



# Aspen Insurance Holdings Limited

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November/December 2010 Investor Presentation

# Safe Harbor Disclosure



*This slide presentation is for information purposes only. It should be read in conjunction with other documents filed 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).*

## *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 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," "do not believe," "aim," "project," "anticipate," "seek," "will," "estimate," "may," "continue," "guidance," and similar expressions of a future or forward-looking nature. 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 possibility of greater frequency or severity of claims and loss activity, including as a result of natural or man-made (including economic and political risks) catastrophic or material loss events, than our underwriting, reserving, reinsurance purchasing or investment practices have anticipated; the reliability of, and changes in assumptions to, natural and man-made catastrophe pricing, accumulation and estimated loss models; evolving issues with respect to interpretation of coverage after major loss events; the effectiveness of our loss limitation methods; changes in the total industry losses, or our share of total industry losses, resulting from past events such as the Deepwater Horizon incident in the Gulf of Mexico, the Chilean Earthquake, Hurricanes Ike and Gustav and, with respect to such events, our reliance on loss reports received from cedants and loss adjustors, our reliance on industry loss estimates and those generated by modeling techniques, changes in rulings on flood damage or other exclusions as a result of prevailing lawsuits and case law; the impact of acts of terrorism and related legislation and acts of war; decreased demand for our insurance or reinsurance products and cyclical changes in the insurance and reinsurance sectors; any changes in our reinsurers' credit quality and the amount and timing of reinsurance recoverables; changes in the availability, cost or quality of reinsurance or retrocessional coverage; the continuing and uncertain impact of the current depressed economic environment in many of the countries in which we operate; the level of inflation in repair costs due to limited availability of labor and materials after catastrophes; changes in insurance and reinsurance market conditions; 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; a decline in our operating subsidiaries' ratings with S&P, A.M. Best Company, Inc. ("A.M. Best") or Moody's; our ability to execute our business plan to enter new markets, introduce new products and develop new distribution channels, including their integration into our existing operations; changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors that could affect our investment portfolio; the risk of a material decline in the value or liquidity of all or parts of our investment portfolio; changes in our ability to exercise capital management initiatives or to arrange banking facilities as a result of prevailing market changes or changes in our financial position; changes in government regulations or tax laws in jurisdictions where we conduct business; Aspen Holdings or Aspen Insurance Limited becoming subject to income taxes in the United States or the United Kingdom; loss of key personnel; and increased counterparty risk due to the credit impairment of financial institutions.*

*For a more detailed description of these uncertainties and other factors, please see the "Risk Factors" section in Aspen's Annual Reports on Form 10-K as filed with the U.S. Securities and Exchange Commission on February 26, 2010. 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.*

*In addition, any estimates relating to loss events involve the exercise of considerable judgment in the setting of reserves 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. The actuarial range of reserves and management's best estimate represents a distribution from our internal capital model for reserving risk based on our then current state of knowledge and explicit and implicit assumptions relating to the incurred pattern of claims, the expected ultimate settlement amount, inflation and dependencies between lines of business. Due to the complexity of factors contributing to the losses and the preliminary nature of the information used to prepare these estimates and reserves, there can be no assurance that Aspen's ultimate losses will remain within the stated amounts.*



# Summary

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- Who we are
- What we do
- The Aspen approach
- Business performance and market outlook
- Reserves and reserving philosophy
- Q3 Results – Key Factors
- Our investment proposition
- Appendix



# Who We Are

- Bermuda domiciled Specialty Insurer and Reinsurer
- Founded 2002; IPO – 2003; \$2.2bn market cap – 2010\*
- \$2.1bn GWP in 2009; estimate \$2.0bn +/- 5% GWP for 2010\*\*

## STRONG BALANCE SHEET



- \$3.4bn of shareholders' equity, as at September 30, 2010
- Ratings of A (S&P), A2 (Moody's) and A (AM Best)
- Diluted BVPS 15% CAGR over four years

## MULTI-PLATFORM APPROACH



- 3 main underwriting locations: London, Bermuda and US
- Branch offices in Paris, Zurich, Cologne, Singapore, Dublin and 3 main locations in the US

## WELL DIVERSIFIED PORTFOLIO



- Focus on Specialty Lines
  - Insureds tend to be more unusual or higher risk
  - Typically requires high degree of individual risk underwriting expertise
- 57% Reinsurance, 43% Insurance\*\*\*
- 54% Property, 46% Casualty\*\*\*

Underwriting Led, Diversified Specialty Insurer and Reinsurer Underpinned by Strong Risk Management Culture

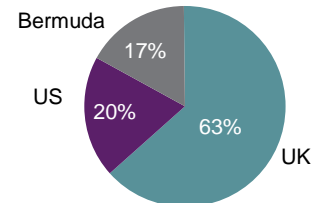
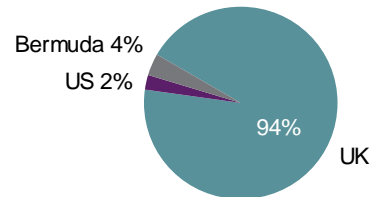
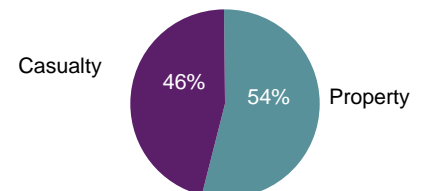
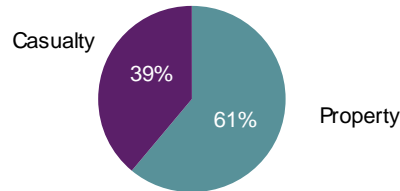
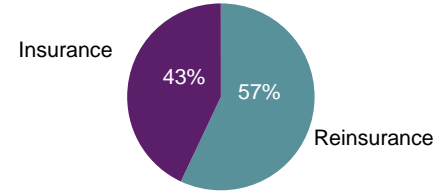
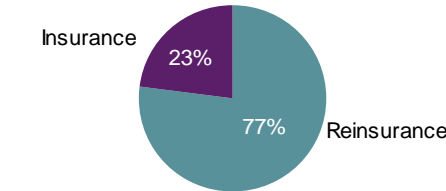


# What We Do

- Insurance vