier, until he is able to join the medical plan of a future employer and a contribution of £5,000 towards the Executive purchasing insurance for Permanent Health Insurance and Life Insurance to cover the lack of cover between employments. For the avoidance of doubt, in circumstances where the Executive is on 'Garden Leave' the benefits will continue to apply until his employment is terminated.

18.5 Upon any termination of employment, the Executive shall be entitled to (a) any expense reimbursement due to him and (b) other benefits (if any) in accordance with the applicable plans and programs of the Company.

18.6 In the event of any termination of employment under this Agreement, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

19. **EFFECT OF TERMINATION OF THIS AGREEMENT**

19.1 The expiry or termination of this Agreement however arising shall not operate to affect any of the provisions hereof which are expressed to operate or have effect thereafter and shall not prejudice the exercise of any right or remedy of either party accrued beforehand.

20. **GENERAL RELEASE**

Notwithstanding any provision herein to the contrary, prior to payment of any amount pursuant to Clauses 14.2 and 18.2, the Executive shall execute a valid general release, in the form attached hereto (except to the extent that the Company considers that a change in law or any current practice existing at the date of termination requires a modification to such release), pursuant to which the Executive shall release the Group and its shareholders, directors, officers, employees and agents, to the maximum extent permitted by law, from any and all claims the Executive may have against the Group that relate to or arise out of the Executive's employment or termination of employment, except such claims arising under this Agreement.

21. **OTHER TERMS AND CONDITIONS**

21.1 The following particulars are given in compliance with the requirements of section 1 of the Employment Rights Act 1996:

21.1.1 The Executive's period of continuous employment which began on 1 July 1989, shall be recognised by the Company.

- 21.1.2 The Executive's hours of work shall be the normal hours of work of the Company which are from 9.00 am to 5.00 pm together with such additional hours as may be necessary without additional remuneration for the proper discharge of his duties hereunder to the satisfaction of the Board.
- 21.1.3 If the Executive is dissatisfied with any disciplinary decision or if he has any grievance relating to his employment hereunder he should refer such disciplinary decision or grievance to the Board and the reference will be dealt with by discussion at and decision of a duly convened meeting of the Board.
- 21.1.4 A contracting-out certificate is not currently in force in respect of the Executive's employment hereunder.
- 21.1.5 Save as otherwise herein provided there are no terms or conditions of employment relating to hours of work or to normal working hours or to entitlement to holiday (including public holidays) or holiday pay or to incapacity for work due to sickness or injury or to pensions or pension schemes and no collective agreement has any effect upon the Executive's employment hereunder.

22. NOTICES

Any notice to be given hereunder shall be in writing. Notice to the Executive shall be sufficiently served by being delivered personally to him or by being sent by first class post addressed to him at his usual or last known place of residence, Notice to the Company shall be sufficiently served by being delivered to the Company Secretary or by being sent by first class post to the registered office of the Company. Any notice if so posted shall be deemed served upon the third day following that on which it was posted.

23. PREVIOUS AND OTHER AGREEMENTS

This Agreement shall take effect in substitution for all previous agreements and arrangements (whether written, oral or implied) between the Company and the Executive relating to his employment which shall be deemed to have been terminated by mutual consent with effect from the commencement of this Agreement.

24. ENTIRE AGREEMENT/AMENDMENT

This Agreement contains the entire understanding of the parties with respect to the employment of the Executive by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

25. ASSIGNMENT

This Agreement, and all of the Executive's rights and duties hereunder, shall not be assignable or delegable by the Executive. Any purported assignment or delegation by the

Executive in violation of the foregoing shall be null and void *ab initio* and of no force and effect. This Agreement may be assigned by the Company to a person or entity that is the successor in interest to substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such successor person or entity. Failure by such successor of the Company to expressly assume this Agreement shall constitute an event of "Good Reason", entitling Executive to the Benefits set forth in clauses 17, 18.2 or 14.2, as applicable.

26. **SEVERABILITY**

In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

27. **SUCCESSORS/BINDING AGREEMENT**

This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of the parties hereto.

28. **CO-OPERATION**

During employment by the Company and thereafter, the Executive shall provide his reasonable co-operation in connection with any action or proceeding (or any appeal from any action or proceeding) that relates to events occurring during the Executive's employment; provided, however, that after the Executive's employment by the Company has ended, (i) any request for such co-operation shall accommodate the demands of the Executive's then existing schedule and (ii) if any such request will involve more than a de minimis amount of the Executive's time, the Executive shall be entitled to reasonable compensation therefore.

29. **GOVERNING LAW**

English law shall apply to this Agreement.

30. **COUNTERPARTS**

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS whereof this Agreement has been duly executed and delivered as a deed the day and year first before written.

SIGNED as a Deed)
and DELIVERED by)
Julian Cusack) /s/ Julian Cusack
in the presence of:)

Witness Signature:

Witness Name:

Witness Address:

Witness Occupation:

ASPEN INSURANCE UK SERVICES LIMITED

By: Chris O'Kane
Name: Chris O'Kane
Title: Chief Executive Officer

DATED _____
ASPEN INSURANCE UK SERVICES LIMITED
and
JULIAN CUSACK

COMPROMISE AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____ [20[]]

BETWEEN:

- (1) **ASPEN INSURANCE UK SERVICES LIMITED**, (Registered in England No. 1184193), 30 Fenchurch Street, London EC3M 3BD, England (formerly known as (the “Company”)); and
- (2) **JULIAN MICHAEL CUSACK** of *[insert UK address]* (hereinafter referred to as the “Executive”).

IT IS AGREED as follows:

1. INTERPRETATION

1. In this Agreement:
2. “**Group Company**” shall mean any holding company of the Company from time to time and any subsidiary of the Company or of any such holding company from time to time. The terms “**holding company**” and “**subsidiary**” shall have the meanings ascribed to them by Section 736 of the Companies Act 1985, as amended; and
3. “**Service Agreement**” shall mean the service agreement entered into between the Executive and the Company dated [], as subsequently amended.

2. TERMINATION DATE

The Executive’s employment with the Company [will end][ended] on *[date]* (the “**Termination Date**”).

3. PAYMENT OF SALARY ETC

The Company will continue to provide the Executive with his salary and all other contractual benefits up to the Termination Date in the normal way. Within 14 days of the Termination Date the Company will also pay the Executive in respect of his accrued but untaken holiday (less such deductions for income tax and national insurance as are required by law).

4. TERMINATION SUMS

Subject to the Executive agreeing to all of the conditions set out below, and receipt by the Company of a copy of this Agreement signed by the Executive and the attached certificate signed by the Executive's legal adviser, the Company will pay the Executive the following sums:

- (i) £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to an annual incentive award for the year in which the termination of the Executive's employment with the Company occurs, as calculated in accordance with Clause 18.2 (b) of the Service Agreement;
- (ii) the sum of £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to a Severance Payment, as calculated and defined in accordance with Clause 18.2(c) of the Service Agreement; and
- (iii) the sum of £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed as at the Termination Date but not yet paid, as calculated in accordance with Clause 18.2(d) of the Service Agreement.

The sums set out in (i) to (iii) above will be subject to such deductions for income tax and national insurance as are required by law and will be paid to the Executive within [14] days of the date of signature by him of this Agreement and signature by his legal adviser of the attached certificate. Payment will be made by transfer to the Executive's bank account.

5. SHARE OPTIONS

[The Company confirms that:

- (a) with respect to share options issued under the Option Agreement; notwithstanding any provision in the Option Agreement to the contrary, the Shares underlying the Time Option (as defined in the Option Agreement) vested and became exercisable on 31 December 2006; and it is agreed that the Shares underlying the Performance-Accelerated Option (as defined in the Option Agreement) that remain unvested at the date of this Agreement shall continue to vest and become exercisable in accordance with the provisions of clause 2(b) of the Option Agreement notwithstanding the termination of the Executive's employment; and
- (b) with respect to other share options, the extent to which share options held by the Executive as at the Termination Date shall be exercisable following the Termination Date will be

determined solely in accordance with terms of the agreements under which such share options were granted.] or [Other than in relation to share options granted to the Executive in 2004 and 2005, the Company confirms that all share options granted to the Executive have vested and will remain exercisable for the remainder of their terms.]]

6. WAIVER OF CLAIMS

The Executive accepts the terms set out in this Agreement in full and final settlement of all and any claims that he has or may have against the Company, the Board or any other Group Company or any of its or their current or former shareholders, directors, officers, employees or agents, whether contractual (whether known or unknown, existing now or in the future), statutory or otherwise, arising out of or in connection with his employment with the Company or the termination of his employment and his directorship of the Company and any Group Company or his resignation therefrom. The Executive also agrees to waive irrevocably and release the Company, the Board and all Group Companies (and all of its or their current or former shareholders, directors, officers, employees or agents) from and against any claims whether contractual (whether known or unknown, existing now or in the future), statutory or otherwise, arising out of or in connection with his employment with the Company or the termination of his employment and his directorship of the Company and any Group Company or his resignation therefrom. This waiver shall not apply in relation to any claim relating to his pension rights that have accrued up to the Termination Date.

7. CONFIRMATION OF NO BREACHES

The Executive confirms and warrants to the Company that he has not at any time during his employment committed a fundamental breach of the terms of the Service Agreement.

8. LEGAL ADVICE

The Executive confirms that he has received advice from [*name of legal advisor*] of [*name and address of solicitors*], a relevant independent adviser for the purposes of section 203 of the Employment Rights Act 1996, as to the terms and effect of this Agreement and, in particular, its effect on his ability to pursue his rights before an employment tribunal. The Executive will procure that his legal adviser signs the attached legal adviser's certificate, which forms part of this Agreement.

9. SATISFACTION OF STATUTORY CONDITIONS

- (a) This Agreement satisfies the conditions for regulating compromise agreements under Section 203 of the Employment Rights Act 1996, Regulation 35 of the Working Time Regulations 1998, Section 77 of the Sex Discrimination Act 1975, Section 72 of the Race Relations Act 1976, Section 9 of the Disability Discrimination Act 1995, Regulation 9 of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, Regulation 10 of the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, Section 49 of the National Minimum Wage Act 1998, Paragraph 2(2) of Schedule 4 to the Employment Equality (Religion or Belief) Regulations 2003 and

Paragraph 2(2) of Schedule 4 to the Employment Equality (Sexual Orientation) Regulations 2003.

- (b) The Executive is aware of his rights under the Employment Rights Act 1996, the Working Time Regulations 1998, the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995, the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, the National Minimum Wage Act 1998, the Employment Equality (Religion or Belief) Regulations 2003 and the Employment Equality (Sexual Orientation) Regulations 2003 and has informed the Company of any and all claims that he might seek to bring arising from his employment or termination of employment. This agreement relates to his claims for breach of contract, unfair dismissal, sex discrimination, race discrimination, disability discrimination, sexual orientation discrimination, religion or belief discrimination, any claim under the Working Time Regulations 1998, any claim under the National Minimum Wage Act 1998, the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002 or any claim for unlawful deductions from wages under the Employment Rights Act 1996.

10. POST-TERMINATION RESTRAINTS

The Executive acknowledges that the provisions of Clause 10 (Confidentiality) and Clause 13 (Restrictive Covenants) of the Service Agreement will (to the extent that they are applicable in the circumstances of the termination of the Executive's employment with the Company) remain in full force and effect notwithstanding the termination of his employment.

11. RETURN OF COMPANY PROPERTY

Before any payment under Clause 4 above is made, the Executive will, in accordance with Clause 18.1(a) of the Service Agreement, deliver up to the Company all vehicles, keys, credit cards, correspondence, documents, specifications, reports, papers and records (including any computer materials such as discs or tapes) and all copies thereof and any other property (whether or not similar to the foregoing or any of them) belonging to the Company or any other Group Company which may be in his possession or under his control, and (unless prevented by the owner thereof) any such property belonging to others which may be in his possession or under his control and which relates in any way to the business or affairs of the Company or any other Group Company or any supplier, agent, distributor or customer of the Company or any other Group Company, and he confirms that he has not retained any copies thereof.

12. CONFIDENTIALITY

Save by reason of any legal obligation or to enforce the terms of this letter, the parties will not:

- (a) disclose the existence or terms of this Agreement to anyone (other than to their professional advisers, HM Revenue & Customs or any other competent authority or in the case of the Executive, his spouse);
- (b) directly or indirectly disseminate, publish or otherwise disclose (or allow to be disseminated, published or otherwise disclosed) by any means (whether oral, written or otherwise) or medium (including without limitation electronic, paper, radio or television) any information directly or indirectly relating to the termination of the Executive's employment; or
- (c) make any derogatory or disparaging comments about the other and in the case of the Executive in relation to the Company, any Group Company or any of its or their shareholders, directors, officers, employees or agents.

14. NO ADMISSION OF LIABILITY

This agreement is made without any admission on the part of the Company or any Group Company that it has or they have in any way breached any law or regulation or that the Executive has any claims against the Company or any Group Company.

15. TAX INDEMNITY

The Executive hereby agrees to be responsible for the payment of any tax and employee's national insurance contributions imposed by any competent taxation authority in respect of any of the payments and benefits provided under this Agreement (other than for the avoidance of doubt, any tax and/or employee's national insurance contributions deducted or withheld by the Company in paying the sums to the Executive). The Executive further agrees to indemnify the Company and all Group Companies and keep them indemnified on an ongoing basis against any claim or demand which is made by any competent taxation authority against the Company or any Group Company in respect of any liability of the Company or any Group Company to deduct an amount of tax or an amount in respect of tax or any employee's national insurance contributions from the payments made and benefits provided under this Agreement, including any related interest or penalties imposed by any competent taxation authority save where such interest or penalties arise as a result of the Company's own default or delay.

16. ENTIRE AGREEMENT

This letter sets out the entire agreement between the Executive and the Company and, save as set out in Clauses 5 and 10 above, supersedes all prior arrangements, proposals,

representations, statements and/or understandings between the Executive, the Company and any Group Company.

17. **THIRD PARTY RIGHTS**

Notwithstanding the Contracts (Rights of Third Parties) Act 1999 this Agreement may be varied by agreement between the Executive and the Company.

18. **RESIGNATION OF DIRECTORSHIP**

At the same time as executing this Agreement the Executive will resign with immediate effect from his directorship of the Company and from all directorships and offices held with other Group Companies (and all related trusteeships) by signing and delivering the attached letters of resignation.

19. **APPLICABLE LAW**

This agreement is subject to English law and the exclusive jurisdiction of the English courts.

Julian Michael Cusack

dated

For and on behalf of Aspen Insurance UK Services Limited

dated

LEGAL ADVISER'S CERTIFICATE

I, [*name of solicitor*] of [*address of firm*] hereby confirm to Aspen Insurance UK Services Limited that I am an independent adviser for the purposes of section 203 of the Employment Rights Act 1996 and that I have advised Julian Cusack as to the terms and effect of this Agreement and its effect on his ability to pursue his rights before an employment tribunal. There was in force, when such advice was given, a policy of insurance covering the risk of a claim by Julian Cusack in respect of loss arising in consequence of such advice.

[*name of adviser*]

date

To the board of Directors
Aspen Insurance UK Services Limited

[*date*]

Dear Sirs

Aspen Insurance UK Services Limited (the “Company”)

I hereby irrevocably and unconditionally resign from the office of Director of the Company with immediate effect, and I acknowledge and confirm that I have no claim of whatsoever kind outstanding for compensation or otherwise against the Company, its servants, officers, agents or employees in respect of the termination of my appointment.

Yours faithfully

SIGNED as a DEED)
and DELIVERED)
by JULIAN MICHAEL CUSACK)
in the presence of:)

Witness signature:

Witness Name:

Witness address:

[note: separate individual similar letters of resignation should be produced for any other Group companies of which the individual is a director]

JULIAN MICHAEL CUSACK
AND
ASPEN INSURANCE HOLDINGS LIMITED

AMENDED AND RESTATED SERVICE AGREEMENT

TABLE OF CONTENTS

<u>Clause</u>	<u>Page</u>
1. INTERPRETATION	3
2. AMENDMENT AND RESTATEMENT	3
3. POSITION	4
4. TERM	4
5. DUTIES	4
6. REMUNERATION AND COMMISSION	5
7. PENSION AND INSURANCE BENEFITS	6
8. EXPENSES	7
9. HOLIDAYS AND HOLIDAY PAY	7
10. DISABILITY OR DEATH	7
11. CONFIDENTIAL INFORMATION	8
12. COPYRIGHT AND DESIGNS	9
13. GRATUITIES AND CODES OF CONDUCT	9
14. RESTRICTIVE COVENANTS	9
15. TERMINATION BY RECONSTRUCTION OR AMALGAMATION; CHANGE IN CONTROL	9
16. TERMINATION OF EMPLOYMENT BY THE COMPANY FOR CAUSE	12
17. TERMINATION OF EMPLOYMENT BY THE COMPANY WITHOUT CAUSE	12
18. TERMINATION OF EMPLOYMENT BY THE EXECUTIVE	13
19. OBLIGATIONS UPON TERMINATION OF EMPLOYMENT; CERTAIN OTHER TERMINATIONS	14
20. EFFECT OF TERMINATION OF THIS AGREEMENT	15
21. GENERAL RELEASE	15
22. OTHER TERMS AND CONDITIONS	16
23. NOTICES	16
24. PREVIOUS AND OTHER AGREEMENTS	16
25. ENTIRE AGREEMENT/AMENDMENT	17
26. ASSIGNMENT	17
27. SEVERABILITY	17
28. SUCCESSORS/BINDING AGREEMENT	17
29. CO-OPERATION	17
30. GOVERNING LAW	17
31. COUNTERPARTS	18

AMENDED AND RESTATED SERVICE AGREEMENT

DATE: 1 May 2008

PARTIES:

- (1) **JULIAN MICHAEL CUSACK** of [Address] (the “**Executive**”); and
- (2) **ASPEN INSURANCE HOLDINGS LIMITED** incorporated in the Islands of Bermuda whose registered office is at the Maxwell Roberts Building, 1 Church Street, Hamilton HM 11, Bermuda (the “**Company**”).

OPERATIVE TERMS:

1. **INTERPRETATION**

1.1 In this Agreement:

- “Affiliate” means any entity directly or indirectly controlling, controlled by, or under common control with the Company; or any other entity designated by the Board in which the Company or an Affiliate has an interest;
- “Board” means the Board of Directors of the Company from time to time;
- “Group” means the Company and its Affiliates (and “Group Company” means the Company or any one of its Affiliates);
- “Manager” means the Chief Executive Officer of the Company or such other person as the Company may nominate from time to time as the person to whom the Executive shall report.

- 1.2 In this Agreement references to any statutory provision shall include such provision as from time to time amended, whether before on or (in the case of re-enactment or consolidation only) after the date hereof, and shall be deemed to include provision of earlier legislation (as from time to time amended) which have been re-enacted (with or without modification) or replaced (directly or indirectly) by such provision and shall further include all statutory instruments or orders from time to time made pursuant thereto.

2. **AMENDMENT AND RESTATEMENT**

This Agreement shall serve as a complete amendment and restatement of the Service Agreement entered into between Julian Cusack and Aspen Insurance Holdings Limited, dated 1 May 2007 (such agreement being undated when signed but effective following the transfer of Group CFO responsibilities) (the “**Original Agreement**”). Except as otherwise provided herein, all terms of the Original Agreement shall be superseded by the

terms of this Agreement and, upon execution of this Agreement, the Original Agreement shall be of no further force and effect.

3. **POSITION**

The Company shall employ the Executive as Chief Executive Officer and Chairman, Aspen Insurance Ltd.

4. **TERM**

4.1 The Company shall employ the Executive, and the Executive shall serve the Company, on the terms and conditions set forth in this Agreement, beginning on the date hereof (the "**Effective Date**") and continuing unless and until terminated in accordance with the provisions contained in this Agreement.

4.2 Notwithstanding the provisions of Clause 4.1, the Executive's employment shall terminate automatically when the Executive reaches the age of 65 years.

5. **DUTIES**

5.1 Subject to the requirements for the Executive to comply with his duties and obligations under his contract of employment with Aspen Insurance UK Services Limited dated 1 May 2008 (the "**AIUKSL Contract**"), during his employment hereunder the Executive shall:

- (a) report to the Manager and perform the duties and exercise the powers and functions which from time to time may reasonably be assigned to or vested in him by the Board in relation to the Company and any other Group Company to the extent consistent with his job title set out in Clause 3 (without being entitled to any additional remuneration in respect of such duties for any Group Company) other than in accordance with the AIUKSL Contract;
 - (b) devote the whole of his working time, attention and ability to his duties in relation to the Company and any other Group Company at such place or places as the Board shall determine. The Executive shall carry out his duties under this Agreement at the Company's premises at the Maxwell Roberts Building, 1 Church Street, Hamilton HM 11, Bermuda, or such other place as the Company and the Executive shall mutually agree, provided that the Executive shall not be required to reside outside Bermuda or the United Kingdom;
 - (c) comply with all reasonable requests, instructions and regulations given or made by the Board (or by any one authorised by it) and promptly provide such explanations, information and assistance as to the performance of his duties assigned to him under this Agreement as the Board may reasonably require;
 - (d) faithfully and loyally serve the Company and each other Group Company to the best of his ability and use his utmost endeavours to promote its interests in all respects;
 - (e) not engage in any activities which would detract from the proper performance of his duties hereunder, nor without the prior written consent of the Board in any
-

capacity including as director, shareholder, principal, consultant, agent, partner or employee of any other company, firm or person (save as the holder for investment of securities which do not exceed three percent (3%) in nominal value of the share capital or stock of any class of any company quoted on a recognised stock exchange) engage or be concerned or interested directly or indirectly in any other trade, business or occupation whatsoever; and

- (f) comply (and shall use every reasonable endeavour to procure that his spouse and minor children will comply) with all applicable rules of law, stock exchange regulations, individual registration requirements (at a cost to be borne by the Company) and codes of conduct of the Company and any other Group Company in effect with respect to dealing in shares, debentures or other securities of the Company or other Group Company.

5.2 Nothing herein shall preclude the Executive from (a) serving on the boards of directors of a reasonable number of other corporations subject to the approval of the Chief Executive Officer of the Company in each case, which approval shall not be unreasonably withheld, (b) serving on the boards of a reasonable number of trade associations subject to the approval of the Board, which approval shall not unreasonably be withheld, and/or charitable organizations, (c) engaging in any charitable activities and community affairs, and (d) managing his personal investments and affairs, provided that such activities set forth in this Clause 5.2 do not significantly interfere with the performance of his duties and responsibilities to any Group Company.

6. REMUNERATION AND COMMISSION

6.1 The Executive shall be paid by way of remuneration for his services during his employment hereunder a salary at the rate (the “**Salary Rate**”) of £70,000 per annum, subject to increase pursuant to Clause 6.3., which shall be inclusive of any fees to which the Executive may be entitled as a director of the Company or of any other Group Company. The Company shall pay a housing allowance in respect of the Executive’s primary residence in Bermuda during the term of his employment. Prior to such payment the Executive shall provide to the Company any substantiation for such expenses requested by the Company. Notwithstanding the foregoing, the maximum amount the Company shall pay in respect of housing allowance shall be \$180,000 per annum, but all tax payable on such allowance will be borne by the Company.

6.2 The Executive shall be eligible for a cash bonus, based on a bonus potential of 100% of his annual salary, during his employment hereunder of such amounts (if any) at such times and subject to such conditions as the Compensation Committee of the Board (the “**Compensation Committee**”) may in its absolute discretion decide; provided, however, that notwithstanding the preceding language of this Clause 6.2, the Executive shall participate in all management incentive plans made available to the Company’s senior executives at a level commensurate with Executive’s status and position at the Company.

6.3 The Company shall review the Salary Rate for increase at least once each year, and any change in the Salary Rate resulting from such review will take effect from 1 April. The Company’s review shall take into consideration, among other factors, the base salary paid to individuals performing similar services at comparable companies based in Bermuda, the United Kingdom and the United States, as well as other relevant local or global talent pool comparables, it being expressly understood that while it is intended that the

Company shall consider these factors, it shall have no obligation to take any specific action based on such factors.

- 6.4 The Executive's salary will be payable by equal monthly installments; each monthly installments will be in respect of a calendar month and will be paid on or before the last day of such calendar month. Where the employment has begun or ended in a calendar month, salary in respect of that month will be the proportion of a normal month's installments which the days of employment in that month bear to the total days in the month.
- 6.5 The Company may withhold from amounts payable under this Agreement all applicable taxes that are required to be withheld by applicable laws or regulations.

7. PENSION AND INSURANCE BENEFITS

- 7.1 During his employment hereunder, the Executive shall be entitled to participate in all employee benefit and perquisite plans and programs made available to the Company's senior level executives or to its employees generally, as such plans or programs may be in effect from time to time.
- 7.2 During his employment hereunder, the Executive will be eligible for 2 Business Class return airfares per annum from Bermuda to the UK for himself, spouse and dependent children. Such airfares are in addition to any flights the Executive is required to make in order to carry out his duties either under this Agreement or under the AIUKSL Contract. For the avoidance of doubt all tax payable on these airfares shall be borne by the Company. The Executive will also be eligible for reimbursement of reasonable expenses if he is required to move location to take up employment with a Group Company and reimbursement of reasonable expenses in connection with relocation to the UK upon termination (other than for Cause) in an amount to be agreed with the CEO at the time of such termination .
- 7.3 During his employment hereunder, the Company shall (subject to the relevant insurers' terms and conditions) provide the Executive with:
- 7.3.1 medical insurance;
 - 7.3.2 save where such benefit is already provided under the AIUKSL Contract permanent health insurance;
 - 7.3.3 personal accident insurance; and
 - 7.3.4 save where such benefit is already provided under the AIUKSL Contract life insurance.

The Board shall have the right to change the arrangements for the provision of such benefits as it sees fit or, if in the reasonable opinion of the Board, the Company is unable to secure any such insurance under the rules of any applicable scheme or otherwise at reasonable rates to cease to provide any or all of the insurances unless in either case the Executive or a member of his family is at that time suffering from a medical condition which would entitle them to benefits under the policy in question in which case the existing policy is to be maintained in force by the Company or an alternative policy

provided which would provide the same benefit in relation to the medical condition in question.

8. **EXPENSES**

The Company shall reimburse to the Executive all traveling, hotel, entertainment and other expenses properly and reasonably incurred by him in the performance of his duties hereunder and properly claimed and vouched for in accordance with the Company's expense reporting procedure in force from time to time.

9. **HOLIDAYS AND HOLIDAY PAY**

9.1 The Executive shall be entitled to an aggregate of 30 working days' paid holiday per holiday year (in addition to public holidays in Bermuda) in relation to his employment by the Company and any other Group Company and, if applicable, such additional days as are set out in the Company's standard terms and conditions of employment from time to time, during each holiday year to be taken at such time or times as may be agreed with the Manager. Except as otherwise provided in the Company's holiday policy, the Executive may not carry forward any unused part of his holiday entitlement to a subsequent holiday year and the Executive shall not be entitled to any salary in lieu of untaken holiday.

9.2 For the holiday year during which the Executive's employment hereunder commences or terminates he shall be entitled to such proportion of his annual holiday entitlement as the period of his employment in each such holiday year bears to one holiday year as set out in the Company's holiday policy. Upon termination of his employment for whatever reason, he shall, if appropriate, be entitled to salary in lieu of any outstanding holiday entitlement.

10. **DISABILITY OR DEATH**

10.1 The Company reserves the right at any time to require the Executive (at the expense of the Company) to be examined by a medical adviser nominated by the Company and the Executive consents to the medical adviser disclosing the results of the examination to the Company and shall provide the Company with such formal consents as may be necessary for this purpose.

10.2 If the Executive shall be prevented by illness, accident or other incapacity from properly performing his duties hereunder he shall report this fact forthwith to the Company Secretary's office and if he is so prevented for seven or more consecutive days he shall if required by the Company provide an appropriate doctor's certificate.

10.3 If the Executive shall be absent from his duties hereunder owing to illness, accident or other incapacity duly certified in accordance with the provisions of clause 10.2 he shall be paid his full remuneration for any period of absence of up to a maximum of 26 weeks in aggregate in any period of 52 consecutive weeks and thereafter, subject to the provisions of clause 17, to such remuneration (if any) as the Board shall in its absolute discretion allow provided that the Company may not terminate the employment of the Executive under this clause without his consent at a time when he is unable to perform his duties through illness if the consequence of such termination would be to deprive him

of any benefits that would otherwise be payable to him under the provisions of any permanent health insurance policy taken out by the Company.

- 10.4 In the event that the Executive's employment is terminated due to his death, his estate or his beneficiaries, as the case may be, shall be entitled to: (a) salary at his Salary Rate up to and including the end of the month in which his death occurs, (b) the annual incentive award, if any, to which the Executive would have been entitled to pursuant to Clause 6.2 for the year in which the Executive's death occurs, multiplied by a fraction, the numerator of which is the number of days that the Executive was employed during the applicable year and the denominator of which is 365, and (c) the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed, all of which amounts shall be payable in a lump sum in cash within 30 days after his death, except that the pro-rated incentive award shall be payable when such award would have otherwise been payable had the Executive not died.

11. **CONFIDENTIAL INFORMATION**

- 11.1 Except as otherwise provided in this Section, the Executive shall not during his employment hereunder or at any time after his termination for any reason whatsoever disclose to any person whatsoever or otherwise make use of any Confidential Information.
- 11.2 As used in this Section, the term "Confidential Information" shall mean any confidential or secret information which he has or may have acquired in the course of his employment relating to the Company or any other Group Company or any customers or clients of the Company or any other Group Company, including without limiting the generality of the foregoing:
- 11.2.1 confidential or secret information relating to the past, current or future business, finances, activities and operations of the Company or any other Group Company;
- 11.2.2 confidential or secret information relating to the past, current or future business, finances, activities and operations of any third party to the extent that such information was obtained by the Company or any other Group Company pursuant to a confidentiality agreement;
- but shall not include information that is generally known to, or recognised as standard practice in, the industry in which the Company is engaged unless such information is known or recognised as a result of the Executive's breach of this covenant.
- 11.3 The Executive will only use Confidential Information for the benefit of the Company or any other Group Company in the course of his employment and shall at all times exercise all due care and diligence to prevent the unauthorised disclosure or use of Confidential Information.
- 11.4 In the event that the Executive becomes compelled by a court or administrative order to disclose any of the Confidential Information other than as permitted pursuant to this Section, he will provide prompt notice to the Company so that the Company may seek a protective order or other appropriate remedy. In the event the Company fails to seek, or seeks and fails to obtain, such a protective order or other protective remedy, the
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Executive will furnish only that portion of the Confidential Information that, in the opinion of his counsel, he is legally required to furnish.

12. **COPYRIGHT AND DESIGNS**

- 12.1 The Executive hereby assigns to the Company all present and future copyright, design rights and other proprietary rights if any for the full term thereof throughout the world in respect of all works originated by him at any time during the period of his employment by the Company or any other Group Company whether during the course of his normal duties or other duties specifically assigned to him (whether or not during normal working hours) either alone or in conjunction with any other person and in which copyright or design rights may subsist except only those designs or other works written, originated, conceived or made by him wholly unconnected with his service hereunder.
- 12.2 The Executive agrees and undertakes that he will execute such deeds or documents and do all such acts and things as may be necessary or desirable to substantiate the rights of the Company in respect of the matters referred to in this Clause. To secure his obligation under this Agreement the Executive irrevocably appoints the Company to be his attorney in his name and on his behalf to execute such deeds or documents and do all such acts and things as may be necessary or desirable to substantiate the rights of the Company in respect of the matters referred to in this Clause.
- 12.3 The Executive hereby irrevocably waives all moral rights that he had or may have in any of the works referred to in Clause 12.1, subject to the exception therein.

13. **GRATUITIES AND CODES OF CONDUCT**

- 13.1 The Executive shall comply with all codes of conduct from time to time adopted by the Board.
- 13.2 The Executive shall not, except in accordance with the Company's Gift and Hospitality Policy and any other code of conduct adopted by the Board or with the prior written consent of the Board, directly or indirectly accept any commission, rebate, discount, gratuity or gift, in cash or in kind from any person who has or is likely to have a business relationship with the Company or any other Group Company and shall notify the Company upon acceptance by the Executive of any commission, rebate, discount, gratuity or gift in accordance with the Company's Gift and Hospitality Policy or any such code of conduct from time to time.

14. **RESTRICTIVE COVENANTS**

- 14.1 For the purpose of this Clause:

“**the Business**” means the business of the Group or any Group Company at the date of termination of the Executive's employment with which the Executive has been concerned to a material extent at any time in the Relevant Period;

references to the “**Group**” and “**Group Companies**” shall only be reference to the Group and Group Companies in respect of which the Executive has carried out material duties in the Relevant Period;

“Relevant Period” shall mean the period of 24 months immediately preceding the date on which the Restricted Period defined in clause 14.3 commences or the date on which the Company seeks to enforce the restriction in question;

“Restricted Person” shall mean any person who or which has at any time during the Relevant Period done business with the Company or any other Group Company as customer or client or consultant and whom or which the Executive shall have had personal dealings with, contact with or responsibility for (each, in a business or commercial capacity) during the Relevant Period;

“Key Employee” shall mean any person who at the date of termination of the Executive’s employment is employed or engaged by the Company or any other Group Company with whom the Executive has had material contact during the Relevant Period and (a) is employed or engaged in the capacity of Manager, Underwriter or otherwise in a senior capacity or in any other capacity as may be agreed in writing between the Executive Committee and the Executive from time to time and/or (b) is in the possession of Confidential Information and/or (c) is directly managed by or reports to the Executive.

- 14.2 The Executive covenants with the Company that he will not in connection with the carrying on of any business in competition with the Business during his employment or any Restricted Period applicable upon the termination of the Executive’s employment (as defined in clause 14.3) without the prior written consent of the Board either alone or jointly with or on behalf of any person directly or indirectly:
- 14.2.1 canvass, solicit or approach or cause to be canvassed or solicited or approached for orders in respect of any services provided and/or any products sold by the Company or any other Group Company any Restricted Person;
 - 14.2.2 solicit or entice away or endeavour to solicit or entice away from the Company or any other Group Company any Key Employee;
 - 14.2.3 be employed, engaged, interested in or concerned with any business or undertaking which is engaged in or carries on business in the United Kingdom, Bermuda or the USA which is or is about to be in competition with the Business;
- 14.3 The length of the Restricted Period depends upon the circumstances in which the Executive’s employment terminates as follows:-
- 14.3.1 if the Executive serves 12 months’ notice to terminate his employment without Good Reason under clause 18.2 the Restricted Period shall be a period of 12 months (or 18 months in respect of clause 14.2.2 only) from the date on which notice is served which period shall run concurrently with the 12 month notice period irrespective of whether the Executive is working his notice, on garden leave or his employment has terminated prior to the expiry of the notice period as a result of the Company making a payment pursuant to clause 19.2 within the time period specified in that clause;
 - 14.3.2 if the Company serves notice to terminate the Executive’s employment without Cause under clause 17 the Restricted Period shall be a period of 6 months from the date on which notice is served by the Company which period shall run concurrently with the 12 month notice period irrespective of whether the
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Executive is working his notice, on garden leave or his employment has terminated prior to the expiry of the notice period as a result of the Company making a payment pursuant to clause 19.2 within the time period specified in that clause;

- 14.3.3 if the Executive serves immediate notice to terminate his employment with Good Reason under clause 18.1 the Restricted Period shall be 6 months from the date of termination provided the Executive is paid the payment due under clause 19.2 within the time period specified in that clause;
- 14.3.4 if the Company serves immediate notice to terminate the Executive's employment with Cause under clause 16.1 the Restricted Period shall be 6 months from the date of termination provided the Company complies with clause 16.1;
- 14.4 The covenants contained in Clauses 14.2.1, 14.2.2 and 14.2.3 are intended to be separate and severable and enforceable as such. It is expressly understood and agreed that although the Executive and the Company consider the restrictions contained in this Clause 14 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.
- 14.5 The Executive acknowledges and agrees that the Company's remedies at law for a breach of any of the provisions of Clauses 11, 12 or 14 would be inadequate and the Company would suffer irreparable damages as a result of such breach. In recognition of this fact, the Executive agrees that, in the event of such a breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.
15. **TERMINATION BY RECONSTRUCTION OR AMALGAMATION; CHANGE IN CONTROL**
- 15.1 If the employment of the Executive hereunder shall be terminated solely by reason of the liquidation of any Group Company for the purposes of amalgamation or reconstruction or as part of any arrangement for the amalgamation of the undertaking of such Group Company not involving liquidation (in each case, other than a "Change in Control", as defined below) and the Executive shall be offered employment with the amalgamated or reconstructed company on the same terms as the terms of this Agreement, the Executive shall have no claim against the Company or any Group Company in respect of the termination of his employment by the Company.
- 15.2 If the employment of the Executive hereunder shall be terminated by the Company without Cause or by the Executive with Good Reason within the six-month period prior to a Change in Control or within the two-year period after a Change in Control, in
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addition to the benefits provided in Clause 19.2, the Executive shall be entitled to the following benefits: other than share options and other equity based awards granted in 2004 and 2005, which shall vest and be exercisable in accordance with the terms of their grant agreements, all share options and other equity -based awards shall immediately vest and remain exercisable for the remainder of their terms.

For purposes of this Agreement, "Change in Control" shall have the same meaning as under the Aspen Insurance Holdings 2003 Share Incentive Plan as in effect as of the date hereof.

16. TERMINATION OF EMPLOYMENT BY THE COMPANY FOR CAUSE

16.1 The Company, without prejudice to any remedy which it may have against the Executive for the breach or non-performance of any of the provisions of this Agreement, may by notice in writing to the Executive forthwith terminate his employment for "Cause". In the event the Company terminates the Executive's employment for Cause, the Executive shall be entitled to salary at his Salary Rate through the date of termination.

For purposes of this Agreement, "Cause" shall mean circumstances where the Executive:

- (a) becomes bankrupt or becomes the subject of an interim order under the Insolvency Act 1986 or makes any arrangement or composition with his creditors; or
- (b) is convicted of any criminal offence (other than an offence under road traffic legislation in the United Kingdom or elsewhere for which a penalty other than imprisonment is imposed); or
- (c) is guilty of any serious misconduct, any conduct tending to bring the Company or any other Group Company or himself into disrepute, or any material breach or non-observance of any of the provisions of this Agreement, or conducts himself in a way which is materially prejudicial or calculated to be materially prejudicial to the business of the Group; or
- (d) is disqualified from being a director of any company by reason of an order made by any competent court; or
- (e) is guilty of any repeated breach or non-observance of any code of conduct or fails or ceases to be registered (where such registration is, in the reasonable opinion of the Board, required for the performance of his duties) by any regulatory body in the United Kingdom or elsewhere.

17. TERMINATION OF EMPLOYMENT BY THE COMPANY WITHOUT CAUSE

17.1 The Company may terminate the employment of the Executive at any time during the employment hereunder without Cause by either (i) giving to the Executive 12 months' prior notice in writing; or (ii) terminating the employment of the Executive immediately and paying the Executive in lieu of the notice to which he would have otherwise been entitled under (i) above (which payment in lieu shall be deemed to be included within the Severance Payment referred to in Clause 19.2) provided that the Company may not terminate the employment of the Executive under this clause without his consent at a time

when he is unable to perform his duties through illness if the consequence of such termination would be to deprive him of any benefits that would otherwise be payable to him under the provisions of any permanent health insurance policy taken out by the Company.

18. **TERMINATION OF EMPLOYMENT BY THE EXECUTIVE**

- 18.1 The Executive shall have the right to terminate his employment at any time for Good Reason by immediate notice if, following submission of the written notice by the Executive to the Company detailing the events alleged to constitute Good Reason in accordance with this Clause, the Company shall have failed to cure such events within the 30 day period following submission of such notice. For purposes of this Agreement, "Good Reason" shall mean (i) a reduction in the Executive's annual base salary or annual bonus opportunity, or the failure to pay or provide the same when due, (ii) a material diminution in the Executive's duties, authority, responsibilities or title, or the assignment to the Executive of duties or responsibilities which are materially inconsistent with his positions, (iii) the removal of the Executive from the position described in Clause 3; (iv) the Company's requiring the Executive to be based at any office or location more than fifty (50) miles from the Executive's office as of the date hereof; or (v) any other fundamental breach of this Agreement; *provided, however*, that no such event(s) shall constitute "Good Reason" unless the Company shall have failed to cure such event(s) within 30 days after receipt by the Company from the Executive of written notice describing in detail such event(s).
- 18.2 The Executive shall have the right to terminate his employment at any time without Good Reason upon giving 12 months' prior written notice to the Company.
- 18.3 If the Executive gives notice to terminate his employment without Good Reason under Clause 18.2 or if the Executive seeks to terminate his employment without Good Reason and without the notice required by Clause 18.2 or the Company gives notice to terminate the Executive's employment under Clause 17.1 (i), then provided the Company continues to provide the Executive with the salary and contractual benefits in accordance with this Agreement, the Company has, at its discretion, the right for the period (the "**Garden Leave Period**") then outstanding until the date of the termination of the Executive's employment:
- (a) to exclude the Executive from any premises of the Company or any Group Company and require the Executive not to attend at any premises of the Company or any Group Company; and/or
 - (b) to require the Executive to carry out no duties; and/or
 - (c) to require the Executive not to communicate or deal with any employees, agents, consultants, clients or other representatives of the Company or any other Group Company; and/or
 - (d) to require the Executive to resign with immediate effect from any offices he holds with the Company or any other Group Company (and any related trusteeships); and/or
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(e) to require the Executive to take any holiday which has accrued under clause 9 during the Garden Leave Period.

The Executive shall continue to be bound by the duties set out in Clause 5 (insofar as they are compatible with being placed on garden leave), the restrictions set out in Clause 14.2 and all duties of good faith and fidelity during the Garden Leave Period.

18.4 If the Executive is required to take garden leave under clause 18.3 the Company will during this time (where the Company has served notice to terminate his employment Without Cause under clause 17.1(i) but not otherwise) pay to the Executive an annual incentive award equal to the lesser of (x) the target annual incentive award for the year in which notice was served and (y) the average annual incentive awards received by the Executive in the prior three years (or if less the number of prior years in which the Executive was employed by the Company) multiplied by a fraction, the numerator of which is the number of days that the Executive was on garden leave and the denominator of which is 365 such award to be paid on the completion of garden leave.

19. **OBLIGATIONS UPON TERMINATION OF EMPLOYMENT; CERTAIN OTHER TERMINATIONS**

19.1 Upon the termination of his employment hereunder for whatever reason the Executive shall:

- (a) forthwith tender his resignation as a Director of the Company and of any other Group Company without compensation, but without prejudice to any other rights which he may have under this Agreement. To secure his obligation under this Agreement the Executive irrevocably appoints the Company to be his attorney in his name and on his behalf to sign any documents and do any things necessary to give effect thereto, if the Executive shall fail to sign or do the same himself;
 - (b) deliver up to the Company all keys, credit cards, correspondence, documents, specifications, reports, papers and records (including any computer materials such as discs or tapes) and all copies thereof and any other property (whether or not similar to the foregoing or any of them) belonging to the Company or any other Group Company which may be in his possession or under his control, and (unless prevented by the owner thereof) any such property belonging to others which may be in his possession or under his control and which relates in any way to the business or affairs of the Company or any other Group Company or any supplier, agent, distributor or customer of the Company or any other Group Company, and he shall not without written consent of the Board retain any copies thereof;
 - (c) if so requested send to the Company Secretary a signed statement confirming that he has complied with Clause 19.1(b); and
 - (d) not at any time make any untrue or misleading oral or written statement concerning the business and affairs of the Company or any other Group Company or represent himself or permit himself to be held out as being in any way connected with or interested in the business of the Company or any other Group Company (except as a former employee for the purpose of communicating
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with prospective employers or complying with any applicable statutory requirements).

- 19.2 In the event of a termination of Executive's employment hereunder by the Executive with Good Reason or by the Company without Cause (other than by reason of death), the Executive shall be entitled to (a) salary at his Salary Rate through the date in which his termination occurs; (b) the lesser of (x) the target annual incentive award for the year in which the Executive's termination occurs, and (y) the average of the annual incentive awards received by the Executive in the prior three years (or, if less the number of prior years in which the Executive was employed by the Company), multiplied by a fraction, the numerator of which is the number of days that the Executive was employed during the applicable year and the denominator of which is 365; (c) subject to Clause 19.3 below, the sum of (x) the Executive's highest Salary Rate during the term of this Agreement and (y) the average bonus under the Company's annual incentive plan actually earned by the Executive during the three years (or number of complete years employed by the Company, if fewer) immediately prior to the year of termination (the sum of (x) and (y) hereafter referred to as the "**Severance Payment**"), and (d) the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed, but which have not yet been paid, all of which amounts shall be payable in a lump sum in cash within 30 days after his termination. In the event that the Company terminates the Executive's employment without Cause under the provisions of Clause 17.1(ii) the parties acknowledge that the Severance Payment will be inclusive of the Executive's rights to be paid in lieu of the 12 months' notice period to which he is entitled under that Clause.
- 19.3 In the event that the Executive's employment is terminated by the Company without Cause under the provisions of Clause 17.1 (i) and the Company exercises all or any of its rights under Clause 18.3 during the 12 months' notice period, the Severance Payment shall be reduced by a sum equal to the total salary and bonus payments received by the Executive during the Garden Leave Period.
- 19.4 Upon any termination of employment, the Executive shall be entitled to (a) any expense reimbursement due to him and (b) other benefits (if any) in accordance with the applicable plans and programs of the Company.
- 19.5 In the event of any termination of employment under this Agreement, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

20. **EFFECT OF TERMINATION OF THIS AGREEMENT**

The expiry or termination of this Agreement however arising shall not operate to affect any of the provisions hereof which are expressed to operate or have effect thereafter and shall not prejudice the exercise of any right or remedy of either party accrued beforehand.

21. **GENERAL RELEASE**

Notwithstanding any provision herein to the contrary, prior to payment of any amount pursuant to Clauses 15.2 and 19.2, the Executive shall execute a valid general release, in the form attached hereto (except to the extent that the Company considers that a change

in law or any current practice existing at the date of termination requires a modification to such release), pursuant to which the Executive shall release the Group and its shareholders, directors, officers, employees and agents, to the maximum extent permitted by law, from any and all claims the Executive may have against the Group that relate to or arise out of the Executive's employment or termination of employment, except such claims arising under this Agreement.

22. OTHER TERMS AND CONDITIONS

22.1 The Executive's period of continuous employment which began on 1st July 1989 shall be recognised by the Company.

22.2 The Company shall maintain a directors' and officers' liability insurance policy covering the Executive which is no less favorable than the policy covering other senior executive officers of the Company. In addition, the Company expressly acknowledges that the Executive is in the class of individuals entitled to be an "Indemnified Person" (as such term is defined in the Amended and Restated Bye-Laws of the Company (the "**Bye-Laws**")). As such, the Executive shall be entitled to the greatest of any and all protections regarding indemnity, insurance and advancement and reimbursement of expenses provided under the Bye-Laws as in existence on the date hereof, the directors' and officers' policy described above, or such greater protection as may be provided under applicable law, provided, however, that if the Bye-Laws are amended after the date hereof, and, as amended, they provide greater benefits than the existing Bye-Laws, the Executive shall be entitled to such greater benefits.

22.3 In the event that a new Bermuda work permit is required to enable the Executive to take up his new position, and the Company is unable to obtain such a permit (other than by reason of an action by the Executive) within 6 months after the Executive was scheduled to take on his new position, then the Company will use reasonable efforts to provide the Executive with alternative employment in Bermuda or the United Kingdom with the Company or one of its Affiliates at a level commensurate with the proposed role of Chairman, AIL. If the Company is unable to do so, then the Executive's employment with the Company will be terminated by mutual agreement, but the Executive will receive the financial benefits of this contract on the same terms as if he had been terminated without Cause.

23. NOTICES

Any notice to be given hereunder shall be in writing. Notice to the Executive shall be sufficiently served by being delivered personally to him or be being sent by first class post addressed to him at his usual or last known place of residence, Notice to the Company shall be sufficiently served by being delivered to the Company Secretary or by being sent by first class post to the registered office of the Company. Any notice if so posted shall be deemed served upon the third day following that on which it was posted.

24. PREVIOUS AND OTHER AGREEMENTS

This Agreement shall take effect in substitution for all previous agreements and arrangements (whether written, oral or implied) between the Company and the Executive (including, without limitation, the Original Agreement) relating to his employment which

shall be deemed to have been terminated by mutual consent with effect from the commencement of this Agreement.

25. **ENTIRE AGREEMENT/AMENDMENT**

This Agreement contains the entire understanding of the parties with respect to the employment of the Executive by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

26. **ASSIGNMENT**

This Agreement, and all of the Executive's rights and duties hereunder, shall not be assignable or delegable by the Executive. Any purported assignment or delegation by the Executive in violation of the foregoing shall be null and void ab initio and of no force and effect. This Agreement may be assigned by the Company to a person or entity that is the successor in interest to substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such successor person or entity. Failure by such successor of the Company to expressly assume this Agreement shall constitute an event of "Good Reason", entitling Executive to the Benefits set forth in Clause 15 or 19, as applicable.

27. **SEVERABILITY**

In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

28. **SUCCESSORS/BINDING AGREEMENT**

This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of the parties hereto.

29. **CO-OPERATION**

During employment by the Company and thereafter, the Executive shall provide his reasonable co-operation in connection with any action or proceeding (or any appeal from any action or proceeding) that relates to events occurring during the Executive's employment; provided, however, that after the Executive's employment by the Company has ended, (i) any request for such co-operation shall accommodate the demands of the Executive's then existing schedule and (ii) if any such request will involve more than a de minimis amount of the Executive's time, the Executive shall be entitled to reasonable compensation therefor.

30. **GOVERNING LAW**

Bermuda law shall apply to this Agreement.

31. **COUNTERPARTS**

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS whereof this Agreement has been duly executed and delivered as a deed the day and year first before written.

SIGNED as a Deed
and DELIVERED by
JULIAN MICHAEL CUSACK
in the presence of:

/s/ Julian Cusack

Witness Signature:
Witness Name:
Witness Address:
Witness Occupation:

ASPEN INSURANCE HOLDINGS LIMITED

By: /s/ Chris O'Kane

Name: Chris O'Kane

Title: Chief Executive Officer

DATED _____
ASPEN INSURANCE HOLDINGS LIMITED
and
JULIAN MICHAEL CUSACK

SEVERANCE AGREEMENT

THIS AGREEMENT is made as of the day of [20[]]

BETWEEN:

- (1) **ASPEN INSURANCE HOLDINGS LIMITED**, incorporated in the Islands of Bermuda whose registered office is at the Maxwell Roberts Building, 1 Church Street, Hamilton HM 11, Bermuda (the “**Company**”); and
- (2) **JULIAN MICHAEL CUSACK** of [Address] (hereinafter referred to as the “**Executive**”).

IT IS AGREED AS FOLLOWS:

1. **INTERPRETATION**

1.1 In this Agreement:

- “Affiliate” means any entity directly or indirectly controlling, controlled by, or under common control with the Company; or any other entity designated by the Board in which the Company or an Affiliate has an interest.
- “Board” means the Board of Directors of the Company from time to time;
- “Group” means the Company and its Affiliates (and “Group Company” means the Company or any one of its Affiliates);
- “Option Agreement” means the nonqualified share option agreement entered into by the Executive and the Company on 20 August 2003; and
- “Service Agreement” shall mean the service agreement entered into between the Executive and the Company dated [], as subsequently amended.

2. **TERMINATION DATE**

The Executive’s employment with the Company [will end][ended] on [date] (the “**Termination Date**”).

3. **PAYMENT OF SALARY ETC**

The Company will continue to provide the Executive with his salary and all other contractual benefits up to the Termination Date in the normal way. Within 14 days of the Termination Date the Company will also pay the Executive in respect of his accrued but

untaken holiday (less such deductions for income tax and national insurance as are required by law).

4. **TERMINATION SUMS**

Subject to the Executive agreeing to all of the conditions set out below, and receipt by the Company of a copy of this Agreement signed by the Executive and the attached certificate signed by the Executive's legal adviser, the Company will pay the Executive the following sums:

- (i) £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to an annual incentive award for the year in which the termination of the Executive's employment with the Company occurs, as calculated in accordance with Clause 19.2 (b) of the Service Agreement;
- (ii) the sum of £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to a Severance Payment, as calculated and defined in accordance with Clauses 19.2(c) and 19.3 of the Service Agreement; and
- (iii) the sum of £[*appropriate figure to be inserted*] in respect of the Executive's entitlement to the unpaid balance of all previously earned cash bonus and other incentive awards with respect to performance periods which have been completed as at the Termination Date but not yet paid, as calculated in accordance with Clause 19.2(d) of the Service Agreement.

The sums set out in (i) to (iii) above will be subject to such deductions for income tax and national insurance as are required by law and will be paid to the Executive within [14] days of the date of signature by him of this Agreement and signature by his legal adviser of the attached certificate. Payment will be made by transfer to the Executive's bank account.

5. **SHARE OPTIONS**

[The Company confirms that:

- (a) with respect to share options issued under the Option Agreement; notwithstanding any provision in the Option Agreement to the contrary, the Shares underlying the Time Option (as defined in the Option Agreement) vested and became exercisable on 31 December 2006; and it is agreed that the Shares underlying the Performance-Accelerated Option (as defined in the Option Agreement) that remain unvested at the date of this Agreement shall continue to vest and become exercisable in accordance with the provisions of clause 2(b) of the Option Agreement notwithstanding the termination of the Executive's employment; and
 - (b) with respect to other share options, the extent to which share options held by the Executive as at the Termination Date shall be exercisable following the Termination Date will be determined solely in accordance with terms of the agreements under which such share options were granted.] or [Other than in relation to share options granted to the Executive in 2004 and 2005, the Company
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confirms that all share options granted to the Executive have vested and will remain exercisable for the remainder of their terms.]1

6. **WAIVER OF CLAIMS**

The Executive accepts the terms set out in this Agreement in full and final settlement of all and any claims that he has or may have against the Company, the Board or any other Group Company or any of its or their current or former shareholders, directors, officers, employees or agents, whether contractual (whether known or unknown, existing now or in the future), statutory or otherwise, arising out of or in connection with his employment with the Company or the termination of his employment and his directorship of the Company and any Group Company or his resignation therefrom. The Executive also agrees to waive irrevocably and release the Company, the Board and all Group Companies (and all of its or their current or former shareholders, directors, officers, employees or agents) from and against any claims whether contractual (whether known or unknown, existing now or in the future), statutory or otherwise, arising out of or in connection with his employment with the Company or the termination of his employment and his directorship of the Company and any Group Company or his resignation therefrom. This waiver shall not apply in relation to any claim relating to his pension rights that have accrued up to the Termination Date.

7. **CONFIRMATION OF NO BREACHES**

The Executive confirms and warrants to the Company that he has not at any time during his employment committed a fundamental breach of the terms of the Service Agreement.

