

**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 September 30, 2007, 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 or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

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 November 1, 2007, there were 87,167,885 ordinary shares, with a par value of 0.15144558¢ per ordinary share, outstanding.

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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 September 30, 2007 (Unaudited) | As at December 31, 2006 |
|---|---|-------------------------------|
| ASSETS | | |
| Investments | | |
| Fixed income maturities available for sale, at fair value (amortized cost — \$4,199.4 and \$3,877.2) | \$ 4,176.4 | \$ 3,828.7 |
| Other investments at fair value | 489.5 | 156.9 |
| Short-term investments available for sale, at fair value (amortized cost — \$553.6 and \$695.9) | 553.3 | 695.5 |
| Total investments | 5,219.2 | 4,681.1 |
| Cash and cash equivalents | 567.2 | 495.0 |
| Reinsurance recoverables | | |
| Unpaid losses | 315.8 | 468.3 |
| Ceded unearned premiums | 102.1 | 29.8 |
| Receivables | | |
| Underwriting premiums | 818.0 | 688.1 |
| Other | 84.8 | 62.2 |
| Deferred policy acquisition costs | 152.9 | 141.4 |
| Derivatives at fair value | 19.2 | 33.8 |
| Office properties and equipment | 25.1 | 24.6 |
| Other assets | 13.6 | 7.6 |
| Intangible assets | 8.2 | 8.2 |
| Total assets | <u>\$ 7,326.1</u> | <u>\$ 6,640.1</u> |
| LIABILITIES | | |
| Insurance reserves | | |
| Losses and loss adjustment expenses | \$ 2,963.0 | \$ 2,820.0 |
| Unearned premiums | 931.7 | 841.3 |
| Total insurance reserves | 3,894.7 | 3,661.3 |
| Payables | | |
| Reinsurance premiums | 89.1 | 62.4 |
| Deferred taxation | 32.2 | 34.1 |
| Current taxation | 77.7 | 27.7 |
| Accrued expenses and other payables | 229.0 | 186.2 |
| Liabilities under derivative contracts | 20.7 | 29.7 |
| Total payables | 448.7 | 340.1 |
| Long-term debt | 249.5 | 249.4 |
| Total liabilities | <u>\$ 4,592.9</u> | <u>\$ 4,250.8</u> |
| Commitments and contingent liabilities (see Note 11) | — | — |
| SHAREHOLDERS' EQUITY | | |
| Ordinary shares: 87,145,828 shares of 0.15144558¢ each (2006 – 87,788,375) | \$ 0.1 | \$ 0.1 |
| Preference shares: | | |
| 4,600,000 5.625% shares of par value 0.15144558¢ each (2006 – 4,600,000) | — | — |
| 8,000,000 7.401% shares of par value 0.15144558¢ each (2006 – 8,000,000) | — | — |
| Additional Paid-in Capital | 1,890.5 | 1,921.7 |
| Retained earnings | 743.8 | 450.5 |
| Accumulated other comprehensive income, net of taxes | 98.8 | 17.0 |
| Total shareholders' equity | <u>2,733.2</u> | <u>2,389.3</u> |
| Total liabilities and shareholders' equity | <u>\$ 7,326.1</u> | <u>\$ 6,640.1</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 September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | |
| Net earned premiums | \$ 419.7 | \$ 429.3 | \$ 1,309.9 | \$ 1,260.9 |
| Net investment income | 72.4 | 47.3 | 218.7 | 141.7 |
| Realized investment losses | (1.9) | (1.0) | (12.3) | (6.1) |
| Change in fair value of derivatives | (2.7) | (7.0) | (8.1) | (8.6) |
| Total Revenues | <u>487.5</u> | <u>468.6</u> | <u>1,508.2</u> | <u>1,387.9</u> |
| Expenses | | | | |
| Losses and loss adjustment expenses | 219.9 | 232.0 | 718.1 | 688.2 |
| Policy acquisition expenses | 76.1 | 78.9 | 235.5 | 255.4 |
| Operating and administrative expenses | 58.6 | 36.8 | 148.3 | 118.0 |
| Interest on long-term debt | 4.2 | 4.6 | 12.8 | 12.5 |
| Net foreign exchange gains | (9.2) | (2.5) | (22.7) | (10.4) |
| Other expenses | — | 0.1 | — | 1.0 |
| Total Expenses | <u>349.6</u> | <u>349.9</u> | <u>1,092.0</u> | <u>1,064.7</u> |
| Income from operations before income tax | 137.9 | 118.7 | 416.2 | 323.2 |
| Income tax expense | 20.7 | 23.7 | 62.4 | 64.6 |
| Net Income | <u>\$ 117.2</u> | <u>\$ 95.0</u> | <u>\$ 353.8</u> | <u>\$ 258.6</u> |
| Per Share Data | | | | |
| Weighted average number of ordinary shares and share equivalents | | | | |
| Basic | 88,712,178 | 95,253,714 | 88,250,043 | 95,249,041 |
| Diluted | 91,081,765 | 97,321,137 | 90,757,617 | 97,238,516 |
| Basic earnings per ordinary share adjusted for preference share dividend | <u>\$ 1.24</u> | <u>\$ 0.96</u> | <u>\$ 3.77</u> | <u>\$ 2.61</u> |
| Diluted earnings per ordinary share adjusted for preference share dividend | <u>\$ 1.21</u> | <u>\$ 0.94</u> | <u>\$ 3.67</u> | <u>\$ 2.55</u> |

See accompanying notes to unaudited consolidated financial statements.

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

| | Nine Months Ended | |
|--|-------------------|-------------------|
| | September 30, | |
| | 2007 | 2006 |
| 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 | 1,921.7 | 1,887.0 |
| New ordinary shares issued | 11.0 | 0.1 |
| Shares repurchased | (50.1) | — |
| New preference shares issued | — | 29.2 |
| New preference share issue costs | — | (0.1) |
| Share-based compensation | 7.9 | 7.4 |
| End of period | <u>1,890.5</u> | <u>1,923.6</u> |
| Retained earnings | | |
| Beginning of period | 450.5 | 144.2 |
| Net income for the period | 353.8 | 258.6 |
| Dividends on ordinary shares | (39.7) | (42.9) |
| Dividends on preference shares | (20.8) | (10.4) |
| End of period | <u>743.8</u> | <u>349.5</u> |
| Accumulated Other Comprehensive Income: | | |
| Cumulative foreign currency translation adjustments | | |
| Beginning of period | 59.1 | 42.8 |
| Change for the period, net of income tax of \$Nil and \$Nil | 56.4 | 30.0 |
| End of period | <u>115.5</u> | <u>72.8</u> |
| Loss on derivatives | | |
| Beginning of period | (1.8) | (2.0) |
| Reclassification to interest payable, net of income tax of \$Nil and \$Nil | 0.1 | 0.1 |
| End of period | <u>(1.7)</u> | <u>(1.9)</u> |
| Unrealized appreciation/(depreciation) on investments: | | |
| Beginning of period | (40.3) | (32.3) |
| Change for the period, net of income tax/(benefit) of \$0.3 and \$(6.2) | 25.3 | 2.9 |
| End of period | <u>(15.0)</u> | <u>(29.4)</u> |
| Total accumulated other comprehensive income | <u>98.8</u> | <u>41.5</u> |
| Total Shareholders' Equity | <u>\$ 2,733.2</u> | <u>\$ 2,314.7</u> |

See accompanying notes to unaudited consolidated financial statements.

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

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-----------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Net income | <u>\$ 117.2</u> | <u>\$ 95.0</u> | <u>\$ 353.8</u> | <u>\$ 258.6</u> |
| Other comprehensive income, net of taxes: | | | | |
| Reclassification adjustment for net realized loss on investments included in net income | 3.4 | 0.1 | 6.4 | 1.4 |
| Change in unrealized losses on investments | 55.4 | 59.2 | 18.9 | 1.5 |
| Loss on derivatives reclassified to interest payable | — | — | 0.1 | 0.1 |
| Change in unrealized gains on foreign currency translation | 29.7 | 20.8 | 56.4 | 30.0 |
| Other comprehensive income | <u>88.5</u> | <u>80.1</u> | <u>81.8</u> | <u>33.0</u> |
| Comprehensive income | <u>\$ 205.7</u> | <u>\$ 175.1</u> | <u>\$ 435.6</u> | <u>\$ 291.6</u> |

See accompanying notes to unaudited consolidated financial statements.

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------------|
| | 2007 | 2006 |
| Cash flows provided by (used in) operating activities: | | |
| Net income | \$ 353.8 | \$ 258.6 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Amortization of premium or discount on investments | 13.1 | 12.7 |
| Depreciation | 4.8 | 2.5 |
| Share-based compensation expense | 7.9 | 7.1 |
| Net realized losses | 12.3 | 6.1 |
| Other investments (gains) losses | (32.6) | — |
| Change in: | | |
| Insurance reserves: | | |
| Losses and loss adjustment expenses | 143.0 | (111.6) |
| Unearned premiums | 90.4 | 159.1 |
| Reinsurance recoverables: | | |
| Unpaid losses | 152.5 | 419.4 |
| Ceded unearned premiums | (72.3) | (22.2) |
| Other receivables | (22.6) | 1.3 |
| Deferred policy acquisition costs | (11.5) | (10.4) |
| Reinsurance premiums payables | 26.7 | (103.4) |
| Premiums receivable | (129.9) | (247.9) |
| Deferred taxes | (1.9) | — |
| Income tax payable | 50.0 | 36.3 |
| Accrued expenses and other payables | 42.8 | (52.7) |
| Fair value of derivatives and settlement of liabilities under derivatives | 5.6 | 21.8 |
| Other assets | (6.0) | 3.7 |
| Net cash provided by operating activities | <u>\$ 626.1</u> | <u>\$ 380.4</u> |

See accompanying notes to unaudited consolidated financial statements.

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------------|
| | 2007 | 2006 |
| Cash flows used in investing activities: | | |
| Purchases of fixed maturities | \$ (2,353.0) | \$ (1,684.0) |
| Purchases of other investments | (300.0) | (150.0) |
| Proceeds from sales and maturities of fixed maturities | 2,045.2 | 984.6 |
| Net sales of short-term investments | 157.3 | 145.8 |
| Purchase of equipment | (5.3) | (2.7) |
| Net cash used in investing activities | <u>(455.8)</u> | <u>(706.3)</u> |
| Cash flows used in financing activities: | | |
| Proceeds from the issuance of Preference Shares, net of issuance costs | — | 29.1 |
| Proceeds from the issuance of Ordinary Shares, net of issuance costs | 11.0 | — |
| Ordinary Shares repurchased | (50.1) | — |
| Dividends paid on Ordinary Shares | (39.7) | (42.9) |
| Dividends paid on Preference Shares | (20.8) | (10.4) |
| Loss on derivative contracts | 0.1 | 0.1 |
| Net cash used in financing activities | <u>(99.5)</u> | <u>(24.1)</u> |
| Effect of exchange rate movements on cash and cash equivalents | 1.4 | 13.2 |
| Increase (decrease) in cash and cash equivalents | 72.2 | (336.8) |
| Cash and cash equivalents at beginning of period | 495.0 | 748.3 |
| Cash and cash equivalents at end of period | <u>\$ 567.2</u> | <u>\$ 411.5</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for income tax | 18.4 | 17.2 |
| Cash paid during the period for interest | 15.0 | 15.0 |

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”) is a Bermudian holding company incorporated on May 23, 2002. Aspen Holdings provides insurance and reinsurance on a worldwide basis through its principal operating subsidiaries, Aspen Insurance UK Limited (“Aspen Re”), Aspen Insurance Limited (“Aspen Bermuda”) and Aspen Specialty Insurance Company (“Aspen Specialty”). Aspen Re, Aspen Bermuda and Aspen Specialty are each referred to herein as an “Insurance Subsidiary,” and collectively referred to as the “Insurance Subsidiaries.” Unless the context otherwise requires, references in this Quarterly Report to the “Company”, “we”, “our” or “Aspen” refer to Aspen Holdings or Aspen Holdings and its wholly-owned 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 nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007. The unaudited condensed consolidated financial statements include the accounts of Aspen 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, 2006 has been derived from the audited 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, 2006 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 reserves for property and liability losses, premiums receivable in respect of assumed reinsurance and the fair value of derivatives. 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 2007

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), “*Accounting for Uncertainty in Income Taxes — an interpretation of FASB statement No.109.*” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, “*Accounting for Income Taxes.*” FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has adopted FIN 48 for the fiscal year beginning on January 1, 2007. Additional information regarding the adoption of FIN 48 is included in Note 5.

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In February 2006, the FASB issued SFAS No. 155, “*Accounting for Certain Hybrid Financial Instruments*” (“SFAS 155”), which amends SFAS No. 133, “*Accounting for Derivative Instruments and Hedging Activities*” (“SFAS 133”) and SFAS No. 140, “*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*” (“SFAS 140”). SFAS 155 provides guidance to simplify the accounting for certain hybrid instruments by permitting fair value re-measurement for any hybrid financial instrument that contains embedded derivatives that would otherwise have to be accounted for separately, as well as clarifies that beneficial interests in securitized financial assets are subject to SFAS 133. In addition, SFAS 155 eliminates a restriction on the passive derivative instruments that a qualifying special-purpose entity may hold under SFAS 140. SFAS 155 is effective for all financial instruments acquired, issued or subject to a new basis occurring after the start of our fiscal year beginning January 1, 2007. The adoption of SFAS 155 has had no impact on our financial condition or results of operations.

Accounting standards not yet adopted

In February 2007, the 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 Company is currently evaluating the potential impact of SFAS 159 on its financial statements when adopted.

In September 2006, 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 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. It is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years although early adoption is permitted. The Company is currently evaluating the potential impact of SFAS 157 on its financial statements when adopted.

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 nine months ended September 30, 2007 and 2006, respectively:

| | Three Months Ended | | Nine Months Ended | |
|--|--|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Earnings | (\$ in millions, except share and per share amounts) | | | |
| Basic | | | | |
| Net income as reported | \$ 117.2 | \$ 95.0 | \$ 353.8 | \$ 258.6 |
| Preference dividends | (6.9) | (3.2) | (20.8) | (10.4) |
| Net income available to ordinary shareholders | 110.3 | 91.8 | 333.0 | 248.2 |
| Diluted | | | | |
| Net income available to ordinary shareholders | 110.3 | 91.8 | 333.0 | 248.2 |
| Ordinary shares | | | | |
| Basic | | | | |
| Weighted average ordinary shares | 88,712,178 | 95,253,714 | 88,250,043 | 95,249,041 |
| Diluted | | | | |
| Weighted average ordinary shares | 88,712,178 | 95,253,714 | 88,250,043 | 95,249,041 |
| Weighted average effect of dilutive securities | 2,369,587 | 2,067,423 | 2,507,574 | 1,989,475 |
| Total | 91,081,765 | 97,321,137 | 90,757,617 | 97,238,516 |
| Earnings per ordinary share | | | | |
| Basic | | | | |
| | \$ 1.24 | \$ 0.96 | \$ 3.77 | \$ 2.61 |
| Diluted | | | | |
| | \$ 1.21 | \$ 0.94 | \$ 3.67 | \$ 2.55 |

On November 1, 2007, the Company's Board of Directors declared the following quarterly dividends:

| | Dividend | Payable on: | Record date: |
|--------------------------|----------------------|-------------------|-------------------|
| Ordinary shares | \$0.15 per share | November 26, 2007 | November 13, 2007 |
| 5.625% preference shares | \$0.703125 per share | January 1, 2008 | December 15, 2007 |
| 7.401% preference shares | \$0.462563 per share | January 1, 2008 | December 15, 2007 |

4. Segment Reporting

As a result of a shift in the Company's operating structure and the implementation of a number of strategic initiatives in 2007, the Company changed the composition of its business segments to reflect the manner in which the business is managed. The Company is currently 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.

Previously, the property and casualty insurance segment comprised U.S. property and casualty insurance business written on an excess and surplus lines basis, U.K. commercial property and liability insurance and international property facultative business. With the appointment of Nathan Warde, as head of U.S. insurance, and Matthew Yeldham, as head of international insurance, we have now redesignated U.S. property and casualty insurance business as a separate segment. The U.K. commercial property and liability insurance business now forms part of our international insurance segment which also consists of marine hull, energy and liability, aviation, professional liability insurance and non-marine transport lines of business as well as specialty reinsurance. We have also re-allocated our international property facultative business, previously part of our property and casualty insurance segment, to the property reinsurance segment.

Information related to prior periods has been restated to conform to the current period presentation.

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, 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

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individual client circumstances and although written by a single team are accounted for within the business segment to which the contract most closely relates.

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 come most commonly from layered reinsurance structures with underlying ceding company retentions.

International insurance. Our international insurance segment consists of the following lines of business: U.K. commercial property insurance, U.K. commercial liability insurance, professional liability insurance and specialty insurance and reinsurance written by Aspen Re. Specialty insurance consists of marine hull, energy and liability, non-marine transport and aviation insurance. Specialty reinsurance consists of marine and aviation reinsurance as well as terrorism, nuclear, personal accident, crop and satellite. Our specialty insurance is 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.

We do not allocate our assets by segment as we evaluate underwriting results of each segment separately from the results of our investment portfolio.

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 months ended September 30, 2007 and 2006:

| | Three Months Ended September 30, 2007 | | | | |
|--|---------------------------------------|----------------------|-------------------------|----------------|-------------------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | Total |
| | (\$ in millions, except percentages) | | | | |
| Gross written premiums | \$ 139.5 | \$ 77.5 | \$ 129.0 | \$ 27.5 | \$ 373.5 |
| Net written premiums | 131.5 | 77.1 | 118.1 | 22.1 | 348.8 |
| Gross earned premiums | 150.2 | 125.5 | 164.2 | 33.2 | 473.1 |
| Net earned premiums | 125.3 | 123.7 | 146.7 | 24.0 | 419.7 |
| Expenses: | | | | | |
| Losses and loss expenses | 42.9 | 92.2 | 75.3 | 9.5 | 219.9 |
| Policy acquisition expenses | 25.4 | 19.8 | 26.4 | 4.5 | 76.1 |
| Operating and administrative expenses | 18.3 | 13.8 | 17.2 | 9.3 | 58.6 |
| Underwriting income/(loss) | <u>\$ 38.7</u> | <u>\$ (2.1)</u> | <u>\$ 27.8</u> | <u>\$ 0.7</u> | <u>\$ 65.1</u> |
| Net reserves for loss and loss adjustment expenses | <u>\$ 480.0</u> | <u>\$ 1,201.9</u> | <u>\$ 909.7</u> | <u>\$ 55.6</u> | <u>\$ 2,647.2</u> |
| Ratios | | | | | |
| Loss ratio | 34.2% | 74.5% | 51.3% | 39.6% | 52.4% |
| Expense ratio | 34.9% | 27.2% | 29.7% | 57.7% | 32.1% |
| Combined ratio | 69.1% | 101.7% | 81.0% | 97.3% | 84.5% |

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| | Three Months Ended September 30, 2006 | | | | Total |
|--|---------------------------------------|----------------------|-------------------------|------------------|-------------------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | |
| | (\$ in millions, except percentages) | | | | |
| Gross written premiums | \$ 201.7 | \$ 96.6 | \$ 123.5 | \$ 35.7 | \$ 457.5 |
| Net written premiums | 194.5 | 96.2 | 112.3 | 30.5 | 433.5 |
| Gross earned premium | 176.3 | 132.0 | 165.6 | 39.6 | 513.5 |
| Net earned premium | 128.7 | 128.3 | 145.2 | 27.1 | 429.3 |
| Expenses: | | | | | |
| Losses and loss expenses | 58.6 | 82.0 | 63.8 | 27.6 | 232.0 |
| Policy acquisition expenses | 32.3 | 19.5 | 21.6 | 5.5 | 78.9 |
| Operating and administrative expenses | 9.3 | 8.1 | 14.4 | 5.0 | 36.8 |
| Underwriting income/(loss) | <u>\$ 28.5</u> | <u>\$ 18.7</u> | <u>\$ 45.4</u> | <u>\$ (11.0)</u> | <u>\$ 81.6</u> |
| Net reserves for loss and loss adjustment expenses | <u>\$ 565.7</u> | <u>\$ 887.6</u> | <u>\$ 697.3</u> | <u>\$ 50.4</u> | <u>\$ 2,201.0</u> |
| Ratios | | | | | |
| Loss ratio | 45.5% | 63.9% | 43.9% | 101.8% | 54.0% |
| Expense ratio | 32.3% | 21.5% | 24.8% | 38.8% | 27.0% |
| Combined ratio | 77.8% | 85.4% | 68.7% | 140.6% | 81.0% |

The following table reconciles underwriting income to income before income taxes for the three months ended September 30, 2007 and 2006:

| | Three Months Ended September 30, 2007 | Three Months Ended September 30, 2006 |
|-------------------------------------|---|---|
| | (\$ in millions) | |
| Underwriting income | \$ 65.1 | \$ 81.6 |
| Net investment income | 72.4 | 47.3 |
| Realized investment losses | (1.9) | (1.0) |
| Change in fair value of derivatives | (2.7) | (7.0) |
| Interest on long term debt | (4.2) | (4.6) |
| Net foreign exchange gains | 9.2 | 2.5 |
| Other expenses | — | (0.1) |
| Income before income taxes | <u>\$ 137.9</u> | <u>\$ 118.7</u> |

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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 nine months ended September 30, 2007 and 2006:

| | Nine Months Ended September 30, 2007 | | | | Total |
|--|--------------------------------------|----------------------|-------------------------|-----------------|-------------------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | |
| | (\$ in millions, except percentages) | | | | |
| Gross written premiums | \$ 521.9 | \$ 380.2 | \$ 513.2 | \$ 98.2 | \$ 1,513.5 |
| Net written premiums | 424.2 | 371.8 | 454.9 | 71.5 | 1,322.4 |
| Gross earned premiums | 462.8 | 364.3 | 496.7 | 105.4 | 1,429.2 |
| Net earned premiums | 423.0 | 355.8 | 449.5 | 81.6 | 1,309.9 |
| Expenses: | | | | | |
| Losses and loss expenses | 170.7 | 244.6 | 252.3 | 50.5 | 718.1 |
| Policy acquisition expenses | 83.9 | 56.3 | 80.1 | 15.2 | 235.5 |
| Operating and administrative expenses | 49.6 | 33.9 | 45.2 | 19.6 | 148.3 |
| Underwriting income/(loss) | <u>\$ 118.8</u> | <u>\$ 21.0</u> | <u>\$ 71.9</u> | <u>\$ (3.7)</u> | <u>\$ 208.0</u> |
| Net reserves for loss and loss adjustment expenses | <u>\$ 480.0</u> | <u>\$ 1,201.9</u> | <u>\$ 909.7</u> | <u>\$ 55.6</u> | <u>\$ 2,647.2</u> |
| Ratios | | | | | |
| Loss ratio | 40.4% | 68.7% | 56.1% | 61.9% | 54.8% |
| Expense ratio | 31.5% | 25.3% | 27.9% | 42.7% | 29.3% |
| Combined ratio | 71.9% | 94.0% | 84.0% | 104.6% | 84.1% |

| | Nine Months Ended September 30, 2006 | | | | Total |
|--|--------------------------------------|----------------------|-------------------------|------------------|-------------------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | |
| | (\$ in millions, except percentages) | | | | |
| Gross written premiums | \$ 565.1 | \$ 435.8 | \$ 538.6 | \$ 119.1 | \$ 1,658.6 |
| Net written premiums | 423.8 | 419.3 | 462.1 | 80.3 | 1,385.5 |
| Gross earned premiums | 514.3 | 376.6 | 509.4 | 115.0 | 1,515.3 |
| Net earned premiums | 378.4 | 364.8 | 439.3 | 78.4 | 1,260.9 |
| Expenses: | | | | | |
| Losses and loss expenses | 157.3 | 210.3 | 258.2 | 62.4 | 688.2 |
| Policy acquisition expenses | 104.3 | 62.8 | 73.6 | 14.7 | 255.4 |
| Operating and administrative expenses | 36.9 | 28.6 | 40.1 | 12.4 | 118.0 |
| Underwriting income/(loss) | <u>\$ 79.9</u> | <u>\$ 63.1</u> | <u>\$ 67.4</u> | <u>\$ (11.1)</u> | <u>\$ 199.3</u> |
| Net reserves for loss and loss adjustment expenses | <u>\$ 565.7</u> | <u>\$ 887.6</u> | <u>\$ 697.3</u> | <u>\$ 50.4</u> | <u>\$ 2,201.0</u> |
| Ratios | | | | | |
| Loss ratio | 41.6% | 57.6% | 58.8% | 79.6% | 54.6% |
| Expense ratio | 37.4% | 25.0% | 25.9% | 34.5% | 29.7% |
| Combined ratio | 79.0% | 82.6% | 84.7% | 114.1% | 84.3% |

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The following table reconciles underwriting income to income before income taxes for the nine months ended September 30, 2007 and 2006:

| | Nine Months Ended September 30, 2007 | Nine Months Ended September 30, 2006 |
|-------------------------------------|---|---|
| | (\$ in millions) | |
| Underwriting profit/(loss) | \$ 208.0 | \$ 199.3 |
| Net investment income | 218.7 | 141.7 |
| Realized investment losses | (12.3) | (6.1) |
| Change in fair value of derivatives | (8.1) | (8.6) |
| Interest on long term debt | (12.8) | (12.5) |
| Realized exchange gains/(losses) | 22.7 | 10.4 |
| Other expenses | — | (1.0) |
| Income/(loss) before income taxes | <u>\$ 416.2</u> | <u>\$ 323.2</u> |

5. Income Taxes

Aspen Holdings and Aspen Bermuda are incorporated under the laws of Bermuda. Under current Bermudian law, they are not taxed on any Bermuda income or capital gains and they have received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains tax being imposed, they will be exempt from those taxes until 2016. The Company's U.S. operating companies are subject to United States income tax at a rate of 35%. Under the current laws of England and Wales, Aspen Re is taxed at the U.K. corporate tax rate of 30% (reducing to 28% with effect from April 1, 2008).

In the interim financial statements income tax expense is measured using the estimated effective annual rate for the year ended December 31, 2007.

Total income tax for the three months and nine months ended September 30, 2007 and 2006 is allocated as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (\$ in millions) | | (\$ in millions) | |
| Income tax on income | \$ 20.7 | \$ 23.7 | \$ 62.4 | \$ 64.6 |
| Income tax (recovery) on other comprehensive income | 9.1 | 1.2 | 0.3 | (6.2) |
| Total income tax | <u>\$ 29.8</u> | <u>\$ 24.9</u> | <u>\$ 62.7</u> | <u>\$ 58.4</u> |

The Company adopted FIN 48 on January 1, 2007 with no resulting material impact on the Company's results or financial condition. The total amount of unrecognized tax benefits at September 30, 2007 was zero. In addition, the Company does not anticipate any significant changes to its total unrecognized tax benefits within the next twelve months and classifies all income tax associated with interest and penalties as income tax expense. During the three and nine months ended September 30, 2007, the Company did not recognize or accrue interest and penalties in respect of tax liabilities.

Income tax returns that have been filed by the U.S. operating subsidiaries are subject to examination for 2003 and later tax years. The U.K. operating subsidiaries' income tax returns are subject to examination for the 2005 and 2006 tax years.

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6. Investments

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

| | As at September 30, 2007 | | | |
|-------------------------------------|--------------------------|------------------------|-------------------------|----------------------|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| (\$ in millions) | | | | |
| Investments (excluding cash) | | | | |
| Fixed income investments | | | | |
| U.S. government securities | \$ 697.9 | 3.7 | (3.7) | \$ 697.9 |
| U.S. government agency securities | 298.4 | 0.8 | (0.9) | 298.3 |
| Corporate securities | 1,425.7 | 4.2 | (15.7) | 1,414.2 |
| Foreign government | 421.7 | 1.2 | (6.0) | 416.9 |
| Municipals | 1.6 | — | — | 1.6 |
| Asset-backed securities | 221.9 | 0.3 | (0.9) | 221.3 |
| Mortgage-backed securities | 1,132.2 | 3.4 | (9.4) | 1,126.2 |
| Total fixed income | 4,199.4 | 13.6 | (36.6) | 4,176.4 |
| Other investments | 489.5 | — | — | 489.5 |
| Short-term investments | 553.6 | 0.2 | (0.5) | 553.3 |
| Total | \$ 5,242.5 | \$ 13.8 | \$ (37.1) | \$ 5,219.2 |

| | As at December 31, 2006 | | | |
|-------------------------------------|-------------------------|------------------------|-------------------------|----------------------|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| (\$ in millions) | | | | |
| Investments (excluding cash) | | | | |
| Fixed income investments | | | | |
| U.S. government securities | \$ 1,035.4 | \$ 0.8 | \$ (21.9) | \$ 1,014.3 |
| U.S. government agency securities | 330.7 | 0.3 | (3.7) | 327.3 |
| Corporate securities | 1,088.1 | 2.4 | (13.4) | 1,077.1 |
| Foreign government | 449.7 | 0.2 | (7.8) | 442.1 |
| Municipals | 1.6 | — | — | 1.6 |
| Asset-backed securities | 293.8 | 0.2 | (2.2) | 291.8 |
| Mortgage-backed securities | 677.9 | 4.0 | (7.4) | 674.5 |
| Total fixed income | 3,877.2 | 7.9 | (56.4) | 3,828.7 |
| Other investments | 156.9 | — | — | 156.9 |
| Short-term investments | 695.9 | 0.4 | (0.8) | 695.5 |
| Total | \$ 4,730.0 | \$ 8.3 | \$ (57.2) | \$ 4,681.1 |

Other investments. Other investments represent the Company's investments in funds of hedge funds which are recorded using the equity method of accounting. Adjustments to the carrying value of these investments 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 \$7.9 million (2006 — loss of \$1.0 million) and \$32.6 million (2006 — \$Nil) have been recognized through the statement of operations in the three months and nine months ended September 30, 2007, respectively. As gains and losses arising from these investments are recorded as net investment income the value recorded in the column headed Cost or Amortized Cost represents the current market value and not the \$450.0 million original cost for 2007 (2006 — \$150.0 million).

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Gross unrealized loss. The following tables summarize as at September 30, 2007 and December 31, 2006, 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 September 30, 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 | \$ 77.9 | \$ (0.4) | \$ 353.7 | \$ (3.3) | \$ 431.6 | \$ (3.7) |
| U.S. government agency securities | 95.2 | (0.6) | 58.0 | (0.3) | 153.2 | (0.9) |
| Corporate securities | 555.8 | (8.4) | 447.5 | (7.3) | 1,003.3 | (15.7) |
| Foreign government | 124.5 | (1.2) | 194.1 | (4.8) | 318.6 | (6.0) |
| Municipals | — | — | 1.6 | — | 1.6 | — |
| Asset-backed securities | 22.0 | (0.1) | 44.7 | (0.8) | 66.7 | (0.9) |
| Mortgage-backed securities | 469.7 | (3.6) | 235.8 | (5.7) | 705.5 | (9.4) |
| Total | <u>\$ 1,345.1</u> | <u>\$ (14.3)</u> | <u>\$ 1,335.4</u> | <u>\$ (22.2)</u> | <u>\$ 2,680.5</u> | <u>\$ (36.6)</u> |

The following table, previously disclosed in our financial statements which formed part of our annual report on Form 10-K for fiscal year ended December 31, 2006, has been amended. The revised table: correctly classifies unrealized investment losses by the length of time the security has been in an unrealized loss position, moving \$11.8 million of losses from over 12 months to 0-12 months; excludes the \$484.3 million fair value of investments held by Aspen Re which, as at December 31, 2006, were reporting unrealized gains; and excludes \$0.8 million of unrealized losses from short term investments. The amendments to the table have no impact on reported net income after tax, accumulated other comprehensive income or net assets as of December 31, 2006 and September 30, 2007.

| | As at December 31, 2006 | | | | | |
|-----------------------------------|-------------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 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 | \$ 158.7 | \$ (1.2) | \$ 738.6 | \$ (20.7) | \$ 897.3 | \$ (21.9) |
| U.S. government agency securities | 103.4 | (0.3) | 172.5 | (3.4) | 275.9 | (3.7) |
| Corporate securities | 465.7 | (5.3) | 404.0 | (8.1) | 869.7 | (13.4) |
| Foreign government | 326.0 | (6.4) | 58.2 | (1.4) | 384.2 | (7.8) |
| Municipals | — | — | 1.6 | — | 1.6 | — |
| Asset-backed securities | 65.3 | (0.3) | 132.6 | (1.9) | 197.9 | (2.2) |
| Mortgage-backed securities | 121.9 | (0.9) | 256.2 | (6.5) | 378.1 | (7.4) |
| Total | <u>\$ 1,241.0</u> | <u>\$ (14.4)</u> | <u>\$ 1,763.7</u> | <u>\$ (42.0)</u> | <u>\$ 3,004.7</u> | <u>\$ (56.4)</u> |

Other-than-temporary impairments. As at September 30, 2007, the Company held 923 fixed maturities in an unrealized loss position with a fair value of \$2,680 million and gross unrealized losses of \$36.6 million. The Company believes that the gross unrealized losses are the result of interest rate movements and intends to hold such investments until the carrying value is recovered. The unrealized losses are not a result of structural, credit or collateral issues. The Company has not recorded any other-than-temporary impairments in 2007.

7. Reinsurance

We purchase retrocession and reinsurance to limit and diversify 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 PCS reported losses and the attachment level of \$23.1 billion and the exhaustion level of \$25.9 billion. The full \$100 million is exhausted when the reported industry insured losses by PCS reach \$25.9 billion. The reinsurance attachment and exhaustion points will be recalibrated on April 15, 2008.

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 “*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 of 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 nine months ended September 30, 2007 is a charge of \$1.9 million (2006 — \$Nil) and \$5.7 million (2006 — \$Nil), respectively, resulting from the change in the fair value and a charge to interest expense of \$0.3 million (2006 — \$Nil) and \$1.1 million (2006 — \$Nil), respectively.

Catastrophe Swap. On August 17, 2004, Aspen Bermuda entered into a risk transfer swap (“cat swap”) with a non-insurance counterparty. During the cat swap’s 3 year term, which ended on August 17, 2007, Aspen Bermuda made quarterly payments on an initial notional amount of \$100 million. In return Aspen Bermuda was entitled to receive payments of up to \$100 million in total if hurricanes made landfall in Florida and caused damage in excess of \$39 billion or earthquakes in California caused insured damage in excess of \$23 billion. The latest estimate of the insured loss arising from Hurricane Katrina published by PCS on June 8, 2007 was \$41.1 billion, which entitled the Company to a recovery of approximately \$26.3 million which has been paid to us. We have decided not to extend the development period under the cat swap and we will not be making any further recoveries under the cat swap.

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.

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As we provided in full for these future payments when the contract commenced, any actual or projected change in this liability is also reflected as a gain or loss in the consolidated statement of operations. The impact of this contract on net income in the three and nine months ended September 30, 2007 is a net loss of \$0.8 million (2006 — \$7.0 million) and a net charge of \$2.4 million (2006 — \$8.6 million), respectively.

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 September 30, 2007 | As at December 31, 2006 |
|---|--------------------------------|-------------------------------|
| | (\$ in millions) | |
| Provision for losses and LAE at start of year | \$ 2,820.0 | \$ 3,041.6 |
| Less reinsurance recoverable | (468.3) | (1,192.7) |
| Net loss and LAE at start of year | 2,351.7 | 1,848.9 |
| Loss reserve portfolio transfer | 11.0 | 0.7 |
| Provision for losses and LAE for claims incurred: | | |
| Current year | 791.0 | 941.2 |
| Prior years | (72.9) | (51.3) |
| Total incurred | 718.1 | 889.9 |
| Losses and LAE payments for claims incurred: | | |
| Current year | (70.2) | (137.3) |
| Prior years | (425.2) | (332.4) |
| Total paid | (495.4) | (469.7) |
| Foreign exchange (gains)/losses | 61.8 | 81.9 |
| Net losses and LAE reserves at period end | 2,647.2 | 2,351.7 |
| Plus reinsurance recoverable on unpaid losses at period end | 315.8 | 468.3 |
| Loss and LAE reserves at September 30, 2007 and December 31, 2006 | <u>\$ 2,963.0</u> | <u>\$ 2,820.0</u> |

For the nine months ended September 30, 2007, there was a reduction of \$72.9 million compared to \$58.1 million for the nine months ended September 30, 2006 in our estimate of the ultimate claims to be paid in respect of prior accident years. An analysis of this reduction by segment is provided under Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Reserves for Losses and Loss Expenses.”

The loss reserve portfolio transfer in 2007 represents loss reserves assumed from a Lloyd’s syndicate through a quota share arrangement relating to the portion of liabilities accounted for by the syndicate prior to 2005.

Hurricanes Katrina, Rita and Wilma. We rely on estimates to project our total retained and gross losses from Hurricanes Katrina, Rita and Wilma. Although a substantial number of claims have now been reported, our estimates still contain uncertainty because of the extremely complex and unique causation and coverage issues associated with the unprecedented nature of these events, including the attribution of losses to wind or flood damage or other perils such as fire, business interruption or riot and civil commotion. In addition, these estimates may vary due to potential legal and regulatory developments related to allocation of losses, as well as inflation in repair costs due to the limited availability of labor and materials due in part to the size and proximity in time and distance of the three hurricanes. Some of these issues are, or may become, the subject of litigation and may not be resolved for a considerable period of time.

9. Capital Structure

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The following table provides a summary of the Company's authorized and issued share capital at September 30, 2007 and December 31, 2006.

| | As at September 30, 2007 | | As at December 31, 2006 | |
|--|--------------------------|-----------------|-------------------------|-----------------|
| | 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 | 87,145,828 | 133 | 87,788,375 | 133 |
| 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 | | \$ 152 | | \$ 152 |
| Additional paid in capital (\$ in millions) | | \$ 1,890.5 | | \$ 1,921.7 |

Additional paid-in capital includes the aggregate liquidation preferences of our preference shares of \$430 million (2006 — \$430 million) less issue costs of \$10.8 million (2006 — \$10.8 million).

Ordinary Shares. The following table summarizes transactions in our ordinary shares during the nine month period ended September 30, 2007.

| | Number of Shares |
|--|-------------------|
| Shares in issue at December 31, 2006 | 87,788,375 |
| <i>Share transactions in the nine months ended September 30, 2007:</i> | |
| Shares issued to the Names' Trust upon the exercise of investor options | 7,043 |
| Shares issued to Wellington Investment Holdings (Jersey) Limited upon the exercise of investor options | 426,083 |
| Shares issued to employees under the share incentive plan | 702,302 |
| Repurchase of shares from the Names Trust | (5,067) |
| Repurchase of shares from shareholders (1) | (128,493) |
| Repurchase of shares from shareholders (2) | (1,644,415) |
| Shares in issue at September 30, 2007 | 87,145,828 |

- (1) On December 21, 2006, we entered into a contract with Goldman, Sachs & Co ("Goldman Sachs") for the purchase of ordinary shares to the fixed value of \$44 million. The contract was terminated on March 16, 2007 and we subsequently received and cancelled a further 128,493 shares on March 22, 2007 with the actual number being determined by the volume weighted average price of our shares over the period between January 17, 2007 and the date of termination, less a discount of 15 cents per share. The accelerated share repurchase resulted in a repurchase of a total of 1,694,244 shares at an average purchase price per share of \$25.97.

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(2) *Accelerated Share Repurchase.* On September 28, 2007, the Company entered into a Master Confirmation agreement with Goldman Sachs in connection with an accelerated share buyback (“ASB”) for the purchase of ordinary shares to the fixed value of \$50 million. Under this arrangement we acquired and cancelled the minimum number of shares of 1,644,415 shares on October 25, 2007. When the contract expires, the Company may receive and subsequently cancel additional shares, with the actual number being determined by the volume weighted average price of our shares over the period from October 22, 2007 (the end of the hedge period) and the date of termination. Apart from our payment of \$50 million on September 28, 2007, the Company will make no further payments or transfer shares under this contract, except under certain circumstances in connection with friendly acquisitions. See Exhibit 10.1 to this report.

10. Share Based Payments

The Company has issued options and other equity incentives under three arrangements: investor options, employee options and non-employee director options. When options are exercised or other equity awards have vested, new shares are issued as the Company does not hold treasury shares. The employee stock option grants have been 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 123 (revised 2004) “*Share Based Payments*” which required an estimate of future forfeitures in the calculation of the compensation costs of stock options and restricted share units.

(a) Investor Options

The investor options were issued on June 21, 2002 in consideration for: the transfer of an underwriting team from Wellington Underwriting plc (“Wellington”); the right to seek to renew certain business written by Syndicate 2020; an agreement in which Wellington agreed not to compete with Aspen Re through March 31, 2004; the use of the Wellington name and logo and the provision of certain outsourced services to the Company, the Company conferred the option to subscribe for up to 6,787,880 ordinary shares of Aspen Holdings to Wellington and members of Syndicate 2020 who were not corporate members of Wellington. 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 options held by Wellington were transferred to one of its affiliates in December 2005, Wellington Investment Holdings (Jersey) Limited (“Wellington Investment”). 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.

Wellington Investment exercised all of its options on a cashless basis on March 28, 2007 at an exercise price of \$22.52 per share. This resulted in the issue of 426,083 ordinary shares by the Company.

In connection with our initial public offering, the Names’ Trustee exercised 440,144 Names’ Options on both a cash and cashless basis, pursuant to which 152,583 ordinary shares were issued. In 2006, the Names’ Trustee exercised 34,155 Names’ Options on both a cash and cashless basis pursuant to which 3,757 ordinary shares were issued. At December 31, 2006, the Names’ Trustee held 1,372,922 Names’ Options. During the nine months ended September 30, 2007, the Names’ Trustee exercised 60,431 Names’ Options on both a cash and cashless basis resulting in the issue of 7,043 ordinary shares.

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The following table summarizes information about investor options to purchase ordinary shares outstanding at September 30, 2007 and December 31, 2006:

| Option Holder | At September 30, 2007 | | At December 31, 2006 | | Exercise Price | Expiration |
|--|-----------------------|-------------|----------------------|-------------|----------------|---------------|
| | Outstanding | Exercisable | Outstanding | Exercisable | | |
| Wellington Investment | — | — | 3,781,120 | 3,781,120 | \$ 22.52 | — |
| Names' Trustee (Appleby Trust (Bermuda) Limited) | 1,312,491 | 1,312,491 | 1,372,922 | 1,372,922 | \$ 25.08(1) | June 21, 2012 |
| Total | 1,312,491 | 1,312,491 | 5,154,042 | 5,154,042 | | |

(1) Exercise price at September 15, 2007 being the most recent exercise date. Exercise price at any date is the amount in U.S.\$ converted at an average exchange rate over a five-day period from an underlying price of £10 per share increased by 5% per annum from June 21, 2002 to date of exercise, less the amount of any prior dividend or distribution per share.

(b) Employee equity incentives

Employee options and other awards are granted under the Aspen 2003 Share Incentive Plan, as amended (the "Share Incentive Plan").

