



# Aspen Insurance Holdings Limited

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Association of Insurance and Financial Analysts

Richard Houghton  
Chief Financial Officer

March 2008

AHL: NYSE



# Safe Harbor Disclosure

*This slide presentation is for information purposes only. It should be read in conjunction with our financial supplement posted on our website on the Investor Relations page and with other documents filed or to be filed shortly by Aspen Insurance Holdings Limited (the "Company" or "Aspen") with the U.S. Securities and Exchange Commission.*

## **Non-GAAP Financial Measures**

*In presenting Aspen's results, management has included and discussed certain "non-GAAP financial measures", as such term is defined in Regulation G. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain Aspen's results of operations in a manner that allows for a more complete understanding of the underlying trends in Aspen's business. However, these measures should not be viewed as a substitute for those determined in accordance with GAAP. The reconciliation of such non-GAAP financial measures to their respective most directly comparable GAAP financial measures in accordance with Regulation G is included herein or in the financial supplement, as applicable, which can be obtained from the Investor Relations section of Aspen's website at [www.aspen.bm](http://www.aspen.bm). Note: Aspen defines ROE as Return on Average Equity.*

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

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

*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 these estimates, there can be no assurance that Aspen's ultimate losses will remain within the stated amount.*

*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. Aspen believes these factors include, but are not limited to: the impact of deteriorating credit environment created by the sub-prime crisis; a decline in the value of our investment portfolio or a rating downgrade of the securities in our portfolio; changes in the total industry losses resulting from Hurricanes Katrina, Rita and Wilma and any other events, and the actual number of Aspen's insureds incurring losses from these events; with respect to events such as Hurricanes Katrina, Rita and Wilma, Aspen's reliance on loss reports received from cedants and loss adjustors, Aspen's reliance on industry loss estimates and those generated by modeling techniques, the impact of these events on Aspen's reinsurers, any changes in Aspen's reinsurers' credit quality, the amount and timing of reinsurance recoverables and reimbursements actually received by Aspen from its reinsurers and the overall level of competition and the related demand and supply dynamics as contracts come up for renewal; 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 activities 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 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 such as the UK floods; the level of inflation in repair costs due to limited availability of labor and materials after catastrophes; the effectiveness of Aspen's loss limitation methods; changes in the availability, cost or quality of reinsurance or retrocessional coverage, which may affect our decision to purchase such 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 Company 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; the number and type of insurance and reinsurance contracts that we wrote at the January 1st and other renewal periods in 2008 and the premium rates available at the time of such renewals within our targeted business lines; increased competition on the basis of pricing, capacity, coverage terms or other factors; decreased demand for Aspen's insurance or reinsurance products and cyclical downturn of the industry; changes in governmental regulations, interpretations or tax laws in jurisdictions where Aspen conducts business; proposed and future changes to insurance laws and regulations, including with respect to U.S. state- and other government-sponsored reinsurance funds and primary insurers; Aspen or its Bermudian subsidiary becoming subject to income taxes in the United States or the United Kingdom; 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. For a more detailed description of these uncertainties and other factors, please see the "Risk Factors" section in Aspen's Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on February 29, 2008. Aspen undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made.*

# Probability Distributions of 2008 ROE and Return on Allocated Equity: Disclaimers

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- This presentation includes slides relating to the probability distributions of the 2008 ROAE and Return on Allocated Equity based on model outputs only and are not, and should not be construed as guidance for 2008. The Company relies on the outputs of its Dynamic Financial Analysis (“DFA”) model in addition to other considerations in the establishment of its public guidance. No 2008 guidance is given in this presentation.
- No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, the probability distributions of the 2008 ROAE and Return on Allocated Equity in these slides or the assumptions underlying them or their suitability. No representation or warranty is or can be made as to the future operations or the amount of any future income or loss.
- The figures shown are the result of numerous assumptions made within our DFA model, many of which are subject to uncertainty which could lead actual results to vary considerably from those indicated by the model, including our estimates of catastrophe and non-catastrophe losses, our estimates of reserve movements and our estimates of investment income.
- No explicit allowance has been made within the modelling for the possibility that the model could be wrong or assumptions within the model incorrect. This includes the possibility that catastrophe models are incorrect.
- Changes in market conditions and variations from expected underwriting and investment strategy may lead to results varying considerably from those indicated by the model.
- No reliance should be placed on the accuracy of our DFA probability distributions of the 2008 ROAE and Return on Allocated Equity as they are based on (i) assumptions and other factors made at the time of modeling which may be subject to uncertainty or which may change subsequently, (ii) currently available information derived from modeling techniques, which may be incorrect, and (iii) modeling assumptions that may be inaccurate or incorrect. Therefore, the results of the model are illustrative and not to be viewed as facts or forecasts, and should not be relied upon as a representation of the future value of an investment in Aspen shares.
- See Slide 2 – Safe Harbor Disclosure for reference to important factors that could cause actual results to differ from the probability distribution of 2008 ROAE and Return on Allocated Equity provided in the following slides. Changes in market conditions and variations from expected underwriting and investment strategy may lead to results varying considerably from those indicated by the model.
- For a more detailed description of these uncertainties and other factors, please see the “Risk Factors” section in Aspen’s Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on February 29, 2008. Aspen undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they were made.



## Discussion Topics

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- Aspen at a Glance
  - Value proposition to clients
  - Our investment proposition
- Benefits of Diversification
- 2008 Guidance
- Conclusions
- Appendix



## Aspen at a Glance: Overview

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- Bermuda based diversified Specialty Insurer and Reinsurer with focus on:
  - Marine, Energy and Transport Insurance
  - Specialty and Casualty Reinsurance
  - Property Catastrophe Insurance and Reinsurance
- \$2.5bn market cap
  - \$2.3bn common equity and \$3.0bn total capital, as of December 31, 2007
  - 500 employees in 12 offices in 6 countries
  - Ratings of A (S&P), A2 (Moody's) and A (AM Best) for Aspen UK and Aspen Bermuda
- \$1.8bn Gross Written Premium in 2007; estimate \$1.8bn +/- 5% GWP for 2008\*
  - 35% Insurance, 65% Reinsurance
  - 43% Casualty, 57% Property

\* Estimate as at February 7, 2008 – see slide 2

# Aspen at a Glance: Value Proposition to Clients

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- Sector expertise
- Relationship strength, quality people
- Financial strength
- Pay valid claims promptly
- ‘Nimble’ redeployment of capital to meet customer needs
- Investment in new lines of business