8. **SATISFACTION OF STATUTORY CONDITIONS**

The Executive is aware of his rights under the Employment Act 2000 and the Human Rights Amendment Act 1987 and has informed the Company of any and all claims that he might seek to bring arising from his employment or termination of employment. This agreement relates to his claims under the Employment Act 2000 and the Human Rights Amendment Act 1987.

Second alternative to be used in the event of qualifying termination in connection with a Change of Control under Clause 15.2 of the Service Agreement.

9. **RESIGNATION OF DIRECTORSHIP**

At the same time as executing this Agreement the Executive will resign with immediate effect from his directorship of the Company and from all directorships and offices held with other Group Companies (and all related trusteeships) by signing and delivering the attached letters of resignation.

10. **POST-TERMINATION RESTRAINTS**

The Executive acknowledges that the provisions of Clause 11 (Confidentiality) and Clause 14 (Restrictive Covenants) of the Service Agreement will (to the extent that they are applicable in the circumstances of the termination of the Executive's employment with the Company) remain in full force and effect notwithstanding the termination of his employment.

11. **RETURN OF COMPANY PROPERTY**

Before any payment under Clause 4 above is made, the Executive will, in accordance with Clause 19.1(b) of the Service Agreement, deliver up to the Company all vehicles, keys, credit cards, correspondence, documents, specifications, reports, papers and records (including any computer materials such as discs or tapes) and all copies thereof and any other property (whether or not similar to the foregoing or any of them) belonging to the Company or any other Group Company which may be in his possession or under his control, and (unless prevented by the owner thereof) any such property belonging to others which may be in his possession or under his control and which relates in any way to the business or affairs of the Company or any other Group Company or any supplier, agent, distributor or customer of the Company or any other Group Company, and he confirms that he has not retained any copies thereof.

12. **CONFIDENTIALITY**

Save by reason of any legal obligation or to enforce the terms of this letter, the parties will not:

- (a) disclose the existence or terms of this Agreement to anyone (other than to their professional advisers, the relevant tax authorities or any other competent authority or in the case of the Executive, to his spouse);
- (b) directly or indirectly disseminate, publish or otherwise disclose (or allow to be disseminated, published or otherwise disclosed) by any means (whether oral, written or otherwise) or medium (including without limitation electronic, paper, radio or television) any information directly or indirectly relating to the termination of the Executive's employment; or
- (c) make any derogatory or disparaging comments about the other or in the case of the Executive in relation to the Company, any Group Company or any of its or their shareholders, directors, officers, employees or agents.

13. **NO ADMISSION OF LIABILITY**

This agreement is made without any admission on the part of the Company or any Group Company that it has or they have in any way breached any law or regulation or that the Executive has any claims against the Company or any Group Company.

14. **TAX INDEMNITY**

The Executive hereby agrees to be responsible for the payment of any tax and employee's national insurance contributions imposed by any competent taxation authority in respect of any of the payments and benefits provided under this Agreement (other than for the avoidance of doubt, any tax and/or employee's national insurance contributions deducted or withheld by the Company in paying the sums to the Executive). The Executive further agrees to indemnify the Company and all Group Companies and keep them indemnified on an ongoing basis against any claim or demand which is made by any competent taxation authority against the Company or any Group Company in respect of any liability of the Company or any Group Company to deduct an amount of tax or an amount in respect of tax or any employee's national insurance contributions from the payments

made and benefits provided under this Agreement, including any related interest or penalties imposed by any competent taxation authority.

15. **ENTIRE AGREEMENT**

This letter sets out the entire agreement between the Executive and the Company and, save as set out in Clauses 5 and 10 above, supersedes all prior arrangements, proposals, representations, statements and/or understandings between the Executive, the Company and any Group Company.

16. **APPLICABLE LAW**

This agreement is subject to Bermuda law and the exclusive jurisdiction of the Bermuda courts.

Julian Michael Cusack

dated

For and on behalf of Aspen Insurance Holdings Limited

dated

13 May 2008

Mr R Houghton
[Address]

Dear Richard,

Amendment to Term and Conditions of Employment

Further to your conversation with Chris O'Kane and in line with the recent change in your responsibilities, this letter confirms the action taken by the Compensation Committee on April 29th 2008 to increase your salary to £350,000 per annum. This change is effective from 1st May 2008.

All other terms and conditions remain the same.

You will appreciate that salary information is confidential to yourself and the Company.

Yours sincerely

/s/ Chris Woodman

Chris Woodman
Group Head of Human Resources

ASPEN INSURANCE HOLDINGS LIMITED
PERFORMANCE SHARE AWARD AGREEMENT

THIS AGREEMENT (the "Agreement"), is made effective as of the 2nd day of May, 2008 (hereinafter called the "Date of Grant"), between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the "Company"), and _____ (hereinafter called the "Participant"):

RECITALS:

WHEREAS, the Company has adopted the Aspen Insurance Holdings 2003 Share Incentive Plan, as amended from time to time (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the performance shares provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Grant of Performance Shares. The Company hereby awards to the Participant _____ Shares, payment of which is dependent upon the performance of the Company as described in Section 2 of this Agreement (the "Performance Shares").
 2. Vesting. The Performance Shares shall vest and become payable only to the extent that the Return on Equity (calculated as described in Section 2(a) below, the "ROE") and the service requirements described below are achieved.
 - (a) For purposes of this Agreement, "ROE" shall be equal to net income determined under United States Generally Accepted Accounting Principles ("US GAAP") after deduction of the cost of all Awards granted under the Plan as a percentage of weighted average shareholders' equity, which shall be determined by the Board based on the Company's audited financials under US GAAP.
 - (b) For purposes of this Agreement, "2008 ROE" shall be equal to the Company's actual ROE for the fiscal year ended December 31, 2008 (the "2008 Fiscal Year").
 - (c) For purposes of this Agreement, "2009 ROE" shall be equal to the Company's actual ROE for the fiscal year ended December 31, 2009 (the "2009 Fiscal Year").
 - (d) For purposes of this Agreement, "2010 ROE" shall be equal to the Company's actual ROE for the fiscal year ended December 31, 2010 (the "2010 Fiscal Year").
-

- (e) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "2008 ROE Award") shall be eligible for vesting ("Eligible Shares") upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's ROE for the 2008 Fiscal Year or (ii) the date such ROE is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided below:

2008 ROE	Percentage of Eligible Shares
< 10%	0%
10%	10%
15%	100%
<input type="checkbox"/> 25%	200%

Interim percentages to be pro-rated.

Notwithstanding the foregoing, if the Company's actual ROE for the 2008 Fiscal Year is (i) less than 10%, then none of the Performance Shares subject to the 2008 ROE Award shall be Eligible Shares, (ii) greater than 15% and the average ROE over the 2008 Fiscal Year and the immediately preceding fiscal year is less than 10%, then the Percentage of Eligible Shares shall be 100%; or (iii) greater than 15% and the average ROE over the 2008 Fiscal Year and the immediately preceding fiscal year is 10% or greater, then the Percentage of Eligible Shares shall be in accordance with the table above.

- (f) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "2009 ROE Award") shall become Eligible Shares upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's ROE for the 2009 Fiscal Year or (ii) the date such ROE is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided below:

2009 ROE	Percentage of Eligible Shares
< 10%	0%
10%	10%
15%	100%
<input type="checkbox"/> 25%	200%

Interim percentages to be pro-rated.

Notwithstanding the foregoing, if the Company's actual ROE for the 2009 Fiscal Year is (i) less than 10%, then none of the Performance Shares subject to the 2009 ROE Award shall be Eligible Shares, (ii) greater than 15% and the average ROE over the 2009 Fiscal Year and the 2008 Fiscal Year is less than 10%, then the Percentage of Eligible Shares shall be 100%; or (iii) greater than 15% and the average ROE over the 2009 Fiscal Year and the 2008 Fiscal Year is 10% or greater, then the Percentage of Eligible Shares shall be in accordance with the table above.

- (g) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "2010 ROE Award") shall become Eligible Shares upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's ROE for the 2010 Fiscal Year or (ii) the date such ROE is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided below:

2010 ROE	Percentage of Eligible Shares
< 10%	0%
10%	10%
15%	100%
□ 25%	200%

Interim percentages to be pro-rated.

Notwithstanding the foregoing, if the Company's actual ROE for the 2010 Fiscal Year is (i) less than 10%, then none of the Performance Shares subject to the 2010 ROE Award shall be Eligible Shares, (ii) greater than 15% and the average ROE over the 2010 Fiscal Year and the 2009 Fiscal Year is less than 10%, then the Percentage of Eligible Shares shall be 100%; or (iii) greater than 15% and the average ROE over the 2010 Fiscal Year and the 2009 Fiscal Year is 10% or greater, then the Percentage of Eligible Shares shall be in accordance with the table above.

- (h) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), all Eligible Shares shall become vested upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's ROE for the 2010 Fiscal Year or (ii) the date such ROE is approved by the Board of Directors or an authorized committee thereof.
- (i) In connection with any event described in Section 10(a) of the Plan or in the event of a change in applicable accounting rules, the Committee shall make such adjustments in the terms of the Performance Shares as it shall determine shall be

necessary to equitably reflect such event in order to prevent dilution or enlargement of the potential benefits of the Performance Shares. The Committee's determination as to any such adjustment shall be final.

- (j) If the Participant's Employment with the Company is terminated for any reason, the Performance Shares shall, to the extent not then vested, be canceled by the Company without consideration.
- (k) Any Performance Shares that do not become Eligible Shares by reason of the Company's failure to achieve an ROE as set forth above shall immediately be forfeited without consideration.