Options. The following table summarizes information about employee options outstanding to purchase ordinary shares at September 30, 2007.

| Option Holder | Options | | Exercise Price | Weighted Average Fair Value at Grant Date | Remaining contractual time |
|-----------------------------|-------------|-------------|----------------|---|----------------------------|
| | Outstanding | Exercisable | | | |
| 2003 Option grants | 3,021,849 | 2,434,291 | \$ 16.20 | \$ 5.31 | 5 yrs 11 mths |
| 2004 Option grants | 175,328 | 175,328 | \$ 24.44 | \$ 5.74 | 7 yrs 3 mths |
| 2006 Option grants | | | | | |
| February 16 | 889,051 | — | \$ 23.65 | \$ 6.99 | 8 yrs 5 mths |
| 2006 Option grants August 4 | 142,158 | — | \$ 23.19 | \$ 4.41 | 8 yrs 11 mths |
| 2007 Option grants | 622,839 | — | \$ 27.28 | \$ 6.13 | 6 yrs 7 mths |

With respect to the 2003 options, 65% of the options are subject to time-based vesting with 20% vesting upon grant and 20% vesting on each December 31 of the calendar years 2003, 2004, 2005 and 2006. The remaining 35% of the initial grant options are subject to performance-based vesting. When options are converted, new shares are issued as the Company does not hold treasury shares.

The 2004 options vest over a three-year period with vesting subject to the achievement of Company performance targets. The options lapse if the criteria are not met. As at December 31, 2004 not all performance targets were met and 242,626 options were cancelled. The 525,881 employee options granted in 2005 were cancelled because the applicable performance targets were not met.

The 2006 options vest at the end of a three-year period with vesting subject to the achievement of one-year and three-year performance targets. The options lapse if the criteria are not met. As at December 31, 2006, the performance targets for one-third of the options were met.

The 2007 option grants are not subject to performance conditions and will vest at the end of the three-year period from the date of grant. The options will be exercisable for a period of seven years from the date of grant.

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The table below shows the number of options exercised and forfeited by each type of option grant as at September 30, 2007:

| Option Holder | Options | |
|--------------------|-----------|-----------|
| | Exercised | Forfeited |
| 2003 Option grants | 562,436 | 295,071 |
| 2004 Option grants | 81,013 | 249,017 |
| 2005 Option grants | — | 525,881 |
| 2006 Option grants | — | 183,439 |
| 2007 Option grants | — | — |

The intrinsic value of options exercised in the nine months ended September 30, 2007 was \$6.6 million (2006 — \$Nil).

The following table shows the compensation costs charged in the nine months ended September 30, 2007 and 2006 by each type of option granted.

| Option Holder | September 30, 2007 | September 30, 2006 |
|--------------------|-----------------------|-----------------------|
| 2003 Option grants | \$ 1.1 | \$ 2.4 |
| 2004 Option grants | \$ — | \$ 0.4 |
| 2005 Option grants | \$ — | \$ — |
| 2006 Option grants | \$ 1.6 | \$ 1.9 |
| 2007 Option grants | \$ 0.6 | \$ — |
| | <u>\$ 3.3</u> | <u>\$ 4.7</u> |

Compensation cost charged against income for the 2005 option grants was \$Nil as performance targets were not met. There were no further compensation costs for the 2004 option grants as they have vested in accordance with their terms.

The following table shows the per share weighted average fair value and the related underlying assumptions using a modified Black-Scholes option pricing model by date of grant:

| | Grant date | | | | |
|---------------------------------------|----------------|-------------------|----------------------|----------------------|---------------------------|
| | May 4, 2007 | August 4, 2006 | February 16, 2006 | December 23, 2004 | August 20, 2003 (1) |
| Per share weighted average fair value | \$6.14 | \$4.41 | \$6.99 | \$5.74 | \$5.31 |
| Risk free interest rate | 4.55% | 5.06% | 4.66% | 3.57% | 4.70% |
| Dividend yield | 2.2% | 2.6% | 2.7% | 0.5% | 0.6% |
| Expected life | 5 years | 5 years | 5 years | 5 years | 7 years |
| Share price volatility | 23.76% | 19.33% | 35.12% | 19.68% | 0% |
| Foreign currency volatility | — | — | — | 9.40% | 9.40% |

- (1) The 2003 options had a price volatility of zero, as the minimum value method was utilized because the Company was unlisted on the date that the options were issued and foreign currency volatility of 9.40% as the exercise price was initially in British Pounds and the share price of the Company is in U.S. Dollars.

The above table does not show the per share weighted average fair value and the related underlying assumptions for the 2005 options as the performance targets were not met.

Restricted Share Units. The following table summarizes information about restricted share units by year of grant as at September 30, 2007.

| RSU Holder | As at September 30, 2007 Restricted Share Units | | |
|-------------|--|------------------|-----------------------|
| | Amount Granted | Amount Vested | Amount Outstanding |
| 2004 Grants | 95,850 | 83,440 | 12,410 |
| 2005 Grants | 68,337 | 32,609 | 35,728 |
| 2006 Grants | 164,932 | 29,122 | 135,810 |
| 2007 Grants | 68,567 | — | 68,567 |

Restricted share units vest over a three-year period, with one-third of the grant vesting each year, 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 over a three-year period. Holders of restricted share units will be paid one ordinary share for each unit that vests as soon as practicable following the vesting date. Holders of restricted share units generally will not be entitled to any rights of a holder of ordinary shares, including the right to vote, unless and until their units vest and ordinary shares are issued but they are entitled to receive dividend equivalents. Dividend equivalents will be denominated in cash and paid in cash if and when the underlying units vest.

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.

Compensation cost charged against income was \$2.4 million for the nine months ended September 30, 2007 (2006 — \$1.2 million).

Performance Shares. The following table summarizes information about performance shares by year of grant as at September 30, 2007.

| Performance Share Holder | As at September 30, 2007 Performance Share Awards | | | |
|--------------------------|--|------------------|---------------------|-----------------------|
| | Amount Granted | Amount Earned | Amount Forfeited | Amount Outstanding |
| 2004 Grants | 150,074 | 21,988 | 128,086 | — |
| 2005 Grants | 131,227 | — | 43,742 | 87,485 |
| 2006 Grants | 317,954 | 95,819 | 30,499 | 191,636 |
| 2007 Grants | 439,203 | — | — | 439,203 |

One third of the 2004, 2005 and 2006 performance shares vest based on the achievement of one-year performance targets on the year of grant, and two-thirds vest based on the achievement of an average performance target over a three-year period.

Performance share awards are not entitled to dividends before they vest. Performance shares that vest will only be issued following the approval of the board of directors of the final performance target in the three-year period, and subject to the participant's continued employment.

The 2007 performance shares are subject to a four-year vesting period. Twenty-five percent of the grant will be eligible for vesting each year based on the following formula, and will only be exercisable at the end of the four-year period. If the ROE achieved in any given year is less than 10%, then the portion of the performance shares subject to the vesting conditions in such year will be forfeited (i.e. 25% of the initial grant). If the ROE achieved in any given year is between 10% and 15%, then the percentage of the performance shares eligible for vesting in such year will be between 10% and 100% on a straight-line basis. If the ROE achieved in any given year is between 15% and 25%, then the percentage of the performance shares eligible for vesting in such year will be between 100% and 200% on a straight-line basis.

Of the 150,074 performance share awards granted in 2004, as at December 31, 2004, all targets had not been met with respect to the one-third portion of the grant and therefore 24,267 share grants were cancelled. The remaining two-thirds of the 2004 grant have also been cancelled as performance targets were not met.

With respect to the performance share awards granted in 2005, of the 131,227 performance shares, one-third of the grant was cancelled as the performance targets for the one-third portion of the grant were not met.

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With respect to the performance share awards granted in 2006, one-third of the grant was fully earned as the performance targets for the one-third portion of the grant were fully met but will not vest until the Return on Equity (“ROE”) for 2008 has been approved by the Board of Directors.

The fair value of the 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.

Compensation cost charged against income in respect of performance shares was \$3.8 million for the nine months ended September 30, 2007 (2006 — \$2.2 million).

A summary of performance share activity under the Company’s Share Incentive Plan for the nine months ended September 30, 2007 is presented below:

| | Nine Months Ended September, 2007 | |
|---|--------------------------------------|--|
| | Number of Shares | Weighted Average Grant date Fair Value |
| Performance share awards, beginning of period | 430,626 | \$ 22.38 |
| Granted | 439,203 | \$ 24.50 |
| Vested and issued | (21,988) | \$ 23.12 |
| Forfeited | (33,698) | \$ 23.99 |
| Unvested share awards, end of period | 814,143 | \$ 22.77 |

(c) Non-employee equity incentives

Non-employee director options are granted under the Aspen 2006 Stock Option Plan for Non-Employee Directors (the “Director Stock Option Plan”). On May 2, 2007 the shareholders approved the amendment to the Director Stock Option Plan to allow the issuance of restricted share units and to rename the Plan the “2006 Stock Incentive Plan for Non-Employee Directors.”

Options. The following table summarizes information about non-employee director options outstanding to purchase ordinary shares at September 30, 2007.

| Option Holder | Options | | Exercise Price | Fair Value at Grant Date | Remaining Contractual Time |
|-------------------------------|-------------|-------------|-------------------|-----------------------------|-------------------------------|
| | Outstanding | Exercisable | | | |
| Non-Employee Directors — 2006 | | | | | |
| Option grants (May 25) | 31,045 | — | \$ 21.96 | \$ 4.24 | 8 yrs 8 months |
| Non-Employee Directors — 2007 | | | | | |
| Option grants (July 30) | 4,024 | — | \$ 24.76 | \$ 4.97 | 9 yrs 10 months |

The options issued in 2006 and 2007 vest at the end of a three-year period from the date of grant subject to continued service as a director. Vested options are exercisable for a period of ten years from the date of grant.

The amounts for the 2006 non-employee director options granted were estimated on the date of the grant using a modified Black-Scholes option pricing model under the following assumptions:

| | Grant date | |
|---------------------------------------|------------------|-----------------|
| | July 30, 2007 | May 25, 2006 |
| Per share weighted average fair value | \$4.97 | \$4.24 |
| Risk-free interest rate | 4.64% | 4.85% |
| Dividend yield | 2.4% | 2.7% |
| Expected life | 5 years | 5 years |
| Share price volatility | 19.55% | 20.05% |

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Restricted Share Units. The following table summarizes information about restricted share units issued to non-employee directors as at September 30, 2007

| | As at September 30, 2007 | | | |
|-------------------------------|--------------------------|------------------|---------------------|-----------------------|
| | Restricted Share Units | | | |
| | Amount Granted | Amount Vested | Amount Forfeited | Amount Outstanding |
| Non-Employee Directors — 2007 | 15,915 | 4,290 | 3,075 | 8,550 |

Subject to the director remaining on the Board of Directors, one-twelfth of the restricted share units will vest on each one month anniversary of the date of grant, with 100% of the restricted share units becoming vested and issued on the first anniversary of the grant date. Restricted share units entitle the holder to receive one ordinary share unit for each unit that vests. Holders of restricted share units are not entitled to any rights of a holder of ordinary shares, including the right to vote, unless and until their units vest and ordinary shares are issued but they are entitled to receive dividend equivalents with respect to their units. Dividend equivalents will be denominated in cash and paid in cash if and when the underlying units vest.

The fair value of the restricted share units is based on the closing price on the date of the grant.

Compensation cost charged against income was \$0.1 million for the nine months ended September 30, 2007 (2006 — \$Nil).

(d) Summary of investor options and employee and non-employee share options and restricted share units.

A summary of option activity and restricted share unit activity discussed above is presented in the tables below:

| Option activity | Nine Months Ended September 30, 2007 | |
|--|---|---------------------------------------|
| | Number of Options | Weighted Average Exercise Price |
| Outstanding options, beginning of period | 10,114,736 | 19.84 |
| Granted | 626,863 | 27.28 |
| Exercised | (4,421,973) | 21.79 |
| Forfeited or expired | (92,244) | 19.78 |
| Outstanding options, end of period | 6,227,382 | 20.53 |
| Exercisable options, end of period | 3,959,577 | 18.82 |

| Restricted share unit activity | Nine Months Ended September 30, 2007 | |
|--|---|---|
| | Number of Shares | Weighted Average Grant date Fair Value |
| Unvested restricted stock, beginning of period | 242,440 | 23.47 |
| Granted | 84,482 | 26.19 |
| Vested and issued | (58,490) | 24.97 |
| Forfeited or expired | (3,075) | 27.10 |
| Unvested restricted stock, end of period (including vested RSUs not issued) | 265,355 | 23.96 |

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.

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The following table shows the forms of collateral or other security provided to policyholders as at September 30, 2007 and December 31, 2006.

| | As at September 30, 2007 | As at December 31, 2006 |
|--|--------------------------------|-------------------------------|
| | (\$ in millions) | |
| Assets held in multi-beneficiary trusts | \$ 1,470.0 | \$ 1,280.1 |
| Assets held in single beneficiary trusts | 52.6 | 51.4 |
| Letters of credit issued under our revolving credit facilities (1) | 132.6 | 231.7 |
| Secured letters of credit (2) | 339.1 | 233.6 |
| Total | <u>\$ 1,994.3</u> | <u>\$ 1,796.8</u> |
| Total as % of cash and invested assets | <u>34.5%</u> | <u>34.7%</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 September 30, 2007, the Company had funds on deposit of \$307.1 million and £48.6 million (December 31, 2006 — \$171.2 million and £50.2 million) as collateral for the secured letters of credit.

(b) Operating leases

Amounts outstanding under operating leases as of September 30, 2007 were:

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>Later years</u> | <u>Total</u> |
|-----------------------------|------------------|-------------|-------------|-------------|-------------|------------------------|--------------|
| | (\$ in millions) | | | | | | |
| Operating Lease Obligations | 2.1 | 8.2 | 8.0 | 7.9 | 7.6 | 46.3 | 80.1 |

(c) Variable interest entities

As disclosed in Note 7, we have entered into a reinsurance agreement with Ajax Re that 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.

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 losses and expected residual returns will not be absorbed by the Company.

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 nine months ended September 30, 2007 and 2006. 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, 2006, as well as the discussions of critical accounting policies, contained in our Financial Statements filed in our 2006 Annual Report on Form 10-K with the United States Securities and Exchange Commission.

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" 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 Re and Aspen Bermuda. We provide property and liability insurance principally in the United Kingdom and in the United States through Aspen Re and Aspen Specialty and we provide marine, liability, energy, non-marine transport, aviation, professional liability insurance and specialty reinsurance worldwide principally through Aspen Re.

The most significant features of our results were:

- Net income after tax of \$117.2 million for the quarter ended September 30, 2007 increased by 23.4% compared to \$95.0 million for the comparative quarter in 2006. For the nine months ended September 30, 2007 net income after tax increased by 36.8%;
- The combined ratio for the third quarter of 2007 was 84.5% compared to 81.0% for the same quarter in 2006;
- Diluted earnings per ordinary share after payment of preference share dividends of \$1.21 for the quarter ended September 30, 2007 increased by 28.7% over the comparative quarter in 2006 and increased by 43.9% for the nine months of 2007 compared to the prior period in 2006;
- Net investment income in the third quarter of 2007 increased by 53.1% to \$72.4 million compared to the third quarter of 2006;
- Net earned premium for the quarter decreased by 2.2% compared to the same period in 2006;
- Tangible book value per ordinary share at September 30, 2007 was \$26.46, an increase of 21.0% compared to \$21.87 at September 30, 2006 (1); and
- Diluted tangible book value per ordinary share at September 30, 2007 was \$25.68, an increase of 19.9% compared to \$21.41 at September 30, 2006 (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

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by the number of ordinary shares in issue at the end of the period. Balances as at September 30, 2007 and September 30, 2006 were:

| | As at September 30, 2007 | As at September 30, 2006 |
|---------------------------------------|---|--------------------------------|
| | (\$ in millions, except for share amounts) | |
| Total shareholders' equity | \$ 2,733.2 | \$ 2,314.7 |
| Intangible assets | (8.2) | (8.2) |
| Preference shares less issue expenses | (419.2) | (222.9) |
| | <u>\$ 2,305.8</u> | <u>\$ 2,083.6</u> |
| Ordinary shares | 87,145,828 | 95,260,798 |
| Diluted ordinary shares | 89,794,371 | 97,338,272 |

The following overview of our results for the three months ended September 30, 2007 and 2006 and of our financial condition at September 30, 2007 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 decreased by 18.4% in the third quarter of 2007 compared to 2006. The table below shows our gross written premiums for each segment for the three months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for such segment.

| Business Segment | For the three months ended September 30, 2007 | | For the three months ended September 30, 2006 |
|-------------------------|---|---------------------------|---|
| | (\$ in millions) | % increase /(decrease) | (\$ in millions) |
| Property reinsurance | \$ 139.5 | (30.8)% | \$ 201.7 |
| Casualty reinsurance | 77.5 | (19.8) | 96.6 |
| International insurance | 129.0 | 4.5 | 123.5 |
| U.S. insurance | 27.5 | (23.0) | 35.7 |
| Total | <u>\$ 373.5</u> | <u>(18.4)%</u> | <u>\$ 457.5</u> |

We wrote less business in the third quarter than in the corresponding period of 2006 as a result of a number of factors: a less favorable pricing environment in some lines of business, in particular property catastrophe reinsurance, non-U.S. treaty casualty reinsurance, and U.K. commercial liability insurance; the re-positioning of our U.S. excess and surplus lines property insurance business and the timing of renewals in our structured property and casualty business. Gross written premiums in our casualty reinsurance segment were also impacted by a shift in strategic focus for our casualty facultative business which has led to the relocation of this business from our Marlton, New Jersey office to Rocky Hill, Connecticut.

Reinsurance. Total reinsurance ceded in the three months ended September 30, 2007 of \$24.7 million was in line with the corresponding period in 2006. Our overall risk management strategy of reducing reliance on property retrocessional reinsurance in favor of managing our catastrophe risk tolerances by reducing gross exposures is continuing as evidenced in the ceded premium amounts for the nine months ended September 30, 2007 compared to the prior comparative period in 2006, but in the quarter we were able to take advantage of opportunities to purchase property cover for two wind seasons at favorable prices which has resulted in the increase in cost in the third quarter of 2007 over the comparative period.

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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 September 30, 2007 and 2006 were as follows:

| Business Segment | For the three months ended | For the three months ended |
|-------------------------|----------------------------|----------------------------|
| | September 30, 2007 | September 30, 2006 |
| Property reinsurance | 34.2% | 45.5% |
| Casualty reinsurance | 74.5% | 63.9% |
| International insurance | 51.3% | 43.9% |
| U.S. insurance | 39.6% | 101.8% |
| Total Loss Ratio | 52.4% | 54.0% |

The combination of limited catastrophe losses during the quarter ended September 30, 2007 and no significant reserve strengthening in the period has produced a meaningful favorable variance in the property reinsurance loss ratio. Casualty reinsurance has experienced worsening loss ratios due to rate pressures and a \$5.6 million reduction in prior year reserve releases in the quarter. The international insurance segment has been impacted by an air crash in Brazil, however this has been partially offset by prior period reserve releases from the U.K. liability and aviation insurance lines. Within the U.S. insurance segment, U.S. property insurance has benefited from improved loss experience and U.S. casualty insurance has benefited from 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 September 30, 2007 and 2006, 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 | For the three months ended |
|-----------------------------------|----------------------------|----------------------------|
| | September 30, 2007 | September 30, 2006 |
| Reserve releases (\$ in millions) | \$ 28.5 | \$ 12.4 |
| % of net premiums earned | 6.8% | 2.9% |

The increase in reserve releases compared to the third quarter of 2006 is due to a combination of a reduction in the level of reserve strengthening for property reinsurance from \$14.8 million in 2006 to \$0.7 million in 2007, accompanied by an increase in reserve releases from \$19.9 million in 2006 to \$24.1 million in 2007 for international insurance. U.K. liability insurance contributed \$15.4 million and aviation insurance provided \$6.5 million of the international insurance releases for the current period.

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 business 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 September 30, 2007 and 2006:

| | For the three months ended | For the three months ended |
|---------------------------------------|----------------------------|----------------------------|
| | September 30, 2007 | September 30, 2006 |
| Policy acquisition expenses | 18.1% | 18.4% |
| Operating and administrative expenses | 14.0% | 8.6% |
| Expense ratio | 32.1% | 27.0% |

The overall reduction in the policy acquisition ratio is driven by a reduced ratio for the property reinsurance segment more than compensating for commission increases in the casualty reinsurance and

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international insurance segments. The reduction in the acquisition ratio for property reinsurance is mainly due to a \$22.7 million reduction in the earned reinsurance cost for the quarter compared to the same quarter in 2006. The movement was also impacted by changes in the mix of business from property reinsurance towards casualty reinsurance which attracts lower average commission rates.

Between the two periods we have experienced a \$21.8 million increase in our operating and administrative expenses due to a \$6.0 million rise in personnel costs resulting from increased bonus and long term incentive charges, \$3.8 million of reorganization costs of our U.S. operations, \$2.1 million increase in I.T. infrastructure costs associated with the upgrade of our underwriting systems, and \$2.0 million increase in foreign exchange expense resulting from the weakening of the U.S. Dollar against the British Pound. The third quarter of 2006 also benefited from \$2.4 million of accrual releases.

Investment income. In the third quarter of 2007, we generated net investment income of \$72.4 million (2006 — \$47.3 million). The 53.1% increase in income was due to income from our investment in funds of hedge funds, increased book yields on our fixed interest portfolio and a \$956.0 million increase in cash and invested assets between September 30, 2006 and September 30, 2007 as a result of positive operating cash flow.

Change in fair value of derivatives. In the three months ended September 30, 2007 we recorded a reduction of \$0.8 million (2006 — \$7.0 million) in the estimated fair value of our catastrophe swap and a reduction of \$1.9 million (2006 — \$Nil) in the estimated fair value of our credit insurance contract. Further information on these contracts can be found in Note 7 to the financial statements.

Other revenues and expenses. Other revenues and expenses in the three months ended September 30, 2007 included \$9.2 million of foreign currency exchange gains (2006 — \$2.5 million gain) and \$1.9 million of realized investment losses (2006 — \$1.0 million loss). The increase in foreign currency exchange gains in the period is primarily due to the increase in value of our Euro and Canadian Dollar denominated assets when converted into U.S. Dollars. The U.S. Dollar has weakened against both the Euro and Canadian Dollar in the period. The investment losses in 2007 are the result of transactions intended to re-position components of our fixed interest portfolio and to increase investment income in future periods. Interest payable was \$4.2 million in the three months ended September 30, 2007 (2006 — \$4.6 million).

Taxes. We have estimated that the average effective rate of tax for the year ended December 31, 2007 is 15.0% (2006 — 20.0%). This is subject to revision in future periods if circumstances change and in particular, depending on the claims experience of those parts of business conducted in Bermuda where the rate of tax on corporate profits is zero.

Dividends. Beginning in the first quarter of 2005, we increased our quarterly dividends from \$0.03 to \$0.15 per ordinary share, and we paid such dividends on our outstanding shares in each quarter of 2005, notwithstanding our losses from the 2005 hurricanes. This quarterly dividend was maintained at \$0.15 per ordinary share throughout 2006 and the first three quarters of 2007.

Dividends paid on our preference shares in the three months ended September 30, 2007 were \$6.9 million (2006 — \$3.2 million). The increase between 2006 and 2007 was due to the issuance of 8,000,000 preference shares in December 2006 which pay a dividend of \$3.7 million per quarter.

Shareholders' equity and financial leverage. Total shareholders' equity increased by \$142.2 million to \$2,733.2 million for the three months ended September 30, 2007. The most significant movements were:

- net income after tax for the period of \$117.2 million;
- dividend payments to ordinary and preference shareholders totaling \$20.2 million;
- increase in unrealized gains in foreign currency translation accounted for as Other Comprehensive Income of \$29.7 million; and
- reduction in unrealized losses on investments of \$56.1 million.

As at September 30, 2007 total ordinary shareholders' equity was \$2,314.0 million compared to \$1,970.1 million at December 31, 2006. The remainder of our total shareholders' equity, as at

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September 30, 2007, 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, 2006 — \$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 September 30, 2007 and December 31, 2006.

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders' equity plus outstanding debt. At September 30, 2007, this ratio was 8.4% (December 31, 2006 — 9.5%).

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 22.4% as of September 30, 2007 (December 31, 2006 — 25.3%).

Capital Management. On September 28, 2007 we entered into an accelerated share repurchase with Goldman Sachs to repurchase \$50.0 million of our ordinary shares representing approximately 2% of the Company's market capitalization. The share repurchase transaction brings the total cumulative repurchase amount to approximately \$250 million, being part of the \$300 million share repurchase program authorized by the Company's Board of Directors as announced on November 8, 2006. The share repurchase of \$50 million was funded from available cash on hand.

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 September 30, 2007, Aspen Holdings held \$62.5 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 such time.

At September 30, 2007, our subsidiaries held \$504.7 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 September 30, 2007 and for the foreseeable future.

As of September 30, 2007, we had in issue \$377.1 million and £46.2 million in letters of credit to cedants, for which \$307.1 million and £48.6 million were held as collateral for the secured letters of credit. Our reinsurance receivables decreased by 32.6% from \$468.3 million at December 31, 2006 to \$315.8 million at September 30, 2007, mainly as a result of further amounts received from our reinsurers in respect of 2004 and 2005 hurricane claims.

Outlook and Trends

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

Overall. In summary, overall rates are continuing to trend downwards but there are significant variations by line of business. Rating pressure in some of the lines we write, such as U.K. commercial property and U.K. employers' and public liability is particularly acute. Therefore, we have written less new business and accepted reduced retention rates on renewals in order to preserve underwriting margins and return on capital.

Property Reinsurance. In this segment, overall rates have remained flat on business we renewed this year, although rates have trended downwards from the record highs achieved in July 2006. In our catastrophe treaty book, rates increased marginally on average with respect to 2007 renewal business. However, the trend in property catastrophe pricing is downwards. Our pro rata treaty business has seen slight average rate declines in 2007. In our risk excess treaty business, renewal rates have also decreased, with some pressure on terms and conditions. Within property reinsurance as a whole, terms and conditions have remained stable to date. However, in the underlying primary policies we protect there has been some erosion in terms and conditions.

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Casualty Reinsurance. Overall in this segment prices have decreased slightly. In our international casualty reinsurance account, rates have declined moderately reflecting lower pricing in the insurance markets and we anticipate further rating pressure in 2008. In U.S. casualty reinsurance, we recorded a similar reduction on our book. Overall, downward pressure on rates is increasing.

International Insurance. In this segment, we have seen rates decrease marginally on average on renewal business, although this varies widely by line of business. In our energy physical damage account, average renewal pricing declined moderately year to date reflecting minimal loss activity. Marine liability insurance experienced a more significant increase in average rates due to a combination of market factors and past loss activity on some contracts, although we do anticipate some reductions in the coming months. We recorded a moderate increase on our marine hull account as a consequence of the increased frequency of losses in this line of business. Rates for aviation insurance have also decreased moderately. However, there are some encouraging signs in the aviation market. U.K. employers' and public liability have seen the largest reduction in rates due to increased competition and we have written 25% less premium in these lines as a result. We have also seen moderate average rate declines this year on our U.K. commercial property account and our specialty reinsurance account.

U.S. Insurance. In this segment, the market is seeing significant reductions in the excess and surplus lines property and casualty lines of business. Our renewal business however is faring much better. By leveraging our producer and client connections and by careful risk selection, rate reductions have been marginal in our property account and moderate in our casualty account.

Recent Developments

On October 10, 2007, we announced that we will enter the global excess casualty insurance market which will be written through a Dublin branch of Aspen Insurance UK Limited. A notification has been made to the U.K. Financial Services Authority to establish a branch in Dublin. We will focus on construction and global risk managed programs. The underwriting unit will be headed by Bob Patten who has more than 15 years of experience underwriting excess casualty.

Mr. Liaquat Ahamed was appointed to our Board of Directors on October 31, 2007. He is a member of our Board's Investment Committee and Risk Committee. Mr. Ahamed has a background in investment management with leadership roles that include heading the World Bank's investment division, and Chief Executive Officer of Fischer Francis Trees & Watts, Inc., a subsidiary of BNP Paribas specializing in institutional single and multi-currency fixed income investment portfolios. He is currently an adviser to the Rock Creek Group, an investment firm based in Washington D.C., a Board Member of the Rohatyn Group, and a member of the Board of Trustees at the Brookings Institution.

Application of Critical Accounting Policies

Our condensed 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. For a detailed discussion of our critical accounting policies please refer to our 2006 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 September 30, 2007 Compared to the Three Months Ended September 30, 2006

The following is a discussion and analysis of our consolidated results of operations for the three months ended September 30, 2007 and 2006 starting with a discussion of segmental results and then summarizing our consolidated results under "Total Income Statement — Third quarter" below.

Underwriting Results by Operating Segments

As a result of a shift in the Company's operating structure and the implementation of a number of strategic initiatives in 2007, the Company changed the composition of its business segments to reflect the manner in which the business is managed. The Company is currently 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.

The property and casualty insurance segment previously comprised U.S. property and casualty insurance business written on an excess and surplus lines basis, U.K. commercial property and liability insurance and international property facultative business. With the appointment of Nathan Warde, as head of U.S. insurance, and Matthew Yeldham, as head of international insurance, we have now redesignated U.S. property and casualty insurance business as a separate segment. The U.K. commercial property and liability insurance business now forms part of our international insurance segment which also consists of marine hull, energy and liability, aviation, professional liability insurance and non-marine transport lines of business as well as specialty reinsurance. We have also re-allocated our international property facultative business, previously part of our property and casualty insurance segment, to the property reinsurance segment.

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 September 30, 2007 and 2006.

The contributions of each segment to gross written premiums in the three months ended September 30, 2007 and 2006 were as follows:

| Business Segment | Gross written premiums | |
|-------------------------|-----------------------------------|----------------------------|
| | For the three months ended | For the three months ended |
| | September 30, 2007 | September 30, 2006 |
| | % of total gross written premiums | |
| Property reinsurance | 37.4% | 44.1% |
| Casualty reinsurance | 20.7% | 21.1% |
| International insurance | 34.5% | 27.0% |
| U.S. insurance | 7.4% | 7.8% |
| Total | 100.0% | 100.0% |

| Business Segment | Gross written premiums | |
|-------------------------|----------------------------|----------------------------|
| | For the three months ended | For the three months ended |
| | September 30, 2007 | September 30, 2006 |
| | (\$ in millions) | |
| Property reinsurance | \$139.5 | \$201.7 |
| Casualty reinsurance | 77.5 | 96.6 |
| International insurance | 129.0 | 123.5 |
| U.S. insurance | 27.5 | 35.7 |
| Total | \$373.5 | \$457.5 |

Property Reinsurance

Our property reinsurance segment is mainly written on a treaty basis and includes catastrophe, risk excess and proportional treaty risks. We also have a small proportion of property facultative risks. We have written no significant retrocession business in this quarter. 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 third quarter of 2006, we also opened a branch office of Aspen Re in Paris which writes property facultative business in continental Europe. We have recently established a branch of Aspen Re in Zurich which will focus on property and casualty reinsurance in Europe.

Gross written premiums. Gross written premiums for our property reinsurance segment decreased by 30.8% compared to the three months ended September 30, 2006. This reduction reflects changes in the timing of the renewals this year versus last year, softening markets, increased competition, and the non-renewal of a number of accounts that no longer meet our internal profitability requirements.

The table below shows our gross written premiums for each line of business for the three months ended September 30, 2007 and 2006, 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 ended |
| | September 30, 2007 | % increase/(decrease) | September 30, 2006 |
| | (\$ in millions) | | (\$ in millions) |
| Treaty catastrophe | \$ 60.1 | (39.7)% | \$ 99.7 |
| Treaty risk excess | 35.7 | (36.0) | 55.8 |
| Treaty pro rata | 34.1 | 5.9 | 32.2 |
| Property facultative | 9.6 | (31.4) | 14.0 |
| Total | <u>\$ 139.5</u> | <u>(30.8)%</u> | <u>\$ 201.7</u> |

Losses and loss adjustment expenses. The net loss ratio for the three months ended September 30, 2007 was 34.2% compared to 45.5% in 2006. Although the loss ratio in 2007 was impacted by \$3.3 million for the July U.K. floods this has been more than offset by the lack of major catastrophic events during the quarter, in addition to lower charges in the quarter for ceded earned premiums. Ceded earned premiums have decreased from \$47.6 million for the three months ended September 30, 2006 to \$24.9 million for the three months ended September 30, 2007 which had a positive impact on net earned premiums. Excluding the impact of reinsurance ceded on earned premium, the gross loss ratio has decreased from 44.9% in 2006 to 26.4% in 2007 due primarily to a \$14.1 million reduction in reserve strengthening between 2006 and 2007 and a reduction in loss ratios for pro rata business. The reduction has been partially offset by the impact of the U.K. floods.

Policy acquisition, operating and administrative expenses. Total expenses were \$43.7 million for the three months ended September 30, 2007 equivalent to 34.9% of net premiums earned (2006 — 32.3%). Policy acquisition expenses have decreased from \$32.3 million in 2006 to \$25.4 million for the third quarter in 2007, mainly as a result of the reduction in written premium for the period. The increase in the operating and administrative expenses to \$18.3 million from \$9.3 million for the comparative period in 2006 is attributable to increases in personnel costs associated with increased bonus accruals and long term incentive charges, costs associated with the establishment of our Zurich branch, increased I.T. infrastructure costs associated with enhancements to our underwriting system and the weakening of the U.S. Dollar against the British Pound.

Casualty Reinsurance

Our casualty reinsurance segment is written mainly on a treaty basis with a small proportion of facultative risks. The 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 19.8% decrease in gross written premiums for the segment was due mainly to the timing of inceptions for our structured business, the impact of rate reductions and a strategic shift in our casualty facultative business which resulted in the closure of our Marlton, New Jersey office and relocation to our offices in Rocky Hill, Connecticut, impacting such business in the short-term. The table below shows our gross written premiums for each line of business for the three months ended September 30, 2007 and 2006, 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 ended |
| | September 30, 2007 | | September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| U.S. treaty | \$ 53.5 | (4.1)% | \$ 55.8 |
| Non-U.S. treaty | 20.5 | (31.4) | 29.9 |
| Casualty facultative | 3.5 | (67.9) | 10.9 |
| Total | <u>\$ 77.5</u> | <u>(19.8)%</u> | <u>\$ 96.6</u> |

Losses and loss adjustment expenses. Losses and loss adjustment expenses increased by \$10.2 million in the quarter compared to the equivalent period in 2006. The increase was primarily due to a smaller reserve release of \$1.6 million in the quarter, whereas the comparative period benefited from a reserve release of \$7.2 million and some unfavorable loss experience in the period. Prior year reserve releases are further discussed below under "Reserves for Losses and Loss Expenses."

Policy acquisition, operating and administrative expenses. Total expenses were \$33.6 million for the three months ended September 30, 2007 equivalent to 27.2% of net premiums earned (2006 — 21.5%). Policy acquisition expenses of \$19.8 million have remained broadly consistent with those for the comparative period in 2006. Operating and administrative expenses have increased to \$13.8 million from \$8.1 million for the three months ended September 30, 2006. The increase in operating and administrative expenses is mainly due to the increase in personnel costs associated with increased bonus accruals and long term incentive charges, increased I.T. infrastructure costs associated with enhancements to our underwriting system and the weakening of the U.S. Dollar against the British Pound.

International Insurance

Our international insurance segment mainly comprises marine hull, liability, energy, non-marine transport, aviation, professional liability, 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.

Gross written premiums. Energy premiums have increased as a result of an underlying increase in insured values and the increased contribution from construction business. The increase in premium for the marine hull account has resulted from increased participation on a large contract that renewed during the quarter. Aviation has been better than expected due to an increase in the deductible and war accounts which offset other accounts facing rate pressures. The increase in premium for the specialty reinsurance business line is due to the timing of premium recognition for proportional treaty policies which are biased more towards the end of the year. Marine and specialty liability insurance premiums have decreased as a result of prior year premium adjustments. Similarly, increased competition and softening rates in U.K. commercial liability have resulted in premiums reductions and the loss of some contracts.

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The table below shows our gross written premiums for each line of business for the three months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for each line:

| Lines of Business | Gross written premiums | | |
|--|----------------------------|-----------------------|----------------------------|
| | For the three months ended | | For the three months ended |
| | September 30, 2007 | | September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| Marine and specialty liability insurance | \$ 13.8 | (39.2)% | \$ 22.7 |
| Energy property insurance | 21.3 | 22.4 | 17.4 |
| Marine hull | 11.2 | 47.4 | 7.6 |
| Aviation insurance | 23.7 | 11.3 | 21.3 |
| Specialty reinsurance | 16.1 | 85.1 | 8.7 |
| U.K. commercial property | 16.0 | 42.9 | 11.2 |
| U.K. commercial liability | 26.9 | (22.3) | 34.6 |
| Total | <u>\$ 129.0</u> | <u>4.5%</u> | <u>\$ 123.5</u> |

Losses and loss adjustment expenses. Losses and loss adjustment expenses represented 51.3% of net premiums earned for the three months ended September 30, 2007 compared to 43.9% in 2006. The current period has been adversely affected by an aviation loss of \$10.1 million, including reinstatement premiums, of which \$6.6 million was attributable to aviation insurance and \$3.5 million to specialty reinsurance as well as a provision of \$4.0 million for the July U.K. flood losses, but has benefited from favorable prior period reserve releases of \$24.1 million. The comparative period benefited from a reserve release of \$19.9 million, \$7.4 million of which was attributable to specialty reinsurance. Prior year reserve releases are further discussed under “Reserves for Losses and Loss Expenses.”

Policy acquisition, operating and administrative expenses. The acquisition expense ratio for this segment increased by 3.1 percentage points overall after additional profit commission accruals totaling \$2.5 million were incurred during the quarter as a result of reduced loss ratios, particularly in the energy account. The increase in operating and administrative expenses to \$17.2 million in the third quarter of 2007 from \$14.4 million for the comparative period in 2006 is attributed to increases in personnel costs associated with increased bonus accruals and long term incentive charges and this segment’s greater share of expenses due to lower earned premiums in other segments.

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 decreased by 23.0% compared to 2006 due primarily to the repositioning of our U.S. commercial property account and the non-renewal of a number of poorly performing contracts. The U.S. casualty account is experiencing some rate pressure but we have been able to maintain premium levels while obtaining price adequacy.

The table below shows our gross written premiums for each line of business for the three months ended September 30, 2007 and 2006, 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 ended |
| | September 30, 2007 | | September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| U.S. property | \$ 7.9 | (55.6)% | \$ 17.8 |
| U.S. casualty | 19.6 | 9.5 | 17.9 |
| Total | <u>\$ 27.5</u> | <u>(23.0)%</u> | <u>\$ 35.7</u> |

Losses and loss adjustment expenses. Losses for the period have decreased by \$18.1 million when compared to the prior period primarily due to significantly better loss experience for the commercial

property account which suffered a number of fire related losses in 2006, and a \$3.4 million increase in the prior year reserve release in 2007 compared to 2006.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses have decreased to \$4.5 million from \$5.5 million for the equivalent period in 2006 due to a change in business mix. Operating and administrative expense have increased from \$5.0 million in 2006 to \$9.3 million in 2007 due primarily to \$3.8 million of reorganization costs associated with our U.S. operations.

Total Income Statement — Third quarter

Our total income statement 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 third quarter than in the corresponding period of 2006 as a result of a number of factors including the prevailing less favorable pricing environment in some lines of business, such as property catastrophe reinsurance, property treaty risk excess reinsurance and U.K. commercial liability insurance classes, as well as the re-positioning of our U.S. surplus lines property insurance business and our casualty reinsurance facultative account. This was partially offset by increases in premiums from the property pro rata reinsurance and energy insurance lines of business.

Reinsurance ceded. Our reinsurance spend of \$24.7 million is broadly consistent with the third quarter of 2006, although the underlying protections have changed as a result of opportunities taken during the period to purchase property covers at favorable prices for two wind seasons. In 2006 significantly more reinsurance was purchased, however, as a result of the timing of the purchase, a similar impact on earnings was produced in the third quarter of 2007.

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 third quarter of 2007 decreased by 7.9% compared to the third quarter of 2006 primarily as a result of the reduction in business written in the property and casualty reinsurance segments.

Net premiums earned. Net premiums earned have decreased by 2.2% in 2007 compared to 2006. Although gross earned premiums have decreased by 7.9% for the same period, ceded earned premiums have decreased by 36.5% as a result of our reduced reliance on retrocession.

Losses and loss adjustment expenses. In the third quarter of 2007 we suffered a \$10.1 million aviation loss in Brazil (\$6.6 million — aviation insurance; \$3.5 million — specialty reinsurance). In comparison, in the third quarter of 2006, we suffered a U.K. commercial property account fire loss of \$11.4 million, net of reinsurance, and a factory fire loss of \$8.8 million on our property reinsurance account. Further information relating to movements in prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

Losses and loss adjustment expenses represented 52.4% of our net earned premiums for the three months ended September 30, 2007. The 1.6 percentage point reduction in the loss ratio over the comparative period in 2006 is due largely to a combination of limited catastrophic losses in the current period and an increase in prior year reserve releases from \$12.4 million in the third quarter of 2006 to \$28.5 million in the third quarter 2007. Further information relating to movements in prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

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The underlying changes in accident year loss ratios by segment are shown in the following table:

| | Total Loss Ratio | Prior Year Adjustment | Accident Year Loss Ratio Excluding Prior Year Adjustments |
|--|------------------|-----------------------|---|
| For the three months ended September 30, 2007 | | | |
| Property reinsurance | 34.2% | (0.5)% | 33.7% |
| Casualty reinsurance | 74.5% | 1.3% | 75.8% |
| International insurance | 51.3% | 16.4% | 67.7% |
| U.S. insurance | 39.6% | 14.6% | 54.2% |
| Total | 52.4% | 6.8% | 59.2% |

| | Total Loss Ratio | Prior Year Adjustment | Accident Year Loss Ratio Excluding Prior Year Adjustments |
|--|------------------|-----------------------|---|
| For the three months ended September 30, 2006 | | | |
| Property reinsurance | 45.5% | (11.5)% | 34.0% |
| Casualty reinsurance | 63.9% | 5.6% | 69.5% |
| International insurance | 43.9% | 13.7% | 57.6% |
| U.S. insurance | 101.8% | 0.4% | 102.2% |
| Total | 54.0% | 2.9% | 56.9% |

Expenses. We monitor the ratio of expenses to gross earned premium (the “gross expense ratio”) as a measure of the cost effectiveness of our business 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 September 30, 2007 and 2006. 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 | For the three months ended |
| | September 30, 2007 | September 30, 2006 |
| Policy acquisition expenses | 16.1% | 15.4% |
| Operating and administrative expenses | 12.4% | 7.1% |
| Gross expense ratio | 28.5% | 22.5% |
| Effect of reinsurance | 3.6% | 4.4% |
| Total net expense ratio | 32.1% | 26.9% |

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 September 30, 2007 and 2006 are shown in the following table:

| Ratios based on | For the three months ended September 30, 2007 | | | | | For the three months ended September 30, 2006 | | | | |
|--|---|----------------------|-------------------------|----------------|-------|---|----------------------|-------------------------|----------------|-------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | Total | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | Total |
| Gross Earned Premium | | | | | | | | | | |
| Policy acquisition expense ratio | 16.9 | 15.8 | 16.1 | 13.6 | 16.1 | 18.3 | 14.8 | 13.0 | 13.9 | 15.4 |
| Operating and administrative expense ratio | 12.2 | 11.0 | 10.5 | 28.0 | 12.4 | 5.3 | 6.1 | 8.7 | 12.6 | 7.2 |
| Gross expense ratio | 29.1 | 26.8 | 26.6 | 41.6 | 28.5 | 23.6 | 20.9 | 21.7 | 26.5 | 22.6 |
| Effect of reinsurance | 5.8 | 0.4 | 3.1 | 16.1 | 3.6 | 8.7 | 0.6 | 3.1 | 12.3 | 4.4 |
| Total net expense ratio | 34.9 | 27.2 | 29.7 | 57.7 | 32.1 | 32.3 | 21.5 | 24.8 | 38.8 | 27.0 |

The policy acquisition ratio, gross of the effect of reinsurance, has increased to 16.1% for the three months ended September 30, 2007 from 15.4% for the comparative period in 2006. The increase is driven mainly by the increase in profit commissions for the casualty reinsurance and international insurance

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segments. The reduction in the acquisition ratio for property reinsurance is mainly due to a \$22.7 million reduction in the earned reinsurance cost for the quarter compared to the same quarter in 2006. The movement was also impacted by changes in the mix of business from property reinsurance towards international insurance which attracts lower average commission rates.

Between the two periods we have experienced a \$21.8 million increase in our operating and administrative expenses due to a \$6.0 million rise in personnel costs resulting from increased bonus and long term incentive charges, \$3.8 million of reorganization costs in relation to our U.S. operations, \$2.1 million increase in I.T. infrastructure costs associated with the upgrade of our underwriting systems, and \$2.0 million increase in foreign exchange expense resulting from the weakening of the U.S. Dollar against the British Pound. The third quarter of 2006 also benefited from a \$2.4 million of accrual releases.

Net investment income. Net investment income consists primarily of interest on fixed income securities and is stated after deduction of expenses relating to the management of our investments. In the third quarter of 2007, we generated net investment income of \$72.4 million (2006 — \$47.3 million). The \$25.1 million increase in investment income was due to gains from our investment in funds of hedge funds of \$7.9 million, higher book yields on our fixed income portfolio and a \$956.0 million increase in cash and invested assets between September 30, 2006 and September 30, 2007 as a result of positive operating cash flow. During the quarter the book yield on our fixed income portfolio increased 14 basis points from 4.94% to 5.08% and the portfolio duration decreased marginally from 3.59 years to 3.46 years.

Change in fair value of derivatives. In the three months ended September 30, 2007, we recorded an increase of \$0.8 million (2006 — \$7.0 million) in the estimated fair value of our catastrophe swap and a reduction of \$1.9 million (2006 — \$Nil) in the estimated fair value of our credit insurance contract. Further information on these contracts can be found in Note 7 to the financial statements.

Income before tax. In the third quarter of 2007, income before tax was \$137.9 million and is comprised of \$65.1 million of underwriting profit, \$72.4 million in net investment income, \$7.3 million of net exchange and investment gains/(losses), \$4.2 million of interest payable and \$2.7 million of other expenses. In the third quarter of 2006, income before tax was \$118.7 million and comprised \$81.6 million of underwriting profit, \$47.3 million in net investment income, \$1.5 million of net exchange and investment gains/(losses), \$4.6 million of interest payable and \$7.1 million of other expenses. Our lower underwriting profit in the quarter compared to the prior period was mainly due to lower gross written premium in the quarter partially offset by lower losses. As discussed above, the significant increase in investment income was the biggest contribution to our net income for the quarter.

Income tax expense. Income tax expense for the three months ended September 30, 2007 was \$20.7 million. Our consolidated tax rate for the three months ended September 30, 2007 was 15.0% (2006 — 20.0%). 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 2007. 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 three months ended September 30, 2007 was \$117.2 million, equivalent to \$1.24 earnings per basic ordinary share adjusted for the \$6.9 million preference share dividends and \$1.21 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 September 30, 2007. The net income for the three months ended September 30, 2006 was \$95.0 million equivalent to earnings per ordinary share of \$0.96 and fully diluted earnings per share of \$0.94.

Results of Operations for the Nine Months Ended September 30, 2007 Compared to the Nine Months Ended September 30, 2006

The following is a discussion and analysis of our consolidated results of operations for the nine months ended September 30, 2007 and 2006 starting with a discussion of segmental results and then summarizing our consolidated results for such period under “Total Income Statement — Nine Months Ended September 30, 2007” 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 nine months ended September 30, 2007 and 2006.

The contributions of each segment to gross written premiums in the nine months ended September 30, 2007 and 2006 were as follows:

| Business Segment | Gross written premiums | |
|-------------------------|--|--|
| | For the nine months ended September 30, 2007 | For the nine months ended September 30, 2006 |
| | (% of total gross written premiums) | |
| Property reinsurance | 34.5% | 34.1% |
| Casualty reinsurance | 25.1% | 26.3% |
| International insurance | 33.9% | 32.4% |
| U.S. insurance | 6.5% | 7.2% |
| Total | <u>100.0%</u> | <u>100.0%</u> |
| | (\$ in millions) | |
| Property reinsurance | \$521.9 | \$565.1 |
| Casualty reinsurance | 380.2 | 435.8 |
| International insurance | 513.2 | 538.6 |
| U.S. insurance | 98.2 | 119.1 |
| Total | <u>\$1,513.5</u> | <u>\$1,658.6</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 international property facultative risks and in the third quarter of 2006, we opened a branch office of Aspen Re in Paris which writes property facultative business in continental Europe. We have recently established a branch of Aspen Re in Zurich which will focus on property and casualty reinsurance in Europe. We also write some structured reinsurance contracts out of Aspen Bermuda.

Gross written premiums. Gross written premiums for our property reinsurance segment decreased by 7.6% compared to the nine months ended September 30, 2006. This decrease was principally due to softening rates in particular in our risk excess line of business, and unfavorable pricing and market conditions and the non-renewal of several large contracts which did not meet our pricing conditions.

The tables below show our gross written premiums for each line of business for the nine months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for each such line:

| Lines of Business | Gross written premiums | | |
|----------------------|--|-----------------------|--|
| | For the nine months ended September 30, 2007 | | For the nine months ended September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| Treaty catastrophe | \$ 263.9 | (9.4)% | \$ 291.4 |
| Treaty risk excess | 125.3 | (20.0) | 156.6 |
| Treaty pro rata | 105.2 | 13.0 | 93.1 |
| Property facultative | 27.5 | 14.6 | 24.0 |
| Total | <u>\$ 521.9</u> | <u>(7.6)%</u> | <u>\$ 565.1</u> |

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Losses and loss adjustment expenses. The net loss ratio for the nine months ended September 30, 2007 was 40.4% compared to 41.6% in 2006. The net loss ratio in 2007 benefited from significantly lower charges in the period for ceded reinsurance premiums earned which decreased by 70.7% over the comparative period. Excluding the impact of reinsurance, the gross loss ratio has increased from 30.7% in 2006 to 36.9% in 2007. The increase in 2007 was primarily due to the impact from \$23.8 million of losses associated with winter storm Kyrill and \$17.0 million of losses from the June U.K. floods compared to no large losses in 2006. Prior period reserves were strengthened by \$9.6 million in 2007 compared to \$33.5 million of reserve strengthening in 2006. The reserve strengthening in 2006 was attributable to adverse development of the 2005 Hurricanes.

Policy acquisition, operating and administrative expenses. Total expenses were \$133.5 million for the nine months ended September 30, 2007 equivalent to 31.5% of net premiums earned (2006 — 37.4%). The decrease in the expense ratio is attributable to the reduction in earned reinsurance premiums referred to above which increases net earned premium, the denominator of the expense ratio calculation. The decrease of \$20.4 million in policy acquisition expenses over the comparative period reflects the reduction in gross earned premium and generally lower commission rates for risk and pro rata business.

Casualty Reinsurance

Our casualty reinsurance segment is written mainly on a treaty basis with a small proportion of facultative risks. The 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 12.8% reduction in gross written premiums for the segment was due to a general reduction in premium rates, the reorganization of our casualty facultative business and downward revisions on estimated premiums on prior year premium estimates for a number of U.S. and international casualty treaties based on updated information received from cedants. The closure of our Marlton, New Jersey office and relocation to our Rocky Hill, Connecticut office has impacted our casualty facultative premiums in the short-term. The table below shows our gross written premiums for each line of business for the nine months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for each such line:

| Lines of Business | Gross written premiums | | |
|----------------------|--|-----------------------|--|
| | For the nine months ended September 30, 2007 | | For the nine months ended September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| U.S. treaty | \$ 220.8 | (12.9)% | \$ 253.4 |
| Non-U.S. treaty | 154.0 | (2.0) | 157.2 |
| Casualty facultative | 5.4 | (78.6) | 25.2 |
| Total | <u>\$ 380.2</u> | <u>(12.8)%</u> | <u>\$ 435.8</u> |

Losses and loss adjustment expenses. Losses and loss adjustment expenses increased by \$34.3 million compared to the equivalent period in 2006. The increase is primarily due to a reserve release in the period of \$19.0 million compared to a reserve release of \$54.2 million for the comparative period. Prior year reserve movements are further discussed below under "Reserves for Losses and Loss Expenses."

Policy acquisition, operating and administrative expenses. Total expenses were \$90.2 million for the nine months ended September 30, 2007 equivalent to 25.3% of net premiums earned (2006 — 25.0%). Policy acquisition expenses have reduced mainly as a result of the change in business mix. The increase in operating and administrative expenses is attributed mainly to the increase in personnel costs associated with increased bonus accruals and long term incentive charges, increased I.T. infrastructure costs associated with enhancements to our underwriting system, costs associated with the closure of our Marlton, New Jersey office and the weakening of the U.S. Dollar against the British Pound.

International insurance

Our international insurance segment mainly comprises marine hull, liability and energy, non-marine transport, aviation, professional liability, U.K. commercial property, U.K. commercial liability insurance and specialty reinsurance. 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.

Gross written premiums. The increase in energy property insurance written premium in the period is mainly due to contracts renewing earlier in 2007 than in 2006, insured value increasing and increased contribution from construction business initially written in 2006. In addition property valuations have increased for energy risks and this has increased premiums. Specialty reinsurance renewals were better than the prior year with rates and lines holding up well. In the aviation line, there were differences in the timing of premium recognition between 2007 and 2006 as well as an underlying downward trend in rates. U.K. commercial liability has suffered from rate reductions which resulted in the non-renewal of several larger contracts.

The table below shows our gross written premiums for each line of business for the nine months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for each line:

| Lines of Business | Gross written premiums | | |
|--|--|-----------------------|--|
| | For the nine months ended September 30, 2007 | | For the nine months ended September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| Marine and specialty liability insurance | \$ 108.5 | 1.7% | \$ 106.6 |
| Energy property insurance | 94.5 | 13.8 | 83.0 |
| Marine hull | 45.9 | 0.2 | 45.8 |
| Aviation insurance | 61.2 | (24.2) | 80.7 |
| Specialty reinsurance | 87.4 | 4.3 | 83.8 |
| U.K. commercial property | 42.3 | (1.4) | 42.9 |
| U.K. commercial liability | 73.4 | (23.4) | 95.8 |
| Total | <u>\$ 513.2</u> | <u>(4.7)%</u> | <u>538.6</u> |

Losses and loss adjustment expenses. Losses and loss adjustment expenses represented 56.1% of net premiums earned for the nine months ended September 30, 2007. The 2.7 percentage point decrease in the loss ratio over the comparative period in 2006 was due largely to \$60.0 million of prior period reserve releases compared to \$36.1 million of releases for the same period in 2006. In 2007, the most significant losses included a \$14.0 million loss following a shipping collision, and a \$10.1 million loss, net of reinsurance and including reinstatement premiums, from an air crash in Brazil. The most significant loss in 2006 was \$11.7 million factory fire.

Policy acquisition, operating and administrative expenses. The acquisition expense ratio for this segment increased by 1.0 percentage point compared to the prior period due largely to the mix of business and profit commission accruals related to the lower loss ratios, particularly in the energy class of business.

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 decreased by 17.5% compared to 2006 due to the non-renewal of a number of poorly performing property contracts, the repositioning of our property book and the impact of downward rating pressures.

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The table below shows our gross written premiums for each line of business for the nine months ended September 30, 2007 and 2006, and the percentage change in gross written premiums for each such line:

| Lines of Business | Gross written premiums | | |
|-------------------|--|-----------------------|--|
| | For the nine months ended September 30, 2007 | | For the nine months ended September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| U.S. property | 34.3 | (38.6)% | 55.9 |
| U.S. casualty | 63.9 | 1.1 | 63.2 |
| Total | <u>\$ 98.2</u> | <u>(17.5)%</u> | <u>\$ 119.1</u> |

Losses and loss adjustment expenses. Losses for the period decreased by 19.1% when compared to the comparative period. The reduction was primarily due to the 2006 period suffering from a significant number of fire related losses compared to more favorable experience in 2007. Prior year reserve releases have also increased from \$1.3 million in 2006 to \$3.5 million in 2007, which improved the loss ratio in this segment.

Policy acquisition, operating and administrative expenses. Acquisition costs have remained consistent with those for the same period in 2006. Operating and administrative expenses have however increased by \$7.2 million over the same period in 2006 due to the additional costs associated with the reorganization of the business.

Total Income Statement — Nine Months Ended September 30, 2007

Our total income statement 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. The overall change in gross written premiums between the nine months ended September 30, 2007 and 2006 were as follows:

| Business Segment | Gross written premiums | | |
|-------------------------|--|-----------------------|--|
| | For the nine months ended September 30, 2007 | | For the nine months ended September 30, 2006 |
| | (\$ in millions) | % increase/(decrease) | (\$ in millions) |
| Property reinsurance | \$ 521.9 | (7.6)% | \$ 565.1 |
| Casualty reinsurance | 380.2 | (12.8) | 435.8 |
| International insurance | 513.2 | (4.8) | 538.6 |
| U.S. insurance | 98.2 | (17.5) | 119.1 |
| Total | <u>\$ 1,513.5</u> | <u>(8.7)%</u> | <u>\$ 1,658.6</u> |

We wrote less business in the period than in the corresponding period of 2006 as a result of a number of factors including the prevailing less favorable pricing environment in some lines of business, such as property catastrophe reinsurance, property treaty risk excess reinsurance, aviation and U.K. commercial liability insurance classes, and the re-positioning of our U.S. casualty facultative and U.S. surplus lines property insurance business. This was partially offset by increases in premiums from the property pro rata reinsurance and energy insurance lines of business.

Reinsurance ceded. Reinsurance spend decreased by 30.0% in 2007 principally as a result of our strategy of reducing reliance on property retrocessional reinsurance in favor of managing our catastrophe risk tolerances by cutting gross exposures instead of exporting risk to reinsurers. This reduced reinsurance spend across the segments from \$273.1 million in 2006 to \$191.1 million in 2007.

Gross premiums earned. Gross premiums earned for the nine months ended September 30, 2007 decreased by 5.7% compared to the same period in 2006 due to a reduction in the contribution to earnings

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from the prior underwriting year and the reduction in business written in property and casualty reinsurance and U.S. insurance segments mainly due to rate pressures.

Net premiums earned. Net premiums earned increased by 3.9% in 2007 compared to 2006 due to the reduction in reinsurance ceded in the period being more significant than the gross earned premium reduction.

Insurance losses and loss adjustment expenses. In the nine months of 2007 we suffered a \$27.1 million loss from Winter storm Kyrill, a \$22.6 million loss associated with the June U.K. floods, a \$14.0 million marine loss resulting from a shipping collision, and a \$10.1 million Brazilian aviation loss, net of reinsurance and including reinstatement premiums (\$6.6 million — aviation insurance; \$3.5 million — specialty reinsurance). In comparison, in the nine months ended September 30, 2006 we suffered a U.K. commercial property account fire loss of \$11.4 million, net of reinsurance and a property reinsurance factory fire loss of \$8.8 million. Further information relating to movements in prior year reserves can be found below under “Reserves for Loss and Loss Adjustment Expenses.”

Losses and loss adjustment expenses represented 54.8% of our net earned premiums for the nine months ended September 30, 2007 compared to 54.6% for the same period in 2006. Although we suffered larger losses in 2007, the 2007 loss ratio has benefited from reserve releases of \$72.9 million compared to \$58.1 million in the nine months ended September 30, 2006. Prior year reserve movements are further discussed below under “Reserves for Losses and Loss Expenses.”

The underlying changes in accident year loss ratios by segment are shown in the following table:

| For the nine months ended September 30, 2007 | Total Loss Ratio | Prior Year Adjustment | Accident Year Loss Ratio Excluding Prior Year Adjustments |
|---|-------------------------|------------------------------|--|
| Property reinsurance | 40.4% | (2.3)% | 38.1% |
| Casualty reinsurance | 68.7% | 5.3% | 74.1% |
| International insurance | 56.1% | 13.3% | 69.4% |
| U.S. insurance | 61.9% | 4.2% | 66.1% |
| Total | 54.8% | 5.6% | 60.4% |

| For the nine months ended September 30, 2006 | Total Loss Ratio | Prior Year Adjustment | Accident Year Loss Ratio Excluding Prior Year Adjustments |
|---|-------------------------|------------------------------|--|
| Property reinsurance | 41.6% | (8.9)% | 32.7% |
| Casualty reinsurance | 57.6% | 14.9% | 72.5% |
| International insurance | 58.8% | 8.2% | 67.0% |
| U.S. insurance | 79.6% | 1.7% | 81.3% |
| Total | 54.6% | 4.6% | 59.2% |

Expenses. We use the gross expense ratio to measure the cost effectiveness of our business 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 nine months ended September 30, 2007 and 2006. 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.

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| Expense Ratios | For the nine months ended | For the nine months ended |
|---------------------------------------|---------------------------|---------------------------|
| | September 30, 2007 | September 30, 2006 |
| Policy acquisition expenses | 16.5% | 16.9% |
| Operating and administrative expenses | 10.4% | 7.8% |
| Gross expense ratio | 26.9% | 24.7% |
| Effect of reinsurance | 2.4% | 5.0% |
| Total net expense ratio | 29.3% | 29.7% |

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 nine months ended September 30, 2007 and 2006 are shown in the following table:

| Ratios based on Gross Earned Premium | For the nine months ended September 30, 2007 | | | | | For the nine months ended September 30, 2006 | | | | |
|--|--|-------------------------|----------------------------|-------------------|-------|--|-------------------------|----------------------------|-------------------|-------|
| | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | Total | Property Reinsurance | Casualty Reinsurance | International Insurance | U.S. Insurance | Total |
| Policy acquisition expense ratio | 18.1 | 15.5 | 16.1 | 14.4 | 16.5 | 20.3 | 16.7 | 14.4 | 12.8 | 16.9 |
| Operating and administrative expense ratio | 10.7 | 9.3 | 9.1 | 18.6 | 10.4 | 7.2 | 7.6 | 7.9 | 10.8 | 7.8 |
| Gross expense ratio | 28.8 | 24.8 | 25.2 | 33.0 | 26.9 | 27.5 | 24.3 | 22.3 | 23.6 | 24.7 |
| Effect of reinsurance | 2.7 | 0.5 | 2.7 | 9.7 | 2.4 | 9.9 | 0.7 | 3.6 | 10.9 | 5.0 |
| Total net expense ratio | 31.5 | 25.3 | 27.9 | 42.7 | 29.3 | 37.4 | 25.0 | 25.9 | 34.5 | 29.7 |

The small reduction in acquisition expense ratios between periods is due to changes in the mix of business from property reinsurance towards international insurance which attracts lower average commission rates. The increase in the operating expense ratio is attributable to increases in personnel costs resulting from our performance during the period, increased operating expenses following the reorganization of our U.S. operations, increased IT spend and the weakening of the U.S. Dollar against the British Pound. The most significant impact on our decrease in expense ratio compared to the prior period was the significant reduction in reinsurance purchase.

Net investment income. Net investment income consists primarily of interest on fixed income securities and is stated after deduction of expenses relating to the management of our investments. Total net investment income increased by 54.3% in the nine months ended September 30, 2007 compared to the equivalent period in 2006. The increases have been driven by rising interest rates, changes in our fixed income sector allocation and gains from investment in funds of hedge funds which have translated into higher book yields, in addition to increases in our total cash and investment balances. The total investment income for the period included \$32.6 million gains from funds of hedge funds. We made our first investment in funds of hedge funds of \$150 million on April 1, 2006, another \$150 million on February 1, 2007 and a further \$150 million on June 1, 2007. Our total allocation to alternative investments is currently 8.5% of our total portfolio. During the period December 31, 2006 to September 30, 2007 the book yield on our fixed income portfolio increased 56 basis points from 4.52% to 5.08% and the portfolio duration increased from 3.00 years to 3.46 years.

Change in fair value of derivatives. In the nine months ended September 30, 2007, we recorded a reduction of \$2.4 million (2006 — \$8.6 million) in the estimated fair value of our catastrophe swap and a reduction of \$5.7 million (2006 — \$Nil) in the estimated fair value of our credit insurance contract. Further information on these contracts can be found in Note 7 to the financial statements.

Income before tax. In the nine months ended September 30, 2007, income before tax was \$416.2 million and comprised \$208.0 million of underwriting profit, \$218.7 million in net investment income, \$10.4 million of net exchange and investment gains/(losses), \$12.8 million of interest payable and \$8.1 million of other expenses. Both underwriting profit and investment income are contributing meaningfully to our results. In the equivalent period of 2006, income before tax was \$323.2 million and

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comprised \$199.3 million of underwriting profit, \$141.7 million in net investment income, \$4.3 million of net exchange and investment gains/(losses), \$12.5 million of interest payable and \$9.6 million of other expenses.

Income tax expense. Income tax expense for the nine months ended September 30, 2007 was \$62.4 million. Our consolidated tax rate for the nine months ended September 30, 2007 was 15.0% (2006 — 20.0%). As required by FAS 109 and APB 28, this is an estimate of the tax rate which will apply to our pre-tax income for 2007 and anticipates that a greater proportion of our profits for the year will accrue from our Bermudian operations. This estimate could change materially in the event of major losses reducing the income of our Bermudian operations.

Net income after tax. Net income after tax for the nine months ended September 30, 2007 was \$353.8 million, which after deducting the \$20.8 million preference share dividend, is equivalent to \$3.77 earnings per basic ordinary share and \$3.67 fully diluted earnings per ordinary share. Earnings per share calculations use the weighted average number of ordinary shares in issue during the period. The net income for the nine months ended September 30, 2006 was \$258.6 million equivalent to earnings per ordinary share of \$2.61 and diluted earnings per share of \$2.55.

Reserves for Losses and Loss Expenses

As of September 30, 2007, we had total net loss and loss adjustment expense reserves of \$2,647.2 million (December 31, 2006 — \$2,351.7 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 \$2,963.0 million at the balance sheet date of September 30, 2007, a total of \$1,622.7 million or 54.8% represented IBNR claims (December 31, 2006 — \$2,820.0 million and 48.7%, respectively). The following tables analyze gross and net loss and loss adjustment expense reserves by segment.

| Business Segment | As at September 30, 2007 | | |
|--|--------------------------|---|-------------------|
| | Gross | Reinsurance Recoverable (\$ in millions) | Net |
| Property reinsurance | \$ 569.7 | \$ (89.7) | \$ 480.0 |
| Casualty reinsurance | 1,215.9 | (14.0) | 1,201.9 |
| International insurance | 1,046.0 | (136.3) | 909.7 |
| U.S. insurance | 131.4 | (75.8) | 55.6 |
| Total losses and loss expense reserves | <u>\$ 2,963.0</u> | <u>\$ (315.8)</u> | <u>\$ 2,647.2</u> |

| Business Segment | As at December 31, 2006 | | |
|--|-------------------------|---|-------------------|
| | Gross | Reinsurance Recoverable (\$ in millions) | Net |
| Property reinsurance | \$ 713.2 | \$ (159.7) | \$ 553.5 |
| Casualty reinsurance | 970.9 | (9.1) | 961.8 |
| International insurance | 1,006.7 | (215.6) | 791.1 |
| U.S. insurance | 129.2 | (83.9) | 45.3 |
| Total losses and loss expense reserves | <u>\$ 2,820.0</u> | <u>\$ (468.3)</u> | <u>\$ 2,351.7</u> |

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

For the three months ended September 30, 2007, there was a reduction of our estimate of the ultimate net claims to be paid in respect of prior accident years of \$28.5 million. An analysis of this reduction by line of business is as follows for each of the three and nine months ended September 30, 2007 and 2006:

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| Business Segment | For the three months ended | | For the nine months ended | |
|---|----------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| | (\$ in millions) | | (\$ in millions) | |
| Property reinsurance | \$ (0.7) | \$ (14.8) | \$ (9.6) | \$ (33.5) |
| Casualty reinsurance | 1.6 | 7.2 | 19.0 | 54.2 |
| International insurance | 24.1 | 19.9 | 60.0 | 36.1 |
| U.S. insurance | 3.5 | 0.1 | 3.5 | 1.3 |
| Total Losses and loss expense reserves reductions | <u>\$ 28.5</u> | <u>\$ 12.4</u> | <u>\$ 72.9</u> | <u>\$ 58.1</u> |

The key elements which gave rise to the net favorable development during the three months and nine months ended September 30, 2007 were as follows:

Property Reinsurance: The \$0.7 million reserve strengthening in this segment was a combination of a small strengthening on the catastrophe and pro rata books partially offset by releases in risk excess and other lines. The reserves for the 2004 and 2005 major hurricanes are unchanged in the quarter.

Casualty Reinsurance: The \$1.6 million reserve release in our casualty reinsurance segment is mainly attributable to reserve releases on our structured casualty business. No material releases were made this quarter from U.S. casualty and international casualty reinsurance. The total releases for the nine months ended September 30, 2007 were \$19.0 million compared to \$54.2 million in the equivalent period in 2006.

International Insurance: The \$24.1 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 U.K. liability insurance account of \$15.4 million and results from favorable loss experience. Our aviation insurance account also had a significant release due to favorable claims settlement, amounting to \$6.5 million.

U.S. Insurance: Owing to better than expected experience on prior years, we had a release of \$3.5 million mainly from our U.S. casualty line of business.

Our quarterly reserving process currently includes an independent review of a number of selected classes each quarter by a firm of consulting actuaries. Having factored in the uncertainties impacting the reserves for our book of business, our consulting actuaries concluded that our reserves as at September 30, 2007 lie within a range of reasonable best estimates.

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 2006 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Capital Management

In relation to capital management, we have \$50 million remaining under our share repurchase plan approved by our Board of Directors as announced in November 2006. We expect to complete repurchase plan by the end of the year.

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The following table shows our capital structure at September 30, 2007 compared to December 31, 2006.

| | As at September 30, 2007 | As at December 31, 2006 |
|--|--------------------------------|-------------------------------|
| | (\$ in millions) | |
| Share capital, additional paid in capital and retained income and accumulated other comprehensive income attributable to ordinary shareholders | \$ 2,314.0 | \$ 1,970.1 |
| Preference shares (liquidation preference less issue expenses) | 419.2 | 419.2 |
| Long-term debt | 249.5 | 249.4 |
| Total capital | <u>\$ 2,982.7</u> | <u>\$ 2,638.7</u> |

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders' equity plus outstanding debt. At September 30, 2007, this ratio was 8.4% (December 31, 2006 — 9.5%).

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 22.4% as of September 30, 2007 (December 31, 2006 — 25.3%).

Accelerated Share Repurchase. On September 28, 2007, we entered into a contract with Goldman Sachs for the purchase of ordinary shares to the fixed value of \$50 million. Under this arrangement we acquired and cancelled the minimum number of shares of 1,644,415 shares on October 25, 2007. When the contract expires, we may receive and subsequently cancel additional shares, with the actual number being determined by the volume weighted average price of our shares over the period from October 22, 2007 (the end of the hedge period) and the date of termination. Apart from our payment of \$50 million on September 28, 2007, the Company will make no further payments or transfer shares under this contract, except under certain circumstances in a friendly acquisition context. Refer to Exhibit 10.1 to this report for further details.

The share repurchase transaction brings the total cumulative repurchase amount to approximately \$250 million, being part of the \$300 million share repurchase program authorized by our Board of Directors as announced on November 8, 2006. The \$50 million share repurchase was funded from cash on hand.

Access to capital. Our business operations are in part dependent on our financial strength and the market's perception thereof, as measured by shareholders' equity, which was \$2,733.2 million at September 30, 2007 (December 31, 2006 — \$2,389.3 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.

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As at September 30, 2007, Aspen Holdings held \$62.5 million (December 31, 2006 — \$46.0 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 nine months ended September 30, 2007, Aspen Holdings received a \$75 million dividend payment from Aspen Bermuda and a \$19.5 million payment of inter-company interest from Aspen U.K. Holdings in respect of an inter-company loan. In 2006, Aspen U.K. Holdings paid Aspen Holdings a dividend of \$35 million. We also received interest of \$26 million from Aspen U.K. Holdings in respect of an inter-company 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 "Business-Regulatory Matters" in Part I, Item 1 in our 2006 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

In addition to its dividend capacity as at September 30, 2007, Aspen Bermuda could also make capital repayments to Aspen Holdings of approximately \$140 million without prior approval from the Bermuda Monetary Authority. Aspen Re 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.

Insurance subsidiaries. As of September 30, 2007, the Insurance Subsidiaries held approximately \$1,058.0 million (December 31, 2006 — \$1,144.5 million) in cash and short-term investments that are readily realizable securities. 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 September 30, 2007 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.

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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 September 30, 2007 and December 31, 2006:

| | As at September 30, 2007 | As at December 31, 2006 |
|--|--------------------------------|-------------------------------|
| | (\$ in millions) | |
| Assets held in multi-beneficiary trusts | \$ 1,470.0 | \$ 1,280.1 |
| Assets held in single beneficiary trusts | 52.6 | 51.4 |
| Letters of credit issued under our revolving credit facilities (1) | 132.6 | 231.7 |
| Secured letters of credit (2) | 339.1 | 233.6 |
| Total | \$ 1,994.3 | \$ 1,796.8 |
| Total as % of cash and invested assets | 34.5% | 34.7% |

- (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 September 30, 2007, the Company had funds on deposit of \$307.1 million and £48.6 million (December 31, 2006 — \$171.2 million and £50.2 million) as collateral for the secured letters of credit.

Further information on these arrangements can be found in our 2006 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Consolidated cash flows for the nine months ended September 30, 2007. Total net cash flow from operations from December 31, 2006 through September 30, 2007 was \$626.1 million, an increase of \$245.7 million over the comparative period. The increase was a result of a significant reduction in net claims settlements and a lower reinsurance spend. For the nine months ended September 30, 2007, our cash flow from operations provided us with sufficient liquidity to meet our operating requirements. On March 3, 2007, May 25, 2007, and August 17, 2007, we paid a dividend of \$0.15 per ordinary share to shareholders of record on February 21, 2007, May 15, 2007, and August 7, 2007, respectively. On March 31, 2007, June 30, 2007, and September 30, 2007, 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 April 1, 2007, July 1, 2007, and October 1, 2007, respectively. On March 31, 2007, June 30, 2007, and September 30, 2007, dividends totaling \$3.7 million on our Perpetual Non-Cumulative Preference Shares ("Perpetual Preference Shares") were paid to our dividend disbursing agent, for payment to our Perpetual Preference Share holders on April 1, 2007, July 1, 2007, and October 1, 2007, respectively.

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 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 subfacility for collateralized letters of credit. The facility will expire on August 2, 2010. As of September 30, 2007, no borrowings were outstanding under the credit facilities, although we had \$180.5 million and \$132.6 million of outstanding collateralized and uncollateralized letters of credit, respectively. 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.

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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.

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 September 30, 2007:

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>Later</u> <u>Years</u> | <u>Total</u> |
|--|------------------|-------------|-------------|-------------|-------------|------------------------------|--------------|
| | (\$ in millions) | | | | | | |
| Operating Lease Obligations | \$ 2.1 | 8.2 | 8.0 | 7.9 | 7.6 | 46.3 | \$ 80.1 |
| Long-Term Debt Obligations (1) | — | — | — | — | — | 250.0 | \$ 250.0 |
| Reserves for Losses and loss adjustment expenses (2) | \$ 400.8 | 1,032.8 | 518.6 | 322.9 | 151.3 | 536.6 | \$ 2,963.0 |

- (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 2006 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

For a discussion of derivative instruments we have entered into, please see Note 7 to our unaudited financial statements for the nine months ended September 30, 2007 included elsewhere in this report.

Off-Balance Sheet Arrangements

We are not party to any transaction, agreement or other contractual arrangement to which an affiliated entity unconsolidated with us is a party 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 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, 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 2006 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.

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.

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:

- changes in the total industry losses resulting from Hurricanes Katrina, Rita and Wilma and any other events, and the actual number of our insureds incurring losses from these storms;
- with respect to events such as Hurricanes Katrina, Rita and Wilma, 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, the impact of these storms on our reinsurers, changes in assumptions on flood damage exclusions as a result of prevailing lawsuits and case law, any changes in our reinsurers' credit quality, and the amount and timing of reinsurance recoverables and reimbursements actually received by us from our reinsurers and the overall level of competition;
- 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 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 as a result of Hurricanes Katrina, Rita and Wilma and any other events;

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- the level of inflation in repair costs due to limited availability of labor and materials after catastrophes;
- the effectiveness of our loss limitation methods;
- 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 the New York State Attorney General's office and other authorities concerning contingent commission arrangements with brokers and bid solicitation activities.

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 maintaining a high quality portfolio with a relatively short duration to reduce the effect of interest rate changes on book value.

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As at September 30, 2007, our fixed income portfolio had an approximate duration of 3.46 years. The table below depicts interest rate change scenarios and the effect on our interest-rate sensitive invested assets:

| Effect of changes in interest rates on portfolio given a parallel shift in the yield curve | | | | | |
|--|--------------------------------------|-----------|-----------|-----------|-----------|
| Movement in rates in basis points | -100 | -50 | 0 | 50 | 100 |
| | (\$ in millions, except percentages) | | | | |
| Market value \$ in millions | \$4,885.1 | \$4,807.9 | \$4,729.0 | \$4,650.7 | \$4,572.4 |
| Gain/(loss) \$ in millions | 155.4 | 78.2 | 0.0 | (78.7) | (157.2) |
| Percentage of portfolio | 3.18% | 1.63% | 0.00% | (1.69)% | (3.44)% |

Equity risk. We have invested in three funds of hedge funds with an estimated fair value of \$489.5 million at September 30, 2007. These investments comprise 8.5% of our total of cash and cash equivalents and invested assets as at that date. This is an increase from 3.0% at December 31, 2006 as a result of a further investment of \$150.0 million during the first quarter of 2007 and an additional \$150 million in the second quarter of 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 September 30, 2007, 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 nine months ended September 30, 2007, 10.9% 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 2007. 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 September 30, 2007, would have impacted reported net comprehensive income by approximately \$26.4 million for the nine months ended September 30, 2007.

We attempt to 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.

On July 28, 2007 we entered into foreign exchange contracts which mature on December 28, 2007 for the purchase of \$42.8 million at a fixed exchange rate. There were no outstanding contracts at December 31, 2006 or September 30, 2006. A loss of \$0.8 million (2006: \$Nil) was realized under these contracts.

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

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and to limit the amount of credit exposure with respect to particular ratings categories, business sectors and any one issuer. As at September 30, 2007 and December 31, 2006, the average rating of fixed income securities in our investment portfolio was “AA+” and “AAA” respectively. 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 7 to the unaudited financial statements for the nine months ended September 30, 2007 above.

The table below shows our reinsurance recoverables as of September 30, 2007 and December 31, 2006, and our reinsurers’ ratings taking into account any changes in ratings as of October 19, 2007.

| | As at September 30, 2007 (\$ in millions) | As at December 31, 2006 (\$ in millions) |
|----------------------|---|--|
| A.M. Best | | |
| A++ | 32.5 | 77.9 |
| A+ | 41.0 | 36.5 |
| A | 176.1 | 289.0 |
| A- | 41.8 | 61.1 |
| B++ | 20.0 | — |
| Fully collateralized | 3.7 | 3.8 |
| Not rated | 0.7 | — |
| Total | <u>315.8</u> | <u>468.3</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 by the Company in this report is recorded, processed, summarized and reported in a timely fashion.

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 September 30, 2007. 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 September 30, 2007 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, 2006. 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 cash and 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 |
|--------------------|------------------------------------|
| July 16, 2007 | 1,433 |
| September 17, 2007 | 2,191 |

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.

On September 28, 2007, we entered into a contract with Goldman Sachs for the purchase of ordinary shares to the fixed value of \$50 million. Under this arrangement we acquired and cancelled the minimum number of shares of 1,644,415 shares on October 25, 2007. When the contract expires, we may receive and subsequently cancel additional shares, with the actual number being determined by the volume weighted average price of our shares over the period from October 22, 2007 (the end of the hedge period) and the date of termination. Apart from our payment of \$50 million on September 28, 2007, the Company will make no further payments or transfer shares under this contract, except under certain circumstances.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

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Item 6. Exhibits

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

| Exhibit Number | Description |
|---------------------------|--|
| 10.1 | Master Confirmation, dated as of September 28, 2007, between the Company and Goldman, Sachs & Co. related to the accelerated share repurchase program, filed with this report. |
| 10.2 | Supplemental Confirmation, dated as of September 28, 2007, between the Company and Goldman, Sachs & Co. relating to the Master Confirmation, filed with this report. |
| 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: November 8, 2007

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

Date: November 8, 2007

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

GOLDMAN, SACHS & CO. | 85 BROAD STREET | NEW YORK, NEW YORK 10004 | TEL: 212 902 1000

Opening Transaction

To: Aspen Insurance Holdings Limited
Maxwell Roberts Building
1 Church Street
Hamilton, HM 11
Bermuda

A/C: 028569176

From: Goldman, Sachs & Co.

Re: Collared Accelerated Stock Buyback

Ref. No: As provided in the Supplemental Confirmation

Date: September 28, 2007

This master confirmation (this “**Master Confirmation**”), dated as of September 28, 2007 is intended to supplement the terms and provisions of certain Transactions (each, a “**Transaction**”) entered into from time to time between Goldman, Sachs & Co. (“**GS&Co.**”) and Aspen Insurance Holdings Limited (“**Counterparty**”). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The terms of any particular Transaction shall be set forth in (i) a Supplemental Confirmation in the form of Schedule A hereto (a “**Supplemental Confirmation**”), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation and (ii) a Trade Notification in the form of Schedule B hereto (a “**Trade Notification**”), which shall reference the relevant Supplemental Confirmation and supplement, form a part of, and be subject to such Supplemental Confirmation. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification together shall constitute a “Confirmation” as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification evidence a complete binding agreement between Counterparty and GS&Co. as to the subject matter and terms of each Transaction to which this Master Confirmation, such Supplemental Confirmation and Trade Notification relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation, each Supplemental Confirmation and each Trade Notification supplement, form a part of, and are subject to an agreement in the form of the 1992 ISDA Master Agreement (Multicurrency — Cross Border) (the “**Agreement**”) as if GS&Co. and Counterparty had executed the Agreement on the date of this Master Confirmation (but without any Schedule except for (i) the election of Loss and Second Method, New York law (without regard to the conflicts of law principles) as the governing law and US Dollars (“USD”) as the Termination Currency, (ii) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions, (iii) the replacement of the word “third” in the last line of Section 5(a)(i) with the word “first” and (iv) the election that the “Cross Default” provisions of Section 5(a)(vi) shall apply to Counterparty, with a “Threshold Amount” of USD50 million).

All provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation, each Supplemental Confirmation and each Trade Notification except as expressly modified herein.

If, in relation to any Transaction to which this Master Confirmation, a Supplemental Confirmation and a Trade Notification relate, there is any inconsistency between the Agreement, this Master

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Confirmation, any Supplemental Confirmation, any Trade Notification and the Equity Definitions, the following will prevail for purposes of such Transaction in the order of precedence indicated: (i) such Trade Notification, (ii) such Supplemental Confirmation; (iii) this Master Confirmation; (iv) the Agreement; and (v) the Equity Definitions.

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions. Set forth below are the terms and conditions which, together with the terms and conditions set forth in the related Supplemental Confirmation and Trade Notification (in respect of the relevant Transaction), shall govern each such Transaction.

General Terms:

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| Trade Date: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Buyer: | Counterparty |
| Seller: | GS&Co. |
| Shares: | Ordinary Shares, \$0.0015144558 par value of Counterparty (Ticker: AHL) |
| Forward Price: | The average of the VWAP Prices for each Exchange Business Day in the Calculation Period. |
| VWAP Price: | For any Exchange Business Day, as determined by the Calculation Agent based on the New York Stock Exchange 10b-18 Volume Weighted Average Price per Share for the regular trading session (including any extensions thereof) of the Exchange on such Exchange Business Day (without regard to pre-open or after hours trading outside of such regular trading session for such Exchange Business Day), as published by Bloomberg at 4:15 p.m. New York time (or 15 minutes following the end of any extension of the regular trading session) on such Exchange Business Day, on Bloomberg page "AHL.N <Equity> AQR_SEC" (or any successor thereto). For purposes of calculating the VWAP Price, the Calculation Agent will include only those trades that are reported during the period of time during which Counterparty could purchase its own shares under Rule 10b-18(b)(2) and pursuant to the conditions of Rule 10b-18(b)(3), each under the Exchange Act (as defined herein) (such trades, " Rule 10b-18 eligible transactions "). |
| Forward Price | |
| Adjustment Amount: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Calculation Period: | The period from and including the first Exchange Business Day immediately following the Hedge Completion Date to and including the Termination Date (as adjusted in accordance with the provisions hereof). |
| Termination Date: | For each Transaction, the Scheduled Termination Date set forth in the Supplemental Confirmation (as the same may |

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be postponed in accordance with the provisions hereof);
provided that GS&Co. shall have the right to designate any date (the “**Accelerated Termination Date**”) on or after the First Acceleration Date to be the Termination Date by providing notice to Counterparty of any such designation on such date.

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| First Acceleration Date: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Hedge Period: | The period from and including the day immediately after the Trade Date to and including the Hedge Completion Date (as adjusted in accordance with the provisions hereof). |
| Hedge Completion Date: | For each Transaction, as set forth in the Trade Notification, to be the Exchange Business Day on which GS&Co. finishes establishing its initial Hedge Positions in respect of such Transaction, as reasonably determined by GS&Co., which date shall be subject to any limitations set forth in the Supplemental Confirmation. |
| Hedge Period Reference Price: | For each Transaction, as set forth in the Trade Notification, to be the average of the VWAP Prices for each Exchange Business Day in the Hedge Period. |
| Market Disruption Event: | <p>The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words “at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” and inserting the words “at any time on any Scheduled Trading Day during the Hedge Period, Calculation Period or Settlement Valuation Period” after the word “material,” in the third line thereof.</p> <p>Notwithstanding anything to the contrary in the Equity Definitions, to the extent that a Disrupted Day occurs in the Hedge Period, the Calculation Period, or the Settlement Valuation Period, the Calculation Agent may in good faith and acting in a commercially reasonable manner postpone the Hedge Completion Date or the Termination Date, or extend the Settlement Valuation Period, as the case may be. In such event, the Calculation Agent must determine whether (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Hedge Period Reference Price, the Forward Price or the Settlement Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 eligible transactions in the Shares on such Disrupted Day effected before the relevant Market</p> |

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Disruption Event occurred and/or after the relevant Market Disruption Event ended, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Period, the Calculation Period or the Settlement Valuation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Hedge Period Reference Price, the Forward Price or the Settlement Price, as the case may be, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares.

If a Disrupted Day occurs during the Hedge Period, the Calculation Period or the Settlement Valuation Period, as the case may be, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent, in its good faith and commercially reasonable discretion, may either (i) deem such ninth Scheduled Trading Day to be an Exchange Business Day and determine the VWAP Price for such ninth Scheduled Trading Day using its good faith estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and price of the Shares and such other factors as it deems appropriate or (ii) further extend the Hedge Period, the Calculation Period or the Settlement Valuation Period, as the case may be, as it deems necessary to determine the VWAP Price.

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| Exchange: | New York Stock Exchange |
| Related Exchange(s): | All Exchanges. |
| Prepayment\Variable Obligation: | Applicable |
| Prepayment Amount: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Prepayment Date: | Three (3) Exchange Business Days following the Trade Date. |
| Counterparty Additional Payment Amount: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Counterparty Additional Payment Date: | Three (3) Exchange Business Days following the Trade Date. |

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Settlement Terms:

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| Physical Settlement: | Applicable; <i>provided</i> that GS&Co. does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by GS&Co. to Counterparty under any Transaction. |
| Number of Shares to be Delivered: | A number of Shares equal to (a) the Prepayment Amount <i>divided by</i> (b) the Forward Price <i>minus</i> the Forward Price Adjustment Amount; <i>provided</i> that the Number of Shares to be Delivered shall not be less than the Minimum Shares and not greater than the Maximum Shares. The Number of Shares to be Delivered on the Settlement Date shall be reduced, but not below zero, by any Shares delivered pursuant to the Minimum Share Delivery described below. |
| Excess Dividend Amount: | For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions. |
| Settlement Date: | Three (3) Exchange Business Days following the Termination Date. |
| Settlement Currency: | USD |
| Minimum Share Delivery: | GS&Co. shall deliver a number of Shares equal to the Minimum Shares on the Minimum Share Delivery Date in accordance with Section 9.4 of the Equity Definitions, with the Minimum Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4. |
| Minimum Share Delivery Date: | Three (3) Exchange Business Days following the Hedge Completion Date. |
| Minimum Shares: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Maximum Shares: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Share Adjustments: | |
| Potential Adjustment Event: | Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, an Extraordinary Dividend shall not constitute a Potential Adjustment Event. |
| Extraordinary Dividend: | For any calendar quarter occurring (in whole or in part) during the period from and including the first day of the Calculation Period to and including the Termination Date, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) or |

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(B) of the Equity Definitions) (a “**Dividend**”) the amount or value of which (as determined by the Calculation Agent), when aggregated with the amount or value (as determined by the Calculation Agent) of any and all previous Dividends with ex-dividend dates occurring in the same calendar quarter, exceeds the Ordinary Dividend Amount.

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| Ordinary Dividend Amount: | For each Transaction, as set forth in the Supplemental Confirmation. |
| Method of Adjustment: | Calculation Agent Adjustment |
| Extraordinary Events: | |
| Consequences of Merger Events: | |
| (a) Share-for-Share: | Modified Calculation Agent Adjustment |
| (b) Share-for-Other: | Cancellation and Payment |
| (c) Share-for-Combined: | Component Adjustment |
| Determining Party: | GS&Co. |
| Tender Offer: | Applicable; <i>provided</i> that (i) Section 12.1(l) of the Equity Definitions shall be amended (x) by deleting the parenthetical in the fifth line thereof, (y) by replacing “that” in the fifth line thereof with “whether or not such announcement” and (z) by adding immediately after the words “Tender Offer” in the fifth line thereof “, and any publicly announced change or amendment to such an announcement (including the announcement of an abandonment of such intention)” and (ii) Sections 12.3(a) and 12.3(d) of the Equity Definitions shall each be amended by replacing each occurrence of the words “Tender Offer Date” by “Announcement Date.” |
| Consequences of Tender Offers: | |
| (a) Share-for-Share: | Modified Calculation Agent Adjustment or Cancellation and Payment, at the election of GS&Co. |
| (b) Share-for-Other: | Modified Calculation Agent Adjustment or Cancellation and Payment, at the election of GS&Co. |
| (c) Share-for-Combined: | Modified Calculation Agent Adjustment or Cancellation and Payment, at the election of GS&Co. |
| Nationalization, Insolvency or Delisting: | Cancellation and Payment; <i>provided</i> that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the |

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New York Stock Exchange, the American Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Notwithstanding anything to the contrary in the Equity Definitions, if, as a result of a Merger Event, a Tender Offer, a Nationalization, an Insolvency or a Delisting, Cancellation and Payment applies to one or more Transactions hereunder (whether in whole or in part), an Additional Termination Event (with the Transactions (or portions thereof) to which Cancellation and Payment applies being the Affected Transactions, Counterparty being the sole Affected Party and the Early Termination Date being the date on which such Transactions would be cancelled pursuant to Article 12 of the Equity Definitions) shall be deemed to occur, and, in lieu of Sections 12.7 and 12.8 of the Equity Definitions, Section 6 of the Agreement shall apply to such Affected Transactions.

Additional Disruption Events:

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| (a) Change in Law: | Applicable |
| (b) Failure to Deliver: | Applicable |
| (c) Insolvency Filing: | Applicable |
| (d) Loss of Stock Borrow: | Applicable; <i>provided</i> that Sections 12.9(a)(vii) and 12.9(b)(iv) of the Equity Definitions shall be amended by deleting the words “at a rate equal to or less than the Maximum Stock Loan Rate” and replacing them with “at a rate of return equal to or greater than zero”. |
| Hedging Party: | GS&Co. |
| Determining Party: | GS&Co. |

Notwithstanding anything to the contrary in the Equity Definitions, if, as a result of an Additional Disruption Event, any Transaction is cancelled or terminated, an Additional Termination Event (with such terminated Transaction(s) being the Affected Transaction(s), Counterparty being the sole Affected Party and the Early Termination Date being the date on which such Transaction(s) would be cancelled or terminated pursuant to Article 12 of the Equity Definitions) shall be deemed to occur, and, in lieu of Sections 12.7 and 12.8 of the Equity Definitions, Section 6 of the Agreement shall apply to such Affected Transaction(s).

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| Non-Reliance/Agreements and Acknowledgements Regarding Hedging Activities/Additional Acknowledgements: | Applicable |
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| Transfer: | Notwithstanding anything to the contrary in the Agreement, GS&Co. may assign, transfer and set over all rights, title and interest, powers, privileges and remedies of GS&Co. under this Transaction, in whole or in part, to an affiliate of GS&Co. whose obligations are guaranteed by The Goldman Sachs Group, Inc. without the consent of Counterparty; <i>provided</i> that any such assignment will not cause a Tax Event with Counterparty as an Affected Party. |
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GS&Co. Payment Instructions: Chase Manhattan Bank New York
For A/C Goldman, Sachs & Co.
A/C #930-1-011483
ABA: 021-000021

Counterparty's Contact Details for Purpose of Giving Notice: Richard Houghton
Aspen Insurance Holdings Limited
c/o Aspen Insurance UK Limited
30 Fenchurch Street
London EC3M 3BD
United Kingdom
Telephone No.: +44 207 184 8212
Facsimile No.: +44 207 184 8500

GS&Co.'s Contact Details for Purpose of Giving Notice: Telephone No.: (212) 902-8996
Facsimile No.: (212) 902-0112
Attention: Equity Operations: Options and Derivatives

With a copy to:
Tracey McCabe
Equity Capital Markets
One New York Plaza
New York, NY 10004
Telephone No.: (212) 357-0428
Facsimile No.: (212) 902-3000

2. Calculation Agent. GS&Co.

3. Additional Mutual Representations, Warranties and Covenants. In addition to the representations and warranties in the Agreement, each party represents, warrants and covenants to the other party that:

(a) Eligible Contract Participant. It is an "eligible contract participant", as defined in the U.S. Commodity Exchange Act (as amended), and is entering into each Transaction hereunder as principal and not for the benefit of any third party.

(b) Accredited Investor. Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of Section 4(2) thereof and the provisions of Regulation D thereunder ("**Regulation D**"). Accordingly, each party represents and warrants to the other that (i) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined under Regulation D and (iii) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

4. Additional Representations, Warranties and Covenants of Counterparty. In addition to the representations, warranties and covenants in the Agreement and those contained herein, as of (i) the date hereof, (ii) the Trade Date for each Transaction hereunder and (iii) to the extent indicated below, each day during the Hedge Period and Calculation Period for each Transaction hereunder, Counterparty represents, warrants and covenants to GS&Co. that:

(a) the purchase or writing of each Transaction and the transactions contemplated hereby will not violate Rule 13e-1 or Rule 13e-4 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**");

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- (b) it is not entering into any Transaction (i) on the basis of, and is not aware of, any material non-public information with respect to the Shares (ii) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer or (iii) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares);
- (c) each Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program;
- (d) without limiting the generality of Section 13.1 of the Equity Definitions, it acknowledges that GS&Co. is not making any representations or warranties with respect to the treatment of any Transaction under FASB Statements 128, 133 as amended, or 149, 150, EITF 00-19, EITF 03-6 (or any successor issue statements) or under Financial Accounting Standards Board's Liabilities & Equity Project;
- (e) Counterparty is in compliance with its reporting obligations under the Exchange Act and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (f) Counterparty shall report each Transaction as required under Regulation S-K and/or Regulation S-B under the Exchange Act, as applicable;
- (g) Counterparty is not, and will not be, engaged in a "distribution" of Shares or securities that are convertible into, or exchangeable or exercisable for Shares for purposes of Regulation M promulgated under the Exchange Act ("**Regulation M**") at any time during the Hedge Period or the Relevant Period for any Transaction unless Counterparty has provided written notice to GS&Co. of such distribution (a "**Regulation M Distribution Notice**") not later than the Scheduled Trading Day immediately preceding the first day of the relevant "restricted period" (as defined in Regulation M); Counterparty acknowledges that any such notice may cause the Hedge Period or the Calculation Period to be extended or suspended pursuant to Section 5 below; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 6 below; "**Relevant Period**" means, for any Transaction, the period commencing on the first day of the Calculation Period and ending on the 20th Exchange Business Day immediately following the end of the Calculation Period (or, if later, the First Acceleration Date without regard to any acceleration thereof pursuant to "Special Provisions for Friendly Transaction Announcements" below), or such earlier day as elected by GS&Co. and communicated to Counterparty on such day;
- (h) Counterparty acknowledges that each Transaction is a derivatives transaction in which it has granted GS&Co. an option; GS&Co. may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction;
- (i) as of the Trade Date, the Prepayment Date, the Minimum Share Delivery Date, the Settlement Date and any Second Settlement Date for each Transaction, Counterparty is not insolvent (including, without limitation, for purpose of the Companies Act of 1981 of Bermuda as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**") and Counterparty would be able to purchase a number of Shares equal to the Maximum Shares in compliance with the laws of the jurisdiction of Counterparty's incorporation;
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(j) Counterparty is not and, after giving effect to any Transaction, will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended; and

(k) subject to Section 7(b) below, it has not and, during the Hedge Period or Relevant Period for any Transaction, will not enter into agreements similar to the Transactions described herein where any initial hedge period (however defined), the calculation period (however defined), or the relevant period (however defined) or any settlement valuation period (however defined) in such other transaction will overlap at any time (including as a result of extensions in such initial hedge period, calculation period, relevant period or settlement valuation period as provided in the relevant agreements) with any Hedge Period, the Relevant Period or, if applicable, any Settlement Valuation Period under this Master Confirmation. In the event that the initial hedge period, calculation period, relevant period or settlement valuation period in any other similar transaction overlaps with any Hedge Period, the Relevant Period or, if applicable, any Settlement Valuation Period under this Master Confirmation as a result of any postponement of the Hedge Completion Date or the Termination Date or extension of the Settlement Valuation Period pursuant to Section 5 herein, Counterparty shall promptly amend such transaction to avoid any such overlap.

5. Suspension of Hedge Period, Calculation Period or Settlement Valuation Period.

(a) If Counterparty concludes that it will be engaged in a distribution of the Shares for purposes of Regulation M, Counterparty agrees that it will, on a day no later than the Scheduled Trading Day immediately preceding the start of the relevant restricted period, provide GS&Co. with a Regulation M Distribution Notice. If on any Scheduled Trading Day Counterparty delivers the Regulation M Distribution Notice in writing (and confirms by telephone) by 8:30 a.m. New York Time (the “**Notification Time**”) then such notice shall be effective as of such Notification Time. In the event that Counterparty delivers such Regulation M Distribution Notice in writing and/or confirms by telephone after the Notification Time, then such notice shall be effective as of 8:30 a.m. New York Time on the following Scheduled Trading Day or as otherwise required by law or agreed between Counterparty and GS&Co. Upon the effectiveness of such Regulation M Distribution Notice, the Calculation Period, the Hedge Period and/or the Settlement Valuation Period, as the case may be, shall be suspended and the Termination Date or the Hedge Completion Date or both, as the case may be, shall be postponed, or the Settlement Valuation Period extended, as the case may be, for each Scheduled Trading Day in such restricted period; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 6 below, including, without limitation, the requirement that such notice be made at a time at which none of Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

(b) In the event that GS&Co. concludes, in its reasonable discretion, based on advice of outside legal counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by GS&Co.), for it to refrain from purchasing Shares on any Scheduled Trading Day during the Hedge Period, the Calculation Period or, if applicable, the Settlement Valuation Period, GS&Co. may by written notice to Counterparty elect to suspend the Hedge Period, the Calculation Period and/or the Settlement Valuation Period, as the case may be, for such number of Scheduled Trading Days as is specified in the notice; *provided* that GS&Co. may exercise such right to refrain from purchasing Shares only in relation to events or circumstances that are not the result of deliberate actions of it or any of its affiliates with the intent to avoid its obligations under the terms of any Transaction; *provided further* that GS&Co. may exercise its right to refrain from purchasing Shares as a result of policies and procedures voluntarily adopted by GS&Co. only in relation to events or circumstances that (i) are unknown to it or any of its affiliates at the Trade Date of any Transaction and (ii) occur within the normal course of its or any of its affiliates business. The

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notice shall not specify, and GS&Co. shall not otherwise communicate to Counterparty, the reason for GS&Co.'s election to suspend the Hedge Period, the Calculation Period and/or the Settlement Valuation Period, as the case may be. The Hedge Period, the Calculation Period and/or the Settlement Valuation Period, as the case may be, shall be suspended and the Hedge Completion Date or the Termination Date or both, as the case may be, shall be postponed, or the Settlement Valuation Period extended, as the case may be, for each Scheduled Trading Day occurring during any such suspension.

(c) In the event that the Calculation Period, the Hedge Period and/or the Settlement Valuation Period, as the case may be, is suspended pursuant to Section 5(a) or 5(b) above during the regular trading session on the Exchange, such suspension shall be deemed to be an additional Market Disruption Event, and the second and third paragraphs under "Market Disruption Event" shall apply.

(d) In the event that the Calculation Period is extended pursuant to any provision hereof (including, without limitation, pursuant to Section 9(d) below), the Calculation Agent, in its good faith and commercially reasonable discretion, shall adjust any relevant terms of the related Transaction if necessary to preserve as nearly as practicable the economic terms of such Transaction prior to such extension; *provided* that Counterparty shall not be required to make any additional cash payments or deliver any Shares in connection with any such adjustments.

6. 10b5-1 Plan. Counterparty represents, warrants and covenants to GS&Co. that for each Transaction:

(a) Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("Rule 10b5-1"). It is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of Rule 10b5-1(c)(1)(i)(A) and (B) and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).

(b) Counterparty will not seek to control or influence GS&Co. to make "purchases or sales" (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under any Transaction entered into under this Master Confirmation, including, without limitation, GS&Co.'s decision to enter into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation, each Supplemental Confirmation and each Trade Notification under Rule 10b5-1.

(c) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation, the relevant Supplemental Confirmation or Trade Notification must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification, waiver or termination shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

7. Counterparty Purchases.

(a) Subject to Section 7(b) below, Counterparty (or any "affiliated purchaser" as defined in Rule 10b-18 under the Exchange Act ("Rule 10b-18")) shall not, without the prior written consent of GS&Co., directly or indirectly purchase any Shares, listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Hedge Period or Relevant Period (as extended pursuant to the provisions hereof) or, if applicable, Settlement Valuation Period. During this time, any such purchases by Counterparty shall be made through GS&Co., or if not through GS&Co., with the prior written consent of GS&Co., and in

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compliance with Rule 10b-18 or otherwise in a manner that Counterparty and GS&Co. believe is in compliance with applicable requirements.

(b) In respect of any Transaction, the parties agree that Section 4(k) and Section 7(a) shall not prohibit privately-negotiated, off-market repurchases of Shares by Counterparty from Appleby Trust (Bermuda) Limited or any of its successors during the Hedge Period, Calculation Period or, if applicable, Settlement Valuation Period of such Transaction.

8. Additional Termination Event. The declaration of any Extraordinary Dividend by the Issuer during the Calculation Period will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and all Transactions hereunder as the Affected Transactions.

9. Special Provisions for Merger Transactions. Notwithstanding anything to the contrary herein or in the Equity Definitions,

(a) Counterparty shall, prior to the opening of trading in the Shares on any day during any Hedge Period, Calculation Period or Settlement Valuation Period, as the case may be, on which Counterparty makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act of 1933, as amended) of any Merger Transaction, notify GS&Co. of such public announcement;

(b) promptly notify GS&Co. following any such announcement that such announcement has been made; and

(c) promptly provide GS&Co. with written notice specifying (i) Counterparty's average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the Announcement Date that were not effected through GS&Co. or its affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the Announcement Date. Such written notice shall be deemed to be a certification by Counterparty to GS&Co. that such information is true and correct. In addition, Counterparty shall promptly notify GS&Co. of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any such notice may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 6; and

(d) GS&Co. in its sole discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Termination Date, the Forward Price Adjustment Amount and the Maximum Shares to account for the number of Shares that could be purchased on each day during the Hedge Period or the Calculation Period in compliance with Rule 10b-18 following such public announcement, *provided* that Counterparty shall not be required to make any additional cash payments or deliver any Shares in connection with any such adjustments (unless otherwise provided for in Sections 10 or 15 below) or (ii) treat the occurrence of such public announcement as an Additional Termination Event with Counterparty as the sole Affected Party.

“**Merger Transaction**” means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

10. Special Provisions for Friendly Transaction Announcements. (a) If a Friendly Transaction Announcement occurs on or prior to the Settlement Date for any Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if the words “not less than the Minimum Shares and” and “, but not below zero,” were deleted from the definition thereof. If a Friendly Transaction Announcement occurs after the Trade Date, but prior to the First Acceleration Date of any Transaction, the First Acceleration Date shall be the date of such Friendly Transaction Announcement. If a Friendly Transaction Announcement occurs after the Settlement Date for any Transaction or any earlier date of termination or cancellation of such Transaction pursuant to Section 6 of the Agreement or Article 12 of the Equity Definitions, then

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a second settlement of such Transaction (a “**Second Settlement**”) shall occur (notwithstanding such earlier termination or cancellation) with a Number of Shares to be Delivered equal to the lesser of (i) zero and (ii) (x) the Number of Shares to be Delivered determined pursuant to the first sentence of this paragraph as if such Friendly Transaction Announcement occurred prior to such Settlement Date minus (y) the Number of Shares to be Delivered determined pursuant to Section 1 of this Confirmation (provided that in the case of a Second Settlement occurring after such an early termination or cancellation, a Number of Shares to be Delivered shall not be determined and instead a Forward Cash Settlement Amount will be determined as provided in Annex A). If the Number of Shares to be Delivered for any settlement of any Transaction is a negative number, then the terms of the Counterparty Settlement Provisions in Annex A shall apply.

(b) “**Friendly Transaction Announcement**” means (i) an Acquisition Transaction Announcement by Counterparty or its board of directors prior to the last day of the Relevant Period or any earlier date of termination or cancellation of the relevant Transaction pursuant to Section 6 of the Agreement or Article 12 of the Equity Definitions (such date, the “**Actual Termination Date**”), (ii) an announcement by Counterparty or its board of directors prior to the date three months following the Scheduled Termination Date that an Acquisition Transaction that is the subject of an Acquisition Transaction Announcement occurring prior to the Actual Termination Date has been approved, agreed to, recommended by or otherwise consented to by Counterparty or its board of directors, or negotiated by Counterparty or any authorized representative of Counterparty, or (iii) where Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of any such Acquisition Transaction prior to the date three months following the Scheduled Termination Date, the absence of a recommendation that its shareholders reject such transaction.