# Aspen at a Glance: Our Investment Proposition

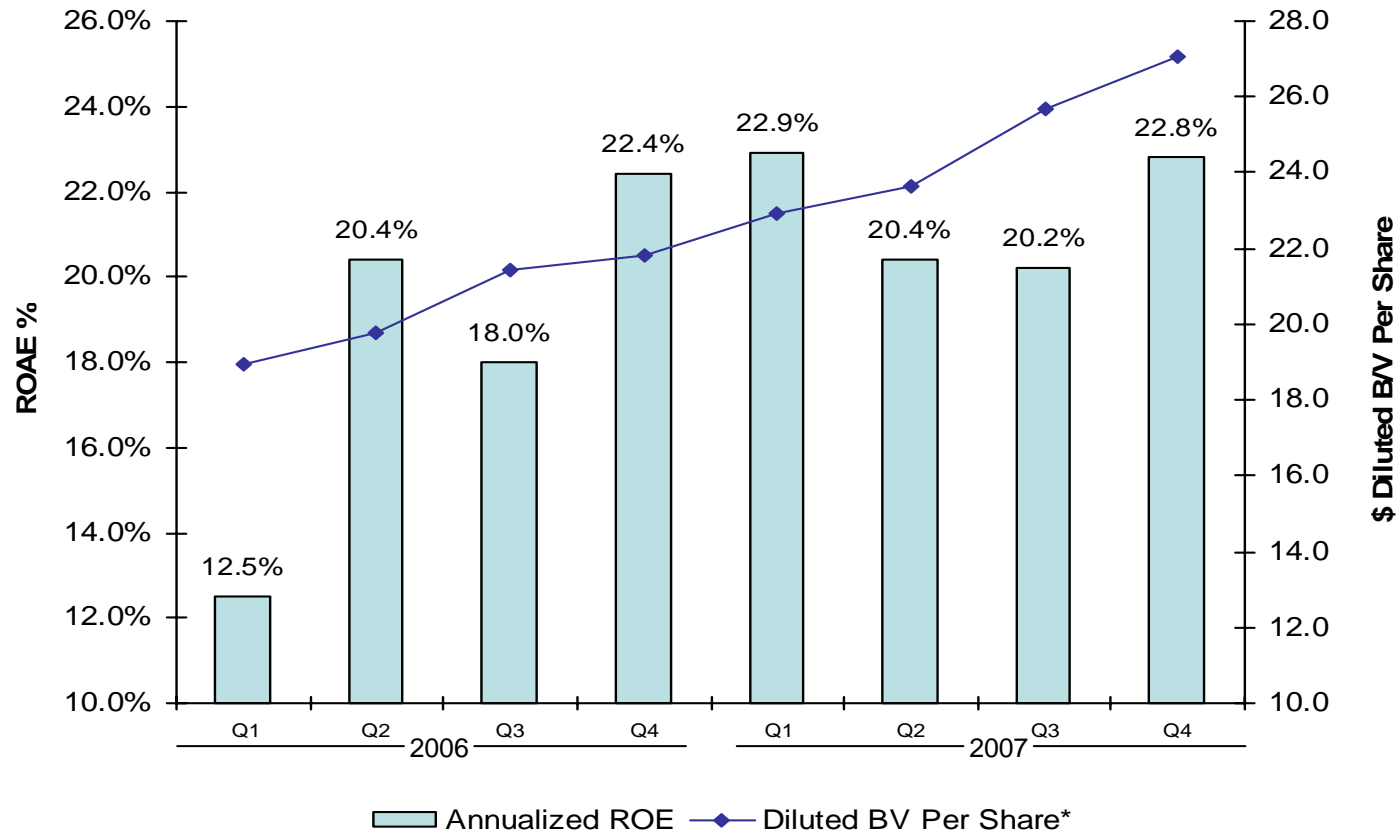
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- Consistent, quality returns from diversified model
- Proactive capital management
- Specialty approach offers disciplined and cross cycle performance
- Straight forward, transparent communication of performance and plans
- Sound, confidently managed investment performance
- Appetite and delivery in acquiring and integrating new teams
- Strength of risk/reward management



# Growth in ROE and Book Value Per Share



**CAGR in BVPS over last 8 quarters of 20%**

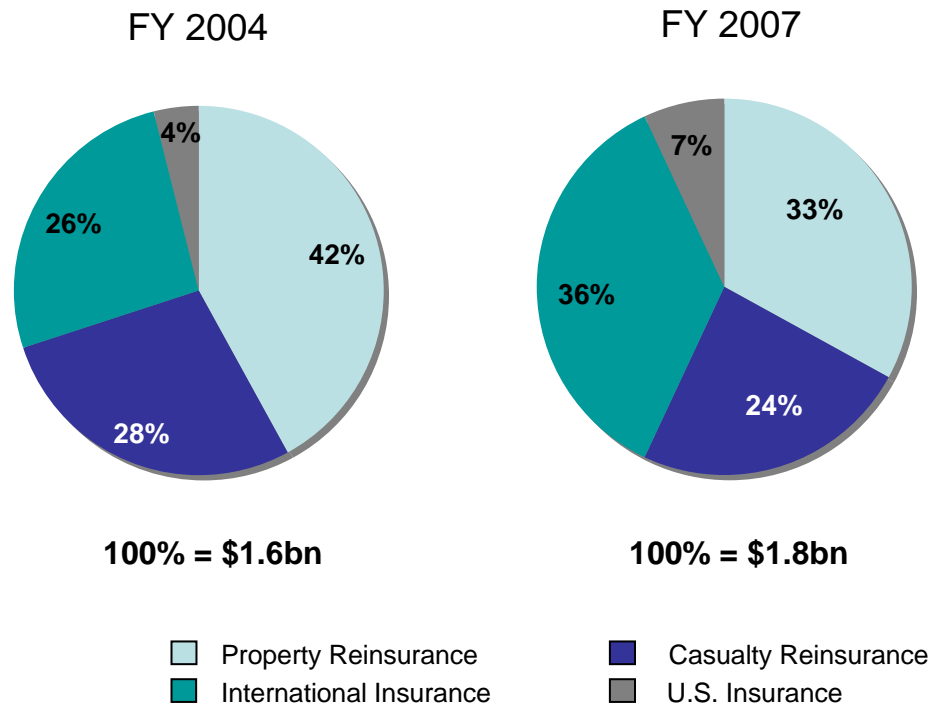
(\*) Note: See Aspen's quarterly financial supplement for a reconciliation of diluted book value per share to basic book value per share and reconciliation of average equity to closing shareholders' equity in the Investor Relations section of Aspen's website at [www.aspen.bm](http://www.aspen.bm)



# Aspen at a Glance: Specialist Underwriting Expertise



## Gross Written Premiums



Reinsurance	
<b>Property</b>	<b>Casualty</b>
<ul style="list-style-type: none"> <li>• Treaty Catastrophe</li> <li>• Treaty Risk Excess</li> <li>• Treaty Pro Rata</li> <li>• Property Fac</li> </ul>	<ul style="list-style-type: none"> <li>• US Treaty</li> <li>• Non-US Treaty</li> <li>• Casualty Fac</li> </ul>

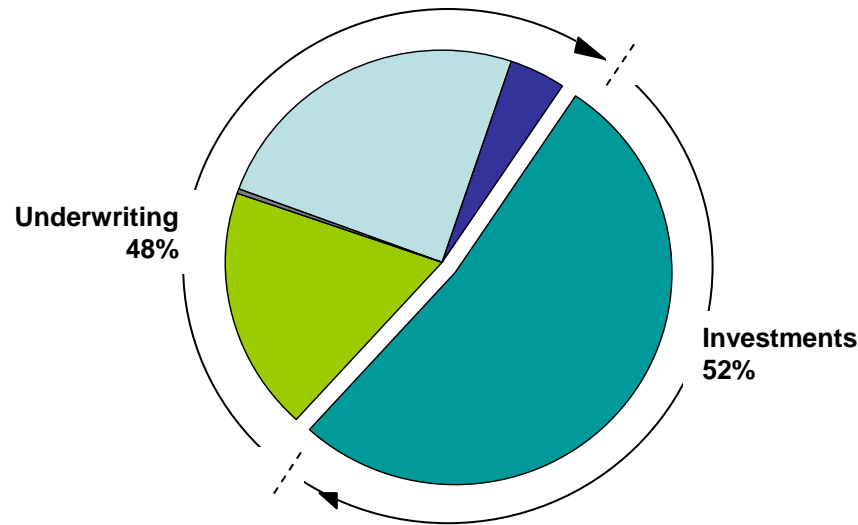
Insurance	
<b>International</b>	<b>US</b>
<ul style="list-style-type: none"> <li>• Marine and Specialty Liability</li> <li>• Marine Hull</li> <li>• Non-Marine Transport Liability</li> <li>• Aviation</li> <li>• Energy</li> <li>• UK Commercial Property</li> <li>• UK Liability</li> <li>• Professional Liability</li> </ul>	<ul style="list-style-type: none"> <li>• US Property</li> <li>• US Casualty</li> </ul>

Increasing Contribution from Insurance: 37% of 2007 GWP vs 26% in 2004



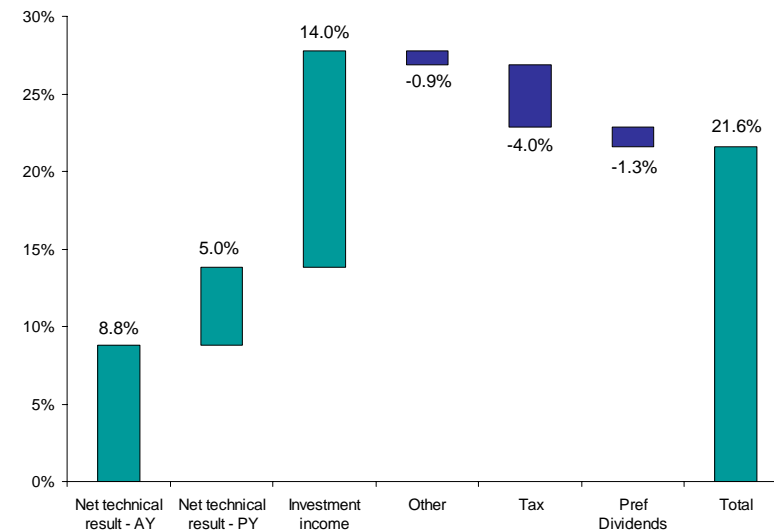
# Diversification – Sources of Net Income

### Net Operating Income - 2007



- Property Reinsurance
- Casualty Reinsurance
- Investments
- International Insurance
- U.S. Insurance

### Decomposition of ROE - 2007

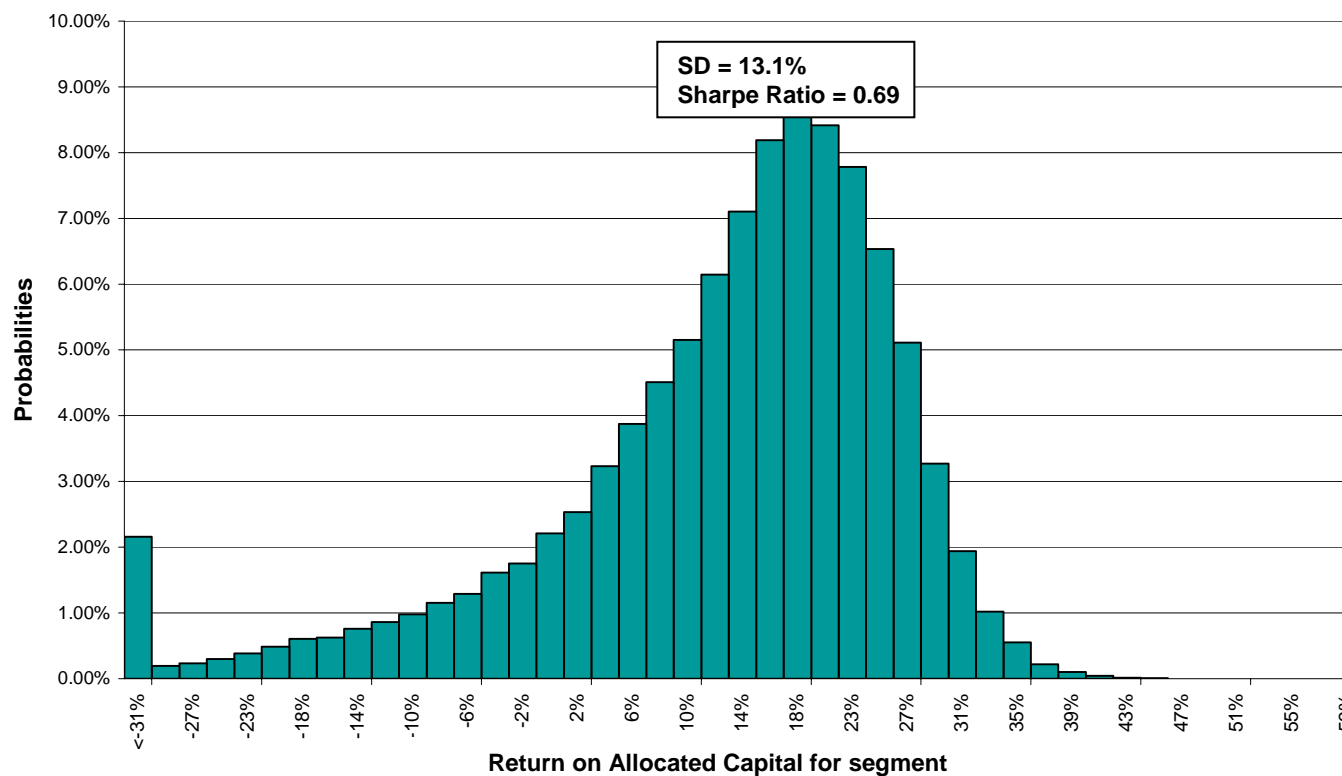


Diversified Underwriting Platform and Strong Investment Contribution



# Benefits of Diversification

### Return on Allocated Capital – Property Reinsurance Only



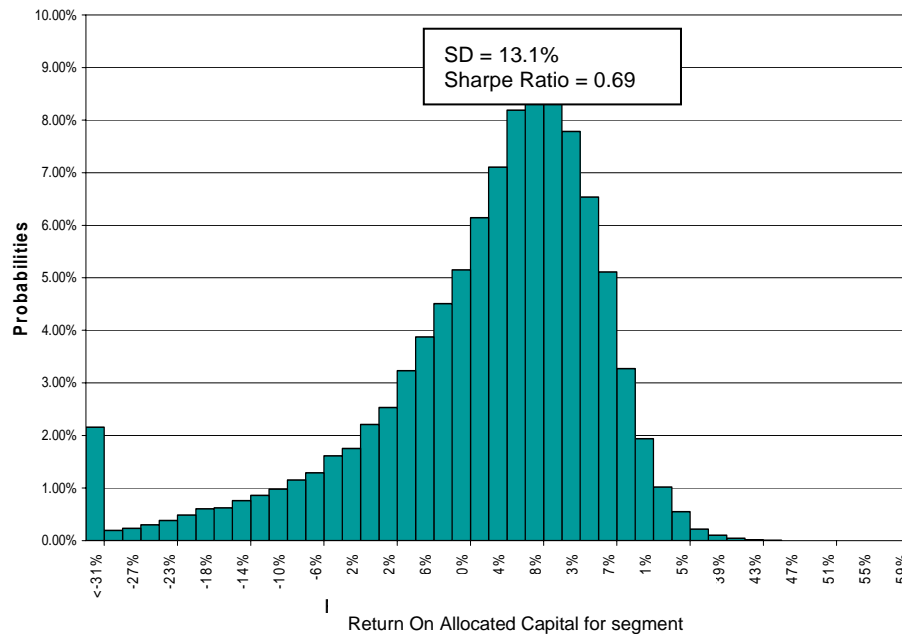
Property Reinsurance Alone Results in High Volatility of Returns

- Property Reinsurance product segment only
- No diversification with other product segments
- Relatively large tail and high volatility as measured by the Standard Deviation ("SD") and the Sharpe Ratio (calculated using return on allocated shareholders' common equity)
- Subject to the caveats on slides 2 and 3, this represents our estimates of modelled outcomes for 2008

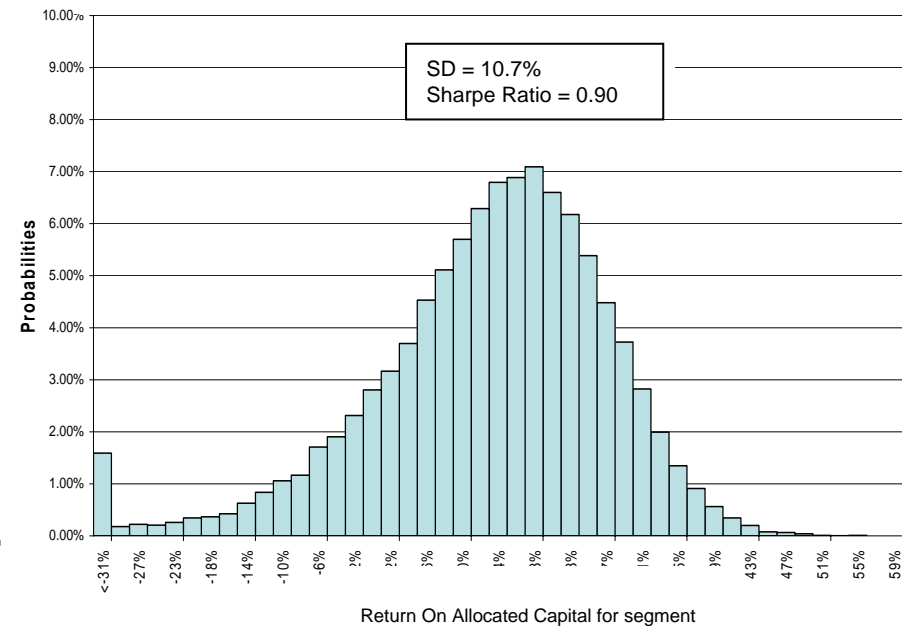


# Benefits of Diversification

## Property Reinsurance Segment only



## Property Reinsurance and Casualty Reinsurance



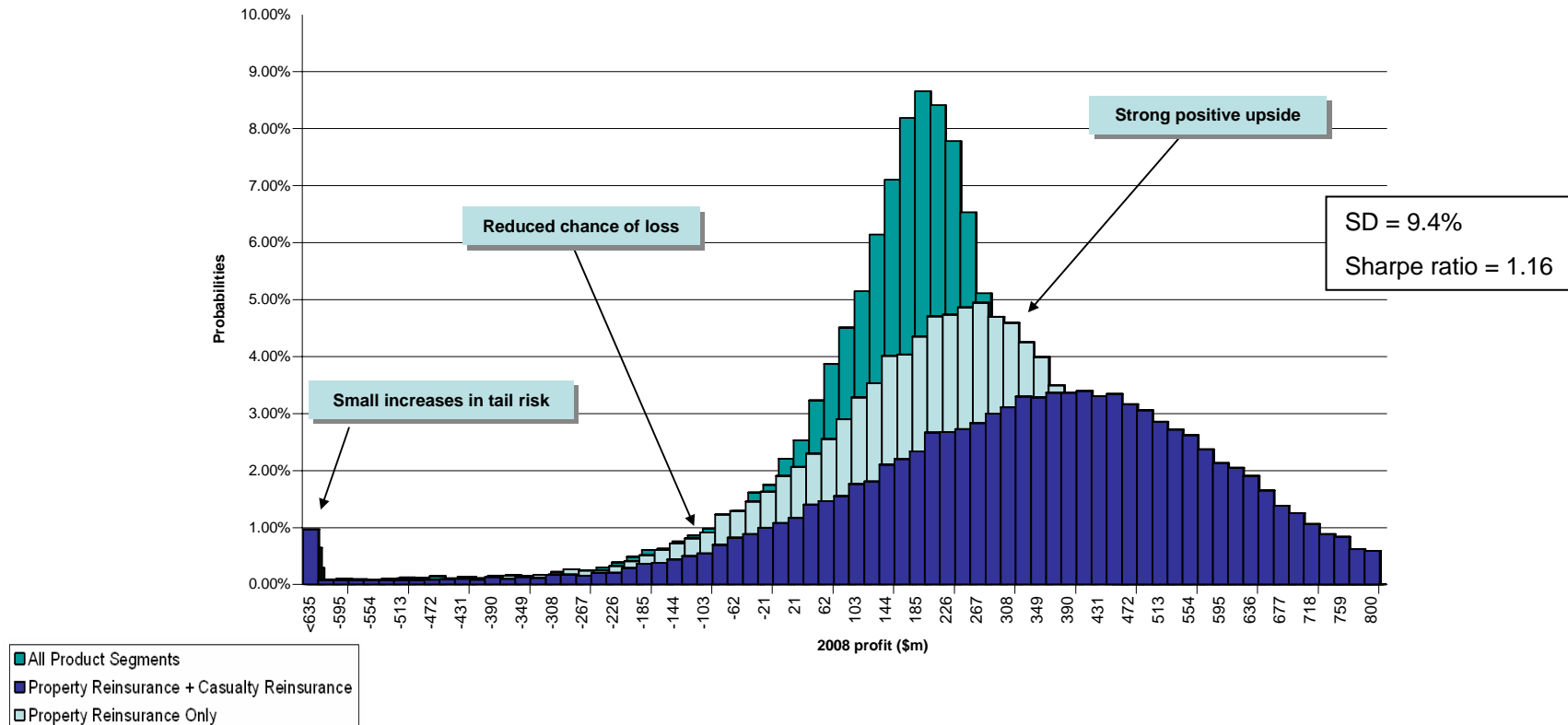
Diversification Leads to a Reduction of the Risk of Unfavourable Outcomes

- Return on allocated capital less volatile (SD reduces to 10.7% from 13.1%, Sharpe Ratio increases from 0.69 to 0.90)
- Subject to the caveats on slides 2 and 3, this represents our estimates of modelled outcomes for 2008



# Benefits of Diversification: 2008 Distribution of Profit

## All Underwriting Product Segments



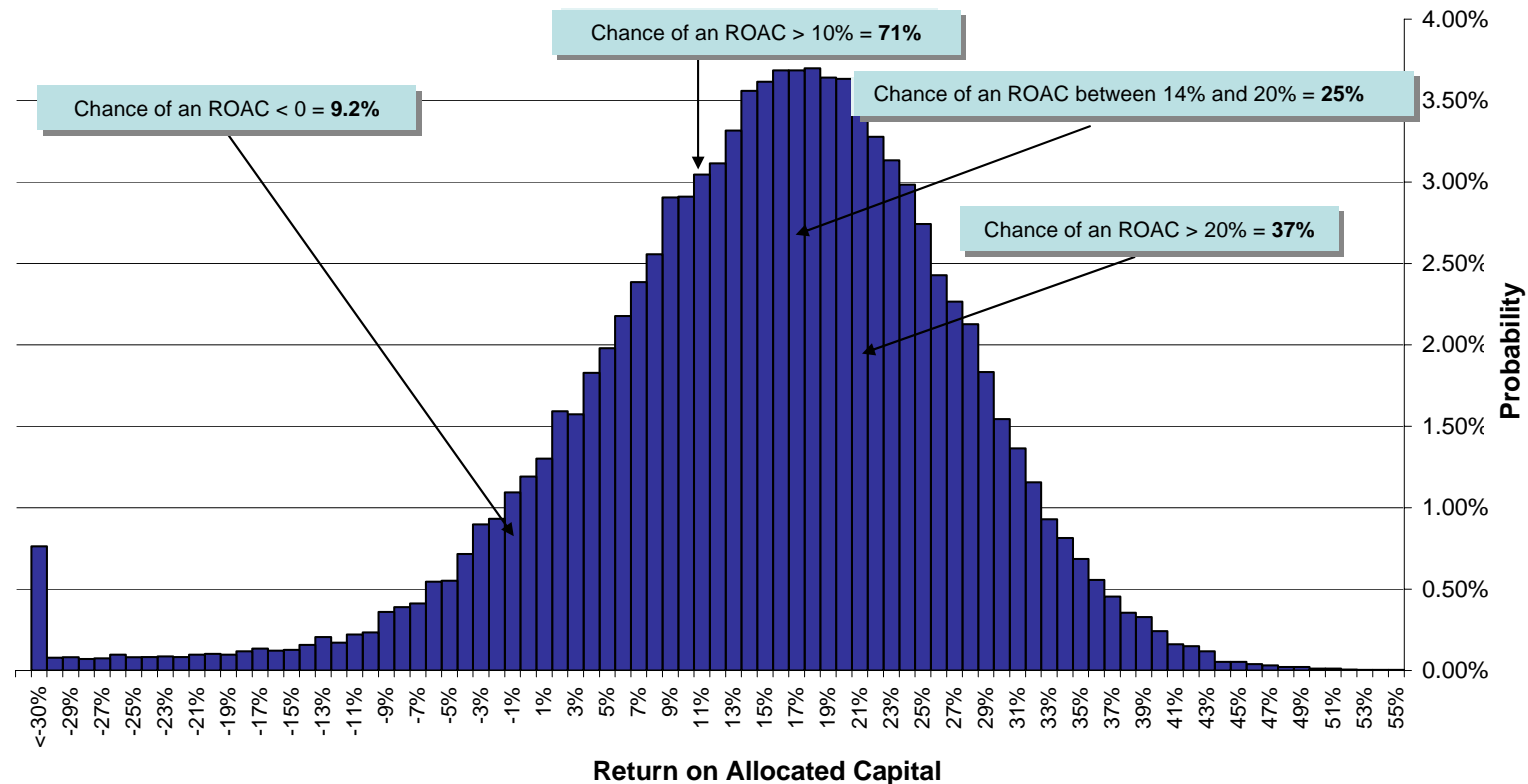
**Diversification Results in 30% Reduction in Standard Deviation, 70% Improvement in Sharpe Ratio vs Stand-alone Property Reinsurance**

- The positive impact of diversification on Aspen's portfolio
- Diversification effect reduces 'volatility' i.e. reduces significantly probability of unfavourable outcomes and in particular the chance of making a loss
- Subject to the caveats on slides 2 and 3, this represents our estimates of modelled outcomes for 2008



# 2008 Return on Allocated Capital Distribution Curve

## Return on Allocated Capital Distribution all Risks: 2008 Plan



### Expectation of Quality Returns Resulting from Diversified Model

- Result of 50,000 simulations of the 2008 year net income using Aspen DFA model
- Risks modelled include underwriting (cat and non cat), reserving, market, credit and operational
- Subject to the caveats on slides 2 and 3, this represents our estimates of modelled outcomes for 2008

# Aspen at a Glance: Profitable Expansion into New / Adjacent Lines

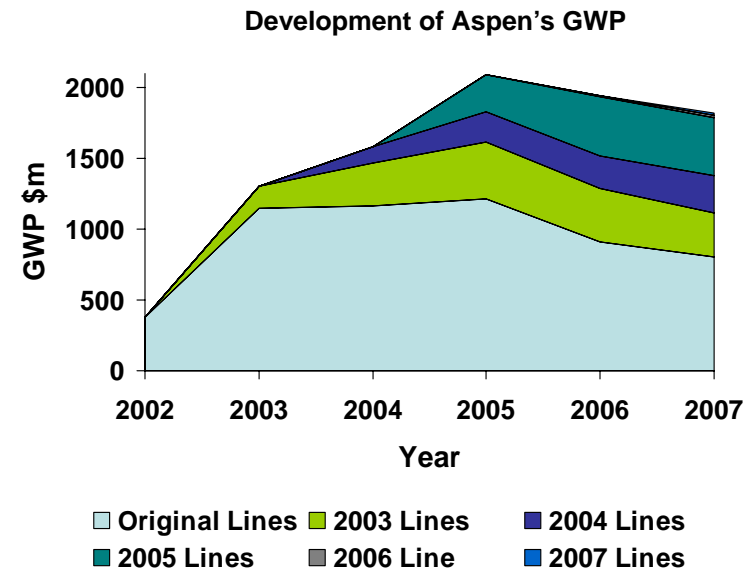


- Progressive diversification
- Key enablers:
  - Consistent with core competencies
  - Timing
  - Availability of proven, successful underwriting teams
- Focus on non-correlating lines



- |   |   |  |  |   |  |
|---|---|--|--|---|--|
| <ul style="list-style-type: none"> <li>• Specialty Reinsurance                             <ul style="list-style-type: none"> <li>➤ Aviation</li> <li>➤ Marine</li> </ul> </li> <li>• US Casualty Re</li> </ul> | <ul style="list-style-type: none"> <li>• US Excess &amp; Surplus lines</li> <li>• Aspen Re America</li> </ul> | <ul style="list-style-type: none"> <li>• Aviation Insurance</li> <li>• Marine Insurance</li> <li>• Energy Insurance</li> </ul> | <ul style="list-style-type: none"> <li>• International Property Facultative</li> </ul> | <ul style="list-style-type: none"> <li>• Professional Liability**</li> <li>• Excess Casualty**</li> <li>• Non-Marine Liability**</li> <li>• Political Risk**</li> </ul> | <ul style="list-style-type: none"> <li>• Financial Institutions</li> </ul> |
|---|---|--|--|---|--|

*Businesses shown for first year of meaningful premium contribution  
\*\* Underwriting after 09/07*

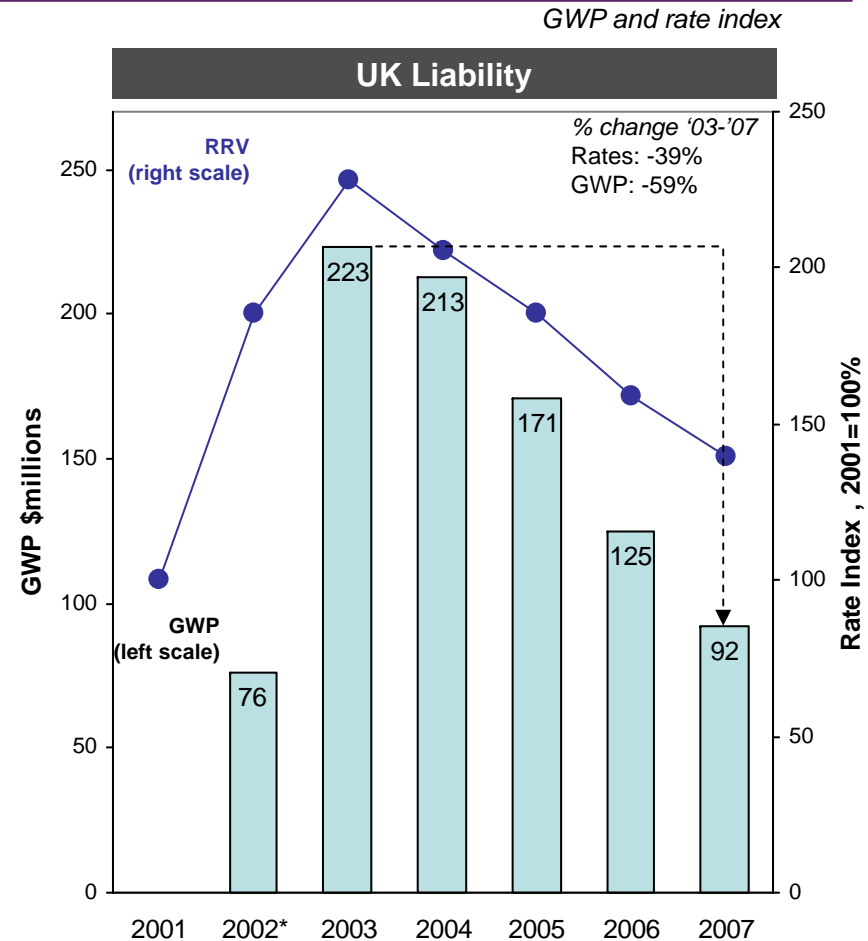


**Diversification has Added over \$1,135m GWP in New Lines Since 2004**



# Approach to Cycle Management

- Business pricing must meet or exceed adequacy levels
- Key components
  - Underwriting integrity
  - Optimizing business mix
  - Strong risk management
  - Efficient use of reinsurance / retrocession purchasing
  - Expense control
  - Improving investment contribution



Return Excess Capital to Shareholders when Appropriate

\* Since inception June 2002

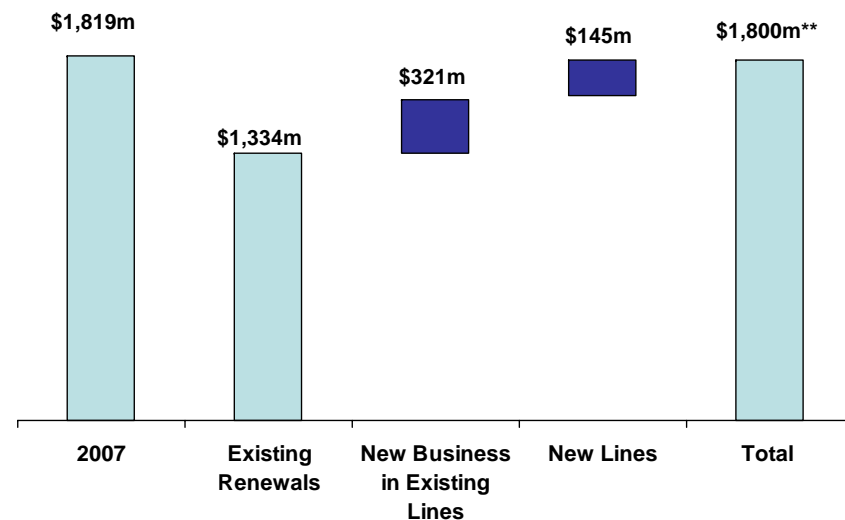




## Managing the Cycle

- Reduction in top line
  - Renewal business expected to decline by 8% in 2008 vs. 2007
- Prudent investment in new underwriting teams offsetting reduction in “existing business”
  - New business lines introduced in 2007 account for ~8% of expected 2008 GWP
- Strong Investment Performance
  - Investment income accounted for 52% of 2007 net operating income
- Capital Management
  - Completed \$300m buy-back in 2007
  - Additional authorisation for \$300m

### Expected 2008 New Business & Renewals



- Lapsed business expected to be ~ 18%\* of 2008 GWP

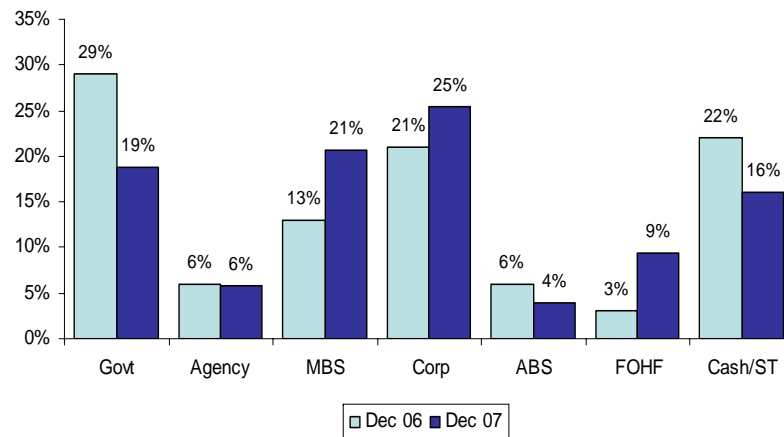
(\*) As percentage of that year's business. New lines include Non-Marine Transportation Liability, Professional Lines, Excess Casualty Insurance, Political Risk and Financial Institutions

(\*\*) Mid-point of 2008 guidance estimate as at February 7, 2008 – see slide 2



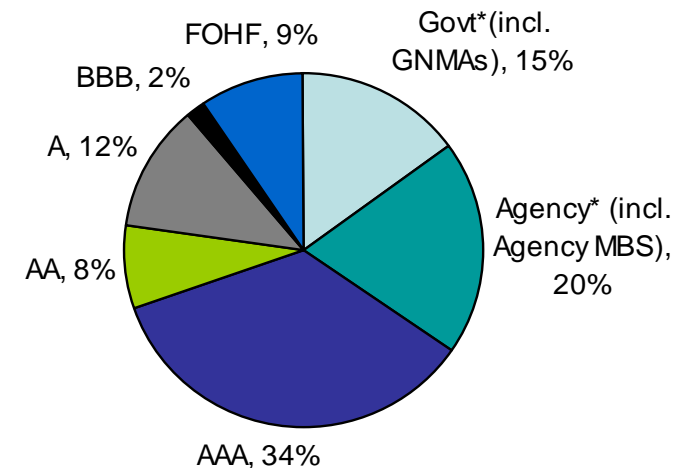
# Investment Portfolio

## Asset Class Allocation



## Portfolio Credit Ratings

(as at December 31, 2007)



- Sub-Prime and related exposure
  - No direct sub-prime exposure
  - Currently have less than \$51,000 (fifty-one thousand dollars) of fixed income investments that are wrapped by financial guarantors
  - No investment losses requiring an impairment charge at the year end

89% of Portfolio 'A' or Better, Overall Fixed Income 'AA+'

\* Govt rated securities include GNMA that are classified as "MBS" at left; Agency rated securities include Agency issued mortgage backed securities that are classified as "MBS" at left.

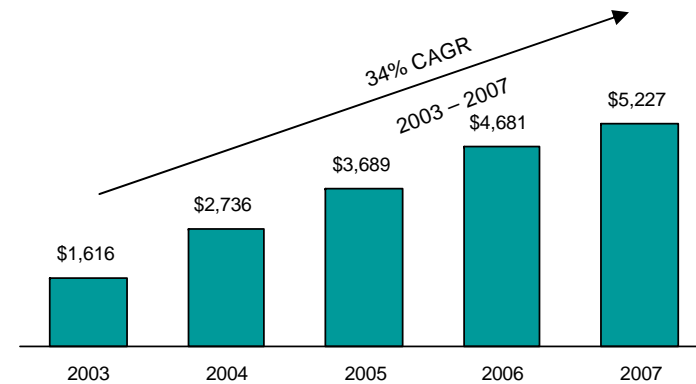


# Growing Investment Income

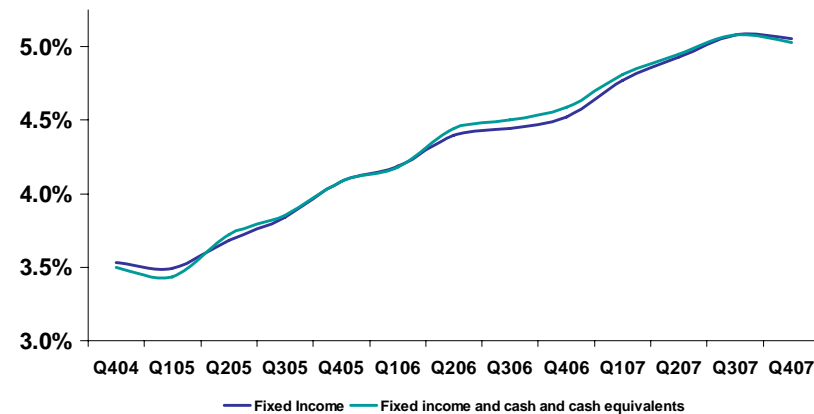
	Net Investment Income Return <sup>1</sup>
<b>2007</b>	
ASPEN	5.4%
Peer Group Average	5.2%
<b>2006</b>	
ASPEN	4.4%
Peer Group Average	4.9%
<b>2005</b>	
ASPEN	3.5%
Peer Group Average	4.0%
<b>Average: 2005 – 2007</b>	
ASPEN	4.4%
Peer Group Average	4.7%

Increasing Investment Yield;  
Investment Income Increasing  
Component of Total Return

## Total Investments have increased



## Book Yield improving



Peers include 15 Bermuda and US reinsurers and insurers.

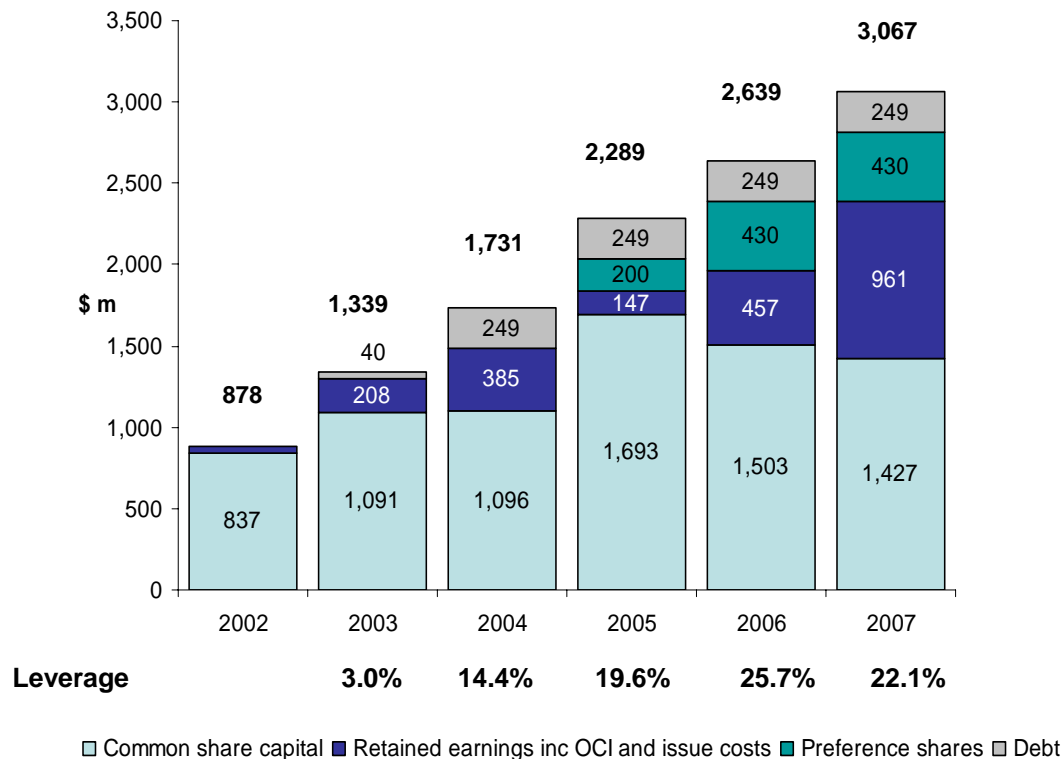
Source: Company Filings

1. Net Investment Income Return is computed by dividing pre-tax Net investment income for the period by average Investments and Cash and cash equivalents for the applicable period, annualized.

# Capital Management and Financial Leverage



## Capital Structure and Financial Leverage



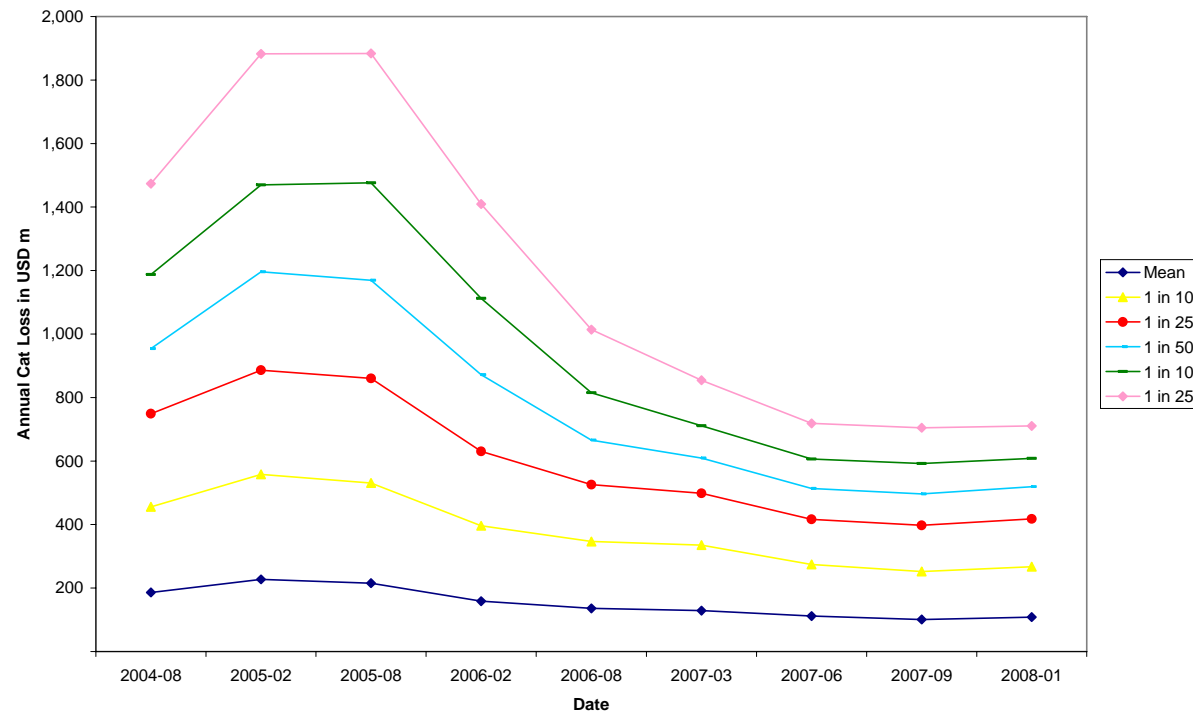
- \$300m of share buy-back completed, final \$50m in November 2007
- Preference shares: issued \$200m Q4 2006
- Strong balance sheet with some opportunity for further leverage
- New \$300m share buy-back program authorised, Feb 2008

Active Balance Sheet Management to Deliver Consistent, Quality ROE

# Key Performance Driver: Managing Catastrophe Risk



**Group Net AEP, Combined All Perils  
“As-If” to RMS v6**



**Significant Reduction in Exposure to Natural Catastrophes Post 2005 At All Return Periods  
⇒ Reduced Earnings Volatility**

\* Aggregate Exceedance Probability (excludes inwards reinstatement premiums, includes outwards reinstatement premiums, net of tax)  
 Note: For net figures applied 2007 reinsurance / retro program to reflect our previous exposure versus our current structure  
 Note that assumptions have been made to bring prior periods, modelled in old RMS versions, in line with RMS version 6.



## Outlook for 2008

	Year end 2007	Guidance as at February 7, 2008*	How do we get there in softening markets?
<b>GWP</b>	<b>\$1.82 billion</b>	<b>\$1.8 billion ± 5%</b>	Client relationships; expansion into adjoining lines, adding teams
<b>% Earned Premium Ceded</b>	<b>8.9%</b>	<b>8% - 10% of GEP</b>	Consistent with experience, but opportunistic approach to purchasing reinsurance
<b>Combined Ratio</b>	<b>83.0%</b>	<b>88% - 93%</b>	Risk selection 2002-2007 CR avg: 88.8% 2007 CR: 83%
<b>Investment Income</b>	<b>\$299 million</b>	<b>\$290 - \$320 million</b>	1/1/08: \$5.2B investment portfolio; yield 5.4%. Expect 2008 cash flow to add to investment portfolio
<b>Tax Rate</b>	<b>14.8%</b>	<b>13% to 16%</b>	2007 tax rate: 14.8%
<b>Cat-Load</b>	<b>\$77 million</b>	<b>\$135 million</b>	Consistent with prior experience

ROE of 14% - 17% Assuming Normal Loss Experience



## Conclusions

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- Strong underwriting performance
- Improving investment contribution
- Efficient use of capital
- High quality, diversified underwriting portfolio designed with the benefit of sophisticated capital allocation models
- Strong, quality, improving returns
  - BVPS 20% CAGR over last 8 quarters
  - Annualised ROE 18%+ over last 6 quarters

Well Positioned to Manage the Cycle and Generate Attractive Returns

## Appendix

# Financial Highlights – 12 months ended December 2007



(US\$ in millions, except per share data and percentages)

12 months ended December 31	2007	2006	Change
Gross Written Premiums	1,818.5	1,945.5	(6.5)%
Net Written Premiums	1,601.4	1,663.6	(3.7)%
Net Earned Premiums	1,733.6	1,676.2	3.4%
Underwriting Income	295.1	295.6	(0.2)%
Net Investment Income	299.0	204.4	46.3%
<b>Net Income after tax</b>	<b>\$489.0</b>	<b>\$378.1</b>	<b>29.3%</b>
<b>GAAP Ratios:</b>			
Loss Ratio	53.1%	53.1%	
Expense Ratio	29.9%	29.3%	
<b>Combined Ratio</b>	<b>83.0%</b>	<b>82.4%</b>	
<b>Full Year Operating ROE <sup>1</sup></b>	<b>21.1%</b>	<b>18.4%</b>	
<b>BV Per Ordinary Share</b>	<b>\$27.95</b>	<b>\$22.35</b>	<b>25.1%</b>
<b>Diluted EPS</b>	<b>\$5.11</b>	<b>\$3.75</b>	<b>36.3%</b>
<b>Diluted Operating EPS</b>	<b>\$4.99</b>	<b>\$3.72</b>	<b>34.1%</b>

<sup>1</sup> Reconciliation of Average Equity to closing shareholders' equity and operating income to net income is provided in our quarterly financial supplements available in the Financial Results section of the Investor Relations page of Aspen's website at [www.aspen.bm](http://www.aspen.bm)

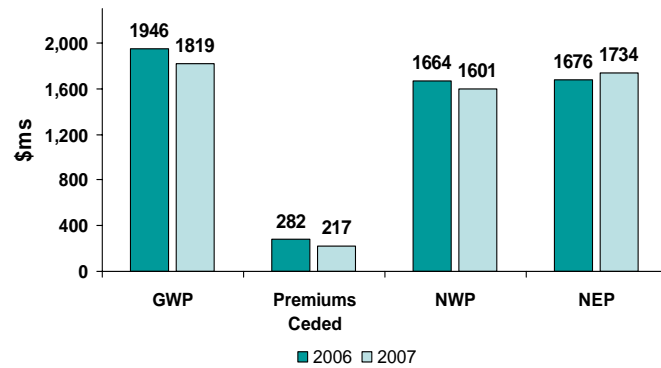
AHL: NYSE



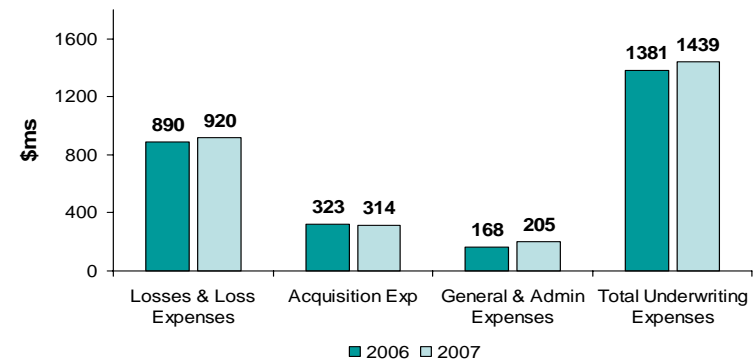


## Financial Highlights – Group Summary – 12 months

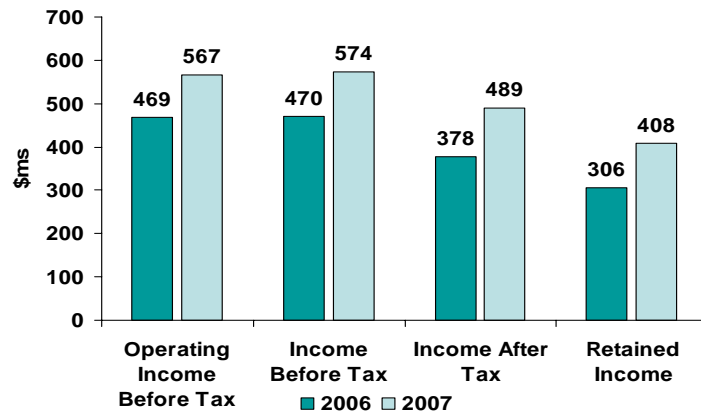
### Underwriting Revenues



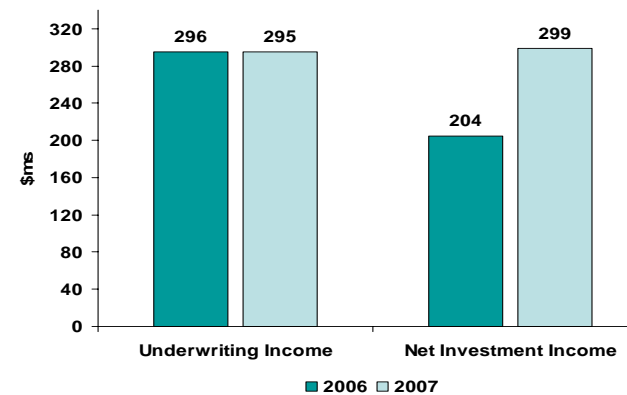
### Underwriting Expenses



### Income

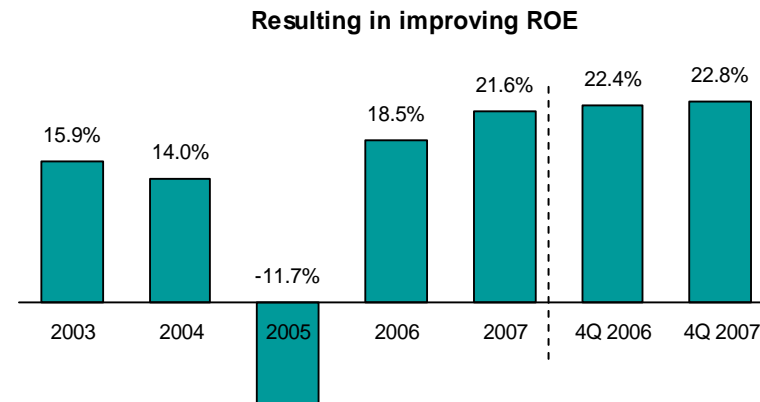
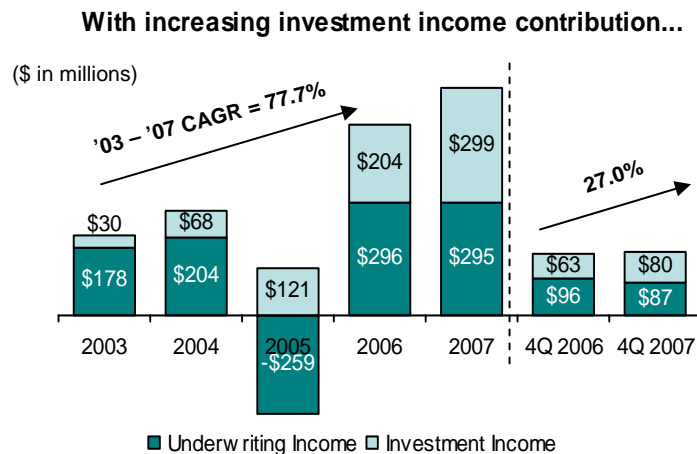
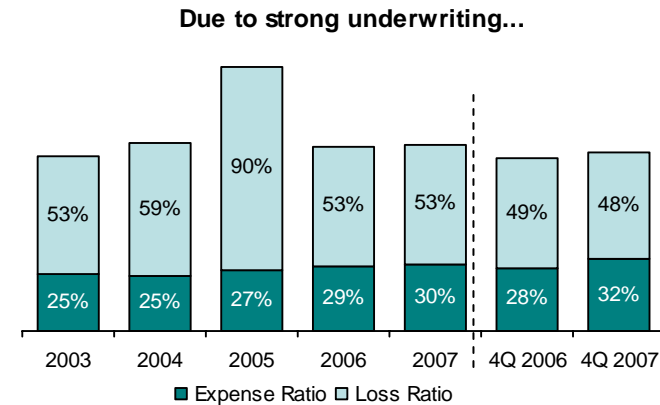
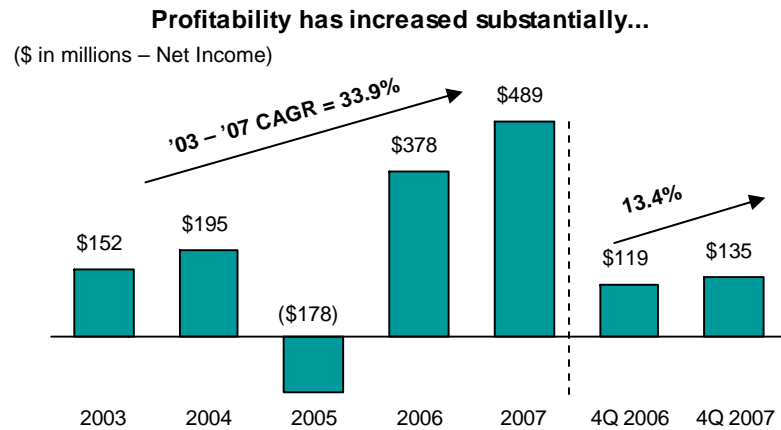


### Income Contribution





## Financial Performance



### Delivering Results

Note: Reconciliation of average equity to closing shareholders' equity is provided in our quarterly financial supplements available in the Financial Results section of the Investor Relations page of Aspen's website, [www.aspen.bm](http://www.aspen.bm)



# Sub-Prime and Related Exposure

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- Reserves
  - \$35 million reserves (Q4 2007) includes:
    - \$20 million of additional reserves (\$7.5m in Q3, \$12.5m in Q4)
    - \$15 million expected loss reserves
  - Exposures limited to two areas:
    - A small number of Lloyd's syndicates
    - One casualty clash contract
  
- Investments
  - No direct sub-prime exposure
  - Currently have \$51,000 (fifty-one thousand dollars) of fixed income investments wrapped by financial guarantors
  - No investment losses requiring an impairment charge at the year end

# Appendix

## Market Conditions 2008 Outlook: Property Reinsurance and Casualty Reinsurance



Property Reinsurance			
Line	Market Conditions	Market Trend	Aspen 2007 Performance
Catastrophe Treaty			
Pro Rata			
Risk Excess Treaty			
Property Facultative			

Casualty Reinsurance			
Line	Market Conditions	Market Trend	Aspen 2007 Performance
Intl. Casualty			
US Casualty			
Casualty Facultative			

= Absolute rate levels attractive

= Absolute rate levels mixed

= Absolute rate levels very challenging

= 12 month rate trend positive

= 12 month rate trend neutral

= 12 month rate trend slightly downwards

= 12 month rate trend downwards

Strong

Satisfactory

Improvement Required

As of February 7, 2008

# Appendix

## Market Conditions

### 2008 Outlook: US Insurance and International Insurance



US Insurance				International Insurance			
Line	Market Conditions	Market Trend	Aspen 2007 Performance	Line	Market Conditions	Market Trend	Aspen 2007 Performance
E&S Property				Aviation			
E&S Casualty				UK Property			
				UK Liability			
				Marine Hull			
				Offshore Energy Physical Damage			
				Marine & Energy Liability			
				Specialty Reinsurance			

- = Absolute rate levels attractive
- = Absolute rate levels mixed
- = Absolute rate levels very challenging

- = 12 month rate trend positive
- = 12 month rate trend neutral
- = 12 month rate trend slightly downwards
- = 12 month rate trend downwards

- Strong
- Satisfactory
- Improvement Required

As of February 7, 2008