3. Payment.

- (a) The Company shall deliver to the Participant one Share for each vested Performance Share. Any fractional share will be rounded down to the nearest whole Share and the remainder forfeited.
- (b) Except as otherwise provided in the Plan, vested Performance Shares shall be paid to the Participant as soon as practicable after the date such Performance Shares become vested, but in no event later than the fifteenth (15th) day of the third (3rd) month following the end of the fiscal year in which the Performance Shares become vested.
- (c) When Performance Shares are paid, the Company shall issue certificates in the Participant's name for such. However, the Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates to him, any loss of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

4. No Right to Continued Employment. The granting of the Performance Shares evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Employment of the Participant and shall not lessen or affect the Company's or its Affiliate's right to terminate the Employment of such Participant.

5. Legend on Certificates. The certificates representing the Shares paid in settlement of Performance Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the U.S. Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

6. Transferability. The Performance Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. For avoidance of doubt, Shares issued to the Participant in payment of vested Performance Shares pursuant to Section 3 hereof shall not be subject

to any of the foregoing transferability restrictions.

7. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of Performance Shares and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.
 8. Securities Laws. Upon the acquisition of any Shares pursuant to settlement of Performance Shares, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.
 9. Bermuda Government Regulations. No Shares shall be issued pursuant to this Agreement unless and until all relevant licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.
 10. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.
 11. Choice of Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF BERMUDA, without regard to conflicts of laws principles.**
 12. Performance Shares Subject to the Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Performance Shares are subject to the Plan (including without limitation the arbitration provision), and the terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.
 13. Rights as a Shareholder. The Participant shall have no rights as a shareholder, and shall not receive dividends, with respect to any Performance Shares until the Performance Shares have been paid out and Share certificates have been issued to the Participant.
 14. Fiscal Year. If the Company's fiscal year is changed to other than a calendar year, the references to calendar year in this Agreement shall be adjusted to appropriately reflect the change.
-

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

ASPEN INSURANCE HOLDINGS LIMITED

By: _____

AGREED AND ACKNOWLEDGED AS
OF THE DATE FIRST ABOVE WRITTEN:

Participant

ASPEN INSURANCE HOLDINGS LIMITED
NON-EMPLOYEE DIRECTOR
RESTRICTED SHARE UNIT AWARD AGREEMENT

THIS AWARD AGREEMENT (the "Agreement"), is made effective as of the 2nd day of May 2008 (hereinafter called the "Date of Grant"), between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the "Company"), and _____ (hereinafter called the "Participant"):

RECITALS:

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2006 Stock Incentive Plan for Non-Employee Directors, As Amended Effective March 21, 2007 (the "Plan"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the restricted share units provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

- 1 Grant of Restricted Share Units. Pursuant to the provisions of the Plan, the Committee hereby awards to the Participant, on the date hereof, subject to the terms and conditions of the Plan and subject further to the terms and conditions herein set forth, [_____] restricted share units (the "Restricted Share Units").
- 2 Vesting.
 - 2.1 Subject to the Participant's continued Service, one-twelfth (1/12) of the Restricted Share Units shall vest on each one month anniversary of the Date of Grant, with 100% of the Restricted Share Units becoming vested on the first anniversary of the Date of Grant and shall be settled as provided in Section 4.
 - 2.2 If the Participant's Service is terminated by the Company or an Affiliate for any reason, other than for Cause, or by the Participant for any reason, all unvested Restricted Share Units shall be forfeited on the date of such termination of service and all vested Restricted Share Units shall be settled as provided in Section 4.
 - 2.3 If the Participant's Service is terminated by the Company or an Affiliate for Cause, all Restricted Share Units, whether vested or unvested, shall be forfeited on the date of such termination of service.
 - 2.4 For purposes of this Agreement, "Cause" shall mean the (i) Participant's engagement in misconduct which is materially injurious to the Company or any of its Affiliates or (ii) Participant's continued failure to substantially perform his or her duties as a director to



the Company or any of its Affiliates. The determination of the existence of Cause shall be made by the Committee in its sole discretion.

- 3 Dividend Equivalents. If a cash dividend is declared on the Shares, the Participant shall be credited with a dividend equivalent in an amount equal to the number of Restricted Share Units held by the Participant as of the dividend record date, multiplied by the amount of the cash dividend per Share. Dividend equivalents are subject to the same vesting schedule as the Restricted Stock Units as provided in Section 2 hereof, shall be denominated in cash and shall be paid in cash if and when the underlying Restricted Share Units are paid. Dividend equivalents denominated in cash shall not accrue interest during the period of restriction.
- 4 Payment.
- 4.1 The Company shall deliver to the Participant one Share for each Restricted Stock Unit which vests as follows:
- (i) With respect to Restricted Stock Units which vest in the calendar year in which the Date of Grant occurs, as soon as practicable following the earlier to occur of (a) the final vesting date in the calendar year in which the Date of Grant occurs and (b) the termination of the Participant's Service for any reason, other than for Cause; provided however, that the Shares shall be delivered no later than March 15 following the last day of the calendar year in which the Date of Grant occurs.
- (ii) With respect to Restricted Stock Units which vest in the calendar year following the calendar year in which the Date of Grant occurs, as soon as practicable following the earlier to occur of (a) the final vesting date in the calendar year following the calendar year in which the Date of Grant occurs and (b) the termination of the Participant's Service for any reason, other than for Cause; provided however, that the Shares shall be delivered no later than March 15 following the last day of the calendar year following the calendar year in which the Date of Grant occurs.
- 4.2 The Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates to the Participant, any loss of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.
- 5 No Right to Continued Service. The granting of the Restricted Share Units evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect the Company's or its Affiliate's right to terminate the Service of such Participant.
- 6 Legend on Certificates. The certificates representing the Shares paid in settlement of the Restricted Share Units shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the U.S. Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
- 7 Transferability.



- 7.1 The Restricted Share Units may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance; provided, further, that, upon written request by the Participant, the Committee may, subject to such rules as the Committee may adopt, permit the Restricted Share Units to be transferred or assigned by the Participant to (i) the Participant's spouse, children or grandchildren (including adopted and stepchildren and grandchildren) (collectively, the "Immediate Family"); (ii) a trust primarily for the benefit of the Participant and/or members of his or her Immediate Family (a "Family Trust"); (iii) a partnership or limited liability company or other entity whose only partners or other equity owners are a Family Trust, the Participant and/or his or her Immediate Family members; or (iv) such Participant's employer in the event the Participant is a non-employee director who is required to transfer any compensation received as non-employee director to his or her employer (each transferee described in clauses (i), (ii), (iii) and (iv) above is hereinafter referred to as a "Permitted Transferee"). The request by the Participant shall describe the terms and conditions of the proposed transfer and the Committee shall notify the Participant in writing if such a transfer will be permitted.
- 7.2 Following a permitted transfer described in Section 7.1 above, all terms of the Restricted Share Units shall apply to the Permitted Transferee and any reference in the Plan and in the Agreement to a Participant shall be deemed to refer to the Permitted Transferee, except that (i) Permitted Transferees shall not be entitled to transfer the Restricted Share Units, other than by will or the laws of descent and distribution, (ii) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise; provided that, if such notice is not provided to the Permitted Transferee, such notices are delivered by the Company to the Participant, and (iii) the consequences of termination of the Participant's Service under the terms of the Plan and the Agreement shall continue to be applied with respect to the Participant, following which the transferred Restricted Share Units shall vest and become payable to the Permitted Transferee only to the extent specified in the Plan and the Agreement. No permitted transfer of the Restricted Share Units to heirs, legatees or the employer of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.
- 8 Withholding. If applicable to the Participant, the Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Restricted Share Units and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.
- 9 Securities Laws. Upon the acquisition of any Shares pursuant to the payment of any Restricted Share Unit, the Participant will make or enter into such written



representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

- 10 Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.
- 11 Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF BERMUDA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.
- 12 Restricted Share Units Subject to the Plan. By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Restricted Share Units are subject to the Plan (including without limitation the arbitration provision), and the terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
- 13 Regulatory Compliance and Listing. The issuance or delivery of any certificates representing Shares issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or the NASDAQ system, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to deliver any such Shares to the Participant if either delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority, any national securities exchange or the NASDAQ system, or the Participant shall not yet have complied fully with the provisions of Section 8 hereof.
- 14 Section 409A of the Code. The provisions of this Agreement and any payments made hereunder are intended to comply with, and should be interpreted consistently with, the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any related regulations or other effective guidance promulgated thereunder by the U.S. Department of the Treasury or the Internal Revenue Service.



15 Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

ASPEN INSURANCE HOLDINGS LIMITED

By: _____

AGREED AND ACKNOWLEDGED AS
OF THE DATE FIRST ABOVE WRITTEN:

Participant

CERTIFICATIONS

I, Christopher O'Kane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

By: /s/ Christopher O'Kane
Name: Christopher O'Kane
Title: Chief Executive Officer

CERTIFICATIONS

I, Richard Houghton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

By: /s/ Richard Houghton
Name: Richard Houghton
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited (the "Company") for the three months ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher O'Kane as Chief Executive Officer of the Company and Richard Houghton as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Christopher O'Kane
Name: Christopher O'Kane
Title: Chief Executive Officer
Date: August 6, 2008

By: /s/ Richard Houghton
Name: Richard Houghton
Title: Chief Financial Officer
Date: August 6, 2008

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.