(c) “**Acquisition Transaction Announcement**” means (i) the announcement of an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, or (iv) any other announcement that in the reasonable judgment of the Calculation Agent may result in an Acquisition Transaction. For the avoidance of doubt, announcements as used in the definition of Acquisition Transaction Announcement refer to any public announcement whether made by the Issuer or a third party.

(d) “**Acquisition Transaction**” means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “25%” and to “50%” by “67.5%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition) or Tender Offer, or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction, (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets (including any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 33% of the market capitalization of Counterparty (excluding, for the avoidance of doubt, transactions solely between or among Counterparty and its subsidiaries) and (v) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

11. Acknowledgments. The parties hereto intend for:

(a) Each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code, a “swap agreement” as defined in Section 101(53B) of the Bankruptcy Code

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and a “forward contract” as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 555, 556, 560 and 561 of the Bankruptcy Code;

(b) The Agreement to be a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code;

(c) A party’s right to liquidate or terminate any Transaction, net out or offset termination values or payment amounts, and to exercise any other remedies upon the occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a “contractual right” (as defined in the Bankruptcy Code);

(d) Any cash, securities or other property transferred as performance assurance, credit support or collateral with respect to each Transaction to constitute “margin payments” and “transfers” (as defined in the Bankruptcy Code); and

(e) All payments for, under or in connection with each Transaction, all payments for the Shares and the transfer of such Shares to constitute “settlement payments” and “transfers” (as defined in the Bankruptcy Code).

12. Credit Support Documents. The parties hereto acknowledge that no Transaction hereunder is secured by any collateral that would otherwise secure the obligations of Counterparty herein or pursuant to the Agreement.

13. Limitation on Set-off. (a) Notwithstanding anything to the contrary in the Agreement or the Equity Definitions, the calculation of any Settlement Amounts and Unpaid Amounts shall be calculated separately for (A) all Terminated Transactions in the Shares of the Issuer that qualify as equity under applicable accounting rules (collectively, the “**Equity Shares**”) as determined by the Calculation Agent and (B) all other Terminated Transactions under the Agreement including, without limitation, Transactions in Shares other than those of the Issuer (collectively, the “**Other Shares**”) and the netting and set-off provisions of the Agreement shall only operate to provide netting and set-off (i) among Terminated Transactions in the Equity Shares and (ii) among Terminated Transactions in the Other Shares. In no event shall the netting and set-off provisions of the Agreement operate to permit netting and set-off between Terminated Transactions in the Equity Shares and Terminated Transactions in the Other Shares.

(b) The parties agree that upon the occurrence of an Event of Default or Termination Event with respect to a party who is the Defaulting Party or an Affected Party (“**X**”), the other party (“**Y**”) will have the right (but not be obliged) without prior notice to X or any other person to set-off or apply any obligation of X owed to Y (whether or not matured or contingent and whether or not arising under the Agreement, and regardless of the currency, place of payment or booking office of the obligation) against any obligation of Y owed to X (whether or not matured or contingent and whether or not arising under the Agreement, and regardless of the currency, place of payment or booking office of the obligation). Y will give notice to the other party of any set-off effected under this Section 13.

Amounts (or the relevant portion of such amounts) subject to set-off may be converted by Y into the Termination Currency at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency. If any obligation is unascertained, Y may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained. Nothing in this Section 13 shall be effective to create a charge or other security interest. This Section 13 shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

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(c) Notwithstanding anything to the contrary in the foregoing, GS&Co. agrees not to set off or net amounts due from Counterparty with respect to any Transaction against amounts due from GS&Co. to Counterparty with respect to contracts or instruments that are not Equity Contracts. “**Equity Contract**” means any transaction or instrument that does not convey rights to GS&Co. senior to claims of common stockholders in the event of Counterparty’s bankruptcy.

14. Delivery of Shares. (a) GS&Co. may, by notice to Counterparty prior to the Minimum Share Delivery Date (the “**Nominal Delivery Date**”), elect to deliver the Shares it is required to deliver under “Minimum Share Delivery” (above) on two or more dates (each, a “**Staggered Delivery Date**”) or at two or more times on the Nominal Delivery Date as follows:
- (i) in such notice, GS&Co. will specify to Counterparty the related Staggered Delivery Dates (each of which will be on or prior to the Nominal Delivery Date, but not prior to the beginning of the Hedge Period) or delivery times and how it will allocate the Shares it is required to deliver under “Minimum Share Delivery” (above) among the Staggered Delivery Dates or delivery times; and
 - (ii) the aggregate number of Shares that GS&Co. will deliver to Counterparty hereunder on all such Staggered Delivery Dates and delivery times will equal the number of Shares that GS&Co. would otherwise be required to deliver on such Nominal Delivery Date.
15. Early Termination. In the event that an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction (except as a result of a Merger Event in which the consideration or proceeds to be paid to holders of Shares consists solely of cash), if either party would owe any amount to the other party pursuant to Section 6(d)(ii) of the Agreement (any such amount, a “**Payment Amount**”), then, in lieu of any payment of such Payment Amount, Counterparty may, no later than the Early Termination Date or the date on which such Transaction is terminated, elect to deliver or for GS&Co. to deliver, as the case may be, to the other party a number of Shares (or, in the case of a Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Merger Event (each such unit, an “**Alternative Delivery Unit**” and, the securities or property comprising such unit, “**Alternative Delivery Property**”) with a value equal to the Payment Amount, as determined by the Calculation Agent (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including the market price of the Shares or Alternative Delivery Property on the date of early termination and, if such delivery is made by GS&Co., the prices at which GS&Co. purchases Shares or Alternative Delivery Property to fulfill its delivery obligations under this Section 15); *provided* that in determining the composition of any Alternative Delivery Unit, if the relevant Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash. If such delivery is made by Counterparty, paragraphs 2 through 7 of Annex A shall apply as if such delivery were a settlement of the Transaction to which Net Share Settlement (as defined in Annex A) applied, the Cash Settlement Payment Date were the Early Termination Date and the Forward Cash Settlement Amount were zero (0) *minus* the Payment Amount owed by Counterparty.
16. Calculations and Payment Date upon Early Termination. The parties acknowledge and agree that in calculating Loss pursuant to Section 6 of the Agreement GS&Co. may (but need not) determine losses without reference to actual losses incurred but based on expected losses assuming a commercially reasonable (including without limitation with regard to reasonable legal and regulatory guidelines) risk bid were used to determine loss to avoid awaiting the delay associated with closing out any hedge or related trading position in a commercially reasonable manner prior to or sooner following the designation of an Early Termination Date. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the
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Agreement will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive Shares or Alternative Delivery Property in accordance with Section 14, such Shares or Alternative Delivery Property shall be delivered on a date selected by GS&Co as promptly as practicable.

17. **Special Provisions for Counterparty Payments.** The parties hereby agree that, notwithstanding anything to the contrary herein or in the Agreement, in the event that an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction and, as a result, Counterparty owes to GS&Co. an amount calculated under Section 6(e) of the Agreement (calculated as if the Transactions being terminated on such Early Termination Date were the sole Transactions under the Agreement), such amount shall be deemed to be zero; *provided* that following a Friendly Transaction Announcement, this Section 17 shall cease to apply.
18. **Claim in Bankruptcy.** GS&Co. agrees that in the event of the bankruptcy of Counterparty, GS&Co. shall not have rights or assert a claim that is senior in priority to the rights and claims available to the shareholders of the common stock of Counterparty.
19. **Governing Law.** The Agreement, this Master Confirmation, each Supplemental Confirmation, each Trade Notification and all matters arising in connection with the Agreement, this Master Confirmation, each Supplemental Confirmation and each Trade Notification shall be governed by, and construed and enforced in accordance with, the laws of the State of New York (without reference to its choice of laws doctrine).
20. **Offices.**

The Office of GS&Co. for each Transaction is: One New York Plaza, New York, New York 10004.

The Office of Counterparty for each Transaction is: Maxwell Roberts Building, 1 Church Street, Hamilton, HM 11, Bermuda.

21. **Arbitration.** The Agreement, this Master Confirmation, each Supplemental Confirmation and each Trade Notification are subject to the following arbitration provisions:

- (a) All parties to this Confirmation are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- (b) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- (c) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- (d) The arbitrators do not have to explain the reason(s) for their award.
- (e) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry, unless Counterparty is a member of the organization sponsoring the arbitration facility, in which case all arbitrators may be affiliated with the securities industry.
- (f) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- (g) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Confirmation.

Counterparty agrees that any and all controversies that may arise between Counterparty and GS&Co., including, but not limited to, those arising out of or relating to the Agreement or any Transaction hereunder, shall be determined by arbitration conducted before The New York Stock Exchange, Inc. ("NYSE") or NASD Dispute Resolution ("NASD-DR"), or, if the NYSE and

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NASD-DR decline to hear the matter, before the American Arbitration Association, in accordance with their arbitration rules then in force. The award of the arbitrator shall be final, and judgment upon the award rendered may be entered in any court, state or federal, having jurisdiction.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) Counterparty is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Confirmation except to the extent stated herein.”

22. Counterparts. This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.
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Counterparty hereby agrees (a) to check this Master Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by GS&Co.) correctly sets forth the terms of the agreement between GS&Co. and Counterparty with respect to any particular Transaction to which this Master Confirmation relates, by manually signing this Master Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Equity Derivatives Documentation Department, Facsimile No. 212-428-1980/83.

Yours sincerely,

GOLDMAN, SACHS & CO.

By: _____
Authorized Signatory

Agreed and accepted by:

ASPEN INSURANCE HOLDINGS LIMITED

By: _____
Name:
Title:

SCHEDULE A
SUPPLEMENTAL CONFIRMATION

To: Aspen Insurance Holdings Limited
Maxwell Roberts Building
1 Church Street
Hamilton, HM 11
Bermuda

From: Goldman, Sachs & Co.

Subject: Collared Accelerated Stock Buyback

Ref. No: [Insert Reference No.]

Date: [Insert Date]

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between Goldman, Sachs & Co. (“**GS&Co.**”) and Aspen Insurance Holdings Limited (“**Counterparty**”) (together, the “**Contracting Parties**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between GS&Co. and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation dated as of September 28, 2007 (the “**Master Confirmation**”) between the Contracting Parties, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.

2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

| | |
|---|---|
| Trade Date: | [•] |
| Forward Price Adjustment Amount: | USD [•] |
| Hedge Completion Date: | As set forth in the Trade Notification, but in no event later than [•] |
| Scheduled Termination Date: | [•] months after the Hedge Completion Date, subject to GS&Co.’s right to accelerate the Termination Date to any date on or after the First Acceleration Date. |
| First Acceleration Date: | [•] (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day). |
| Prepayment Amount: | USD [•] |
| Counterparty Additional Payment Amount: | USD [•] |
| Minimum Shares: | As set forth in the Trade Notification, to be a number of Shares equal to (a) the Prepayment Amount divided by (b) [•]% of the Hedge Period Reference Price. |

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Maximum Shares: As set for in the Trade Notification, to be a number of Shares equal to (a) the Prepayment Amount divided by (b) [*]% of the Hedge Period Reference Price.

Ordinary Dividend Amount: For any calendar quarter, USD [*]

3. Counterparty represents and warrants to GS&Co. that neither it nor any “affiliated purchaser” (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during the four full calendar weeks immediately preceding the Trade Date.
4. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Counterparty hereby agrees (a) to check this Supplemental Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by GS&Co.) correctly sets forth the terms of the agreement between GS&Co. and Counterparty with respect to this Transaction, by manually signing this Supplemental Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Equity Derivatives Documentation Department, facsimile No. 212-428-1980/83.

Yours sincerely,

GOLDMAN, SACHS & CO.

By: _____
Authorized Signatory

Agreed and accepted by:

ASPEN INSURANCE HOLDINGS LIMITED

By: _____
Name:
Title:

SCHEDULE B
TRADE NOTIFICATION

To: Aspen Insurance Holdings Limited
Maxwell Roberts Building
1 Church Street
Hamilton, HM 11
Bermuda

From: Goldman, Sachs & Co.

Subject: Collared Accelerated Stock Buyback

Ref. No: [Insert Reference No.]

Date: [•]

The purpose of this Trade Notification is to notify you of certain terms in the Transaction entered into between Goldman, Sachs & Co. (“**GS&Co.**”) and Aspen Insurance Holdings Limited (“**Counterparty**”) (together, the “**Contracting Parties**”) on the Trade Date specified below.

This Trade Notification supplements, forms part of, and is subject to the Supplemental Confirmation dated as of [Insert Date] (the “**Supplemental Confirmation**”) between the Contracting Parties, as amended and supplemented from time to time. The Supplemental Confirmation is subject to the Master Confirmation dated as of September 28, 2007 (the “**Master Confirmation**”) between the Contracting Parties, as amended and supplemented from time to time. All provisions contained in the Master Confirmation and the Supplemental Confirmation govern this Trade Notification except as expressly modified below.

Trade Date: [•]
Hedge Completion Date: [•]
Scheduled Termination Date: [•]
Hedge Period Reference Price: USD [•]
Minimum Shares: [•]
Maximum Shares: [•]

Yours sincerely,

GOLDMAN, SACHS & CO.

By: _____
Authorized Signatory

ANNEX A

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to the extent indicated under the Master Confirmation:

| | |
|----------------------------------|---|
| Settlement Currency: | USD |
| Settlement Method Election: | Applicable; <i>provided</i> that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word “Physical” in the sixth line thereof and replacing it with the words “Net Share” and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to GS&Co. in writing on the date it notifies GS&Co. of its election that, as of such date, the Electing Party is not aware of any material non-public information concerning Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws. |
| Electing Party: | Counterparty |
| Settlement Method Election Date: | The earlier of (i) the Scheduled Termination Date and (ii) the Accelerated Termination Date, as the case may be; <i>provided</i> that if a Friendly Transaction Announcement occurs after the Settlement Date, the Settlement Method Election Date for the Second Settlement shall be the date of the Friendly Transaction Announcement. |
| Default Settlement Method: | Cash Settlement |
| Forward Cash Settlement Amount: | The Number of Shares to be Delivered <i>multiplied</i> by the Settlement Price; <i>provided</i> that in the case of a Second Settlement occurring after an early termination or cancellation of the relevant Transaction pursuant to Section 6 of the Agreement or Article 12 of the Equity Definitions, the Forward Cash Settlement Amount shall equal the lesser of (i) zero and (ii)(x) the Payment Amount that would have been calculated for such early termination or cancellation if the words “not less than the Minimum Shares” and “, but not below zero” were deleted from the definition of Number of Shares to be Delivered, as determined by the Calculation Agent <i>minus</i> (y) the actual Payment Amount calculated for such early termination or cancellation (in each case, with an amount that would have been owed by Counterparty expressed as a negative number for purposes of this calculation). |
| Settlement Price: | The average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, subject to Valuation Disruption as specified in the Master Confirmation. |

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|----------------------------------|--|
| Settlement Valuation Period: | A number of Scheduled Trading Days selected by GS&Co. in its reasonable discretion, beginning on the Scheduled Trading Day immediately following the Termination Date, or in the case of a Second Settlement, the date of the Friendly Transaction Announcement. |
| Cash Settlement: | If Cash Settlement is applicable, then Buyer shall pay to Seller the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date. |
| Cash Settlement Payment Date: | The date one Settlement Cycle following the last day of the Settlement Valuation Period. |
| Net Share Settlement Procedures: | If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below. |
2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the “**Registered Settlement Shares**”), or a number of Shares not satisfying such conditions (the “**Unregistered Settlement Shares**”), in either case with a value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares’ value based on the value thereof to GS&Co. (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent.
3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:
- (a) a registration statement covering public resale of the Registered Settlement Shares by GS&Co. (the “**Registration Statement**”) shall have been filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including any prospectus supplement thereto, the “**Prospectus**”) shall have been delivered to GS&Co., in such quantities as GS&Co. shall reasonably have requested, on or prior to the date of delivery;
 - (b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be satisfactory to GS&Co.;
 - (c) as of or prior to the date of delivery, GS&Co. and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities and the results of such investigation are satisfactory to GS&Co., in its discretion; and
 - (d) as of the date of delivery, an agreement (the “**Underwriting Agreement**”) shall have been entered into with GS&Co. in connection with the public resale of the Registered Settlement Shares by GS&Co. substantially similar to underwriting agreements customary for underwritten offerings of equity securities, in form and substance satisfactory to GS&Co., which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating to the indemnification of, and contribution in connection with the liability of, GS&Co. and its affiliates.
4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:
- (a) all Unregistered Settlement Shares shall be delivered to GS&Co. (or any affiliate of GS&Co. designated by GS&Co.) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof;
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(b) as of or prior to the date of delivery, GS&Co. and any potential purchaser of any such shares from GS&Co. (or any affiliate of GS&Co. designated by GS&Co.) identified by GS&Co. shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them); and

(c) as of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with GS&Co. (or any affiliate of GS&Co. designated by GS&Co.) in connection with the private placement of such shares by Counterparty to GS&Co. (or any such affiliate) and the private resale of such shares by GS&Co. (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance commercially reasonable satisfactory to GS&Co., which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, GS&Co. and its affiliates, and shall provide for the payment by Counterparty of all fees and expenses in connection with such resale, including all fees and expenses of counsel for GS&Co., and shall contain representations, warranties and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

5. GS&Co., itself or through an affiliate (the “**Selling Agent**”) or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the “**Settlement Shares**”) delivered by Counterparty to GS&Co. pursuant to paragraph 6 below commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by GS&Co., is equal to the absolute value of the Forward Cash Settlement Amount (such date, the “**Final Resale Date**”). If the proceeds of any sale(s) made by GS&Co., the Selling Agent or any underwriter(s), net of any fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, but without limitation to, the covering of any over-allotment or short position (syndicate or otherwise)) (the “**Net Proceeds**”) exceed the absolute value of the Forward Cash Settlement Amount, GS&Co. will refund, in U.S. Dollars, such excess to Counterparty on the date that is three (3) Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, GS&Co. shall return to Counterparty on that date such unsold Shares.
 6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in U.S. Dollars by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the “**Shortfall**” and the date on which such determination is made, the “**Deficiency Determination Date**”), Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the “**Makewhole Notice Date**”) deliver to GS&Co., through the Selling Agent, a notice of Counterparty’s election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is one (1) New York Business Day after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to GS&Co. additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the “**Makewhole Shares**”), on the first Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably believes would have a market value on that
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Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by GS&Co. in accordance with the provisions above; *provided* that if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to GS&Co. further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares and Makewhole Shares be greater than the Reserved Shares *minus* the amount of any Shares actually delivered by Counterparty under any other Transaction(s) under this Master Confirmation (the result of such calculation, the “**Capped Number**”). Counterparty represents and warrants (which shall be deemed to be repeated on each day that a Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

$$A - B$$

Where A = the number of authorized but unissued shares of the Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than Transactions in the Shares under this Master Confirmation) with all third parties that are then currently outstanding and unexercised.

“**Reserved Shares**” means initially, 1,400,000 Shares. The Reserved Shares may be increased or decreased in a Supplemental Confirmation.

SCHEDULE A

SUPPLEMENTAL CONFIRMATION

To: Aspen Insurance Holdings Limited
Maxwell Roberts Building
1 Church Street
Hamilton, HM 11
Bermuda

From: Goldman, Sachs & Co.

Subject: Collared Accelerated Stock Buyback

Ref. No: 1626308626

Date: September 28, 2007

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between Goldman, Sachs & Co. (“**GS&Co.**”) and Aspen Insurance Holdings Limited (“**Counterparty**”) (together, the “**Contracting Parties**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between GS&Co. and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation dated as of September 28, 2007 (the “**Master Confirmation**”) between the Contracting Parties, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.
2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

| | |
|---|---|
| Trade Date: | September 28, 2007 |
| Forward Price Adjustment Amount: | USD [***] |
| Hedge Completion Date: | As set forth in the Trade Notification, but in no event later than October 22, 2007. |
| Scheduled Termination Date: | [***] after the Hedge Completion Date, subject to GS&Co.’s right to accelerate the Termination Date to any date on or after the First Acceleration Date. |
| First Acceleration Date: | [***] (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day). |
| Prepayment Amount: | USD 50,000,000 |
| Counterparty Additional Payment Amount: | USD 0 |
| Minimum Shares: | As set forth in the Trade Notification, to be a number of Shares equal to (a) the Prepayment Amount <i>divided by</i> (b) [***]% of the Hedge Period Reference Price. |

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Maximum Shares: As set for in the Trade Notification, to be a number of Shares equal to (a) the Prepayment Amount *divided by* (b) [***]% of the Hedge Period Reference Price.

Ordinary Dividend Amount: For any calendar quarter, USD 0.15

*** indicates material has been omitted pursuant to a Confidential Treatment Request filed with the Securities and Exchange Commission. A complete copy of this agreement has been filed separately with the Securities and Exchange Commission.

3. Counterparty represents and warrants to GS&Co. that neither it nor any “affiliated purchaser” (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during the four full calendar weeks immediately preceding the Trade Date.
4. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Counterparty hereby agrees (a) to check this Supplemental Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by GS&Co.) correctly sets forth the terms of the agreement between GS&Co. and Counterparty with respect to this Transaction, by manually signing this Supplemental Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Equity Derivatives Documentation Department, facsimile No. 212-428-1980/83.

Yours sincerely,

GOLDMAN, SACHS & CO.

By: _____
Authorized Signatory

Agreed and accepted by:

ASPEN INSURANCE HOLDINGS LIMITED

By: _____
Name:
Title:

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: November 8, 2007

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: November 8, 2007

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 September 30, 2007 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: November 8, 2007

By: /s/ Richard Houghton
Name: Richard Houghton
Title: Chief Financial Officer
Date: November 8, 2007

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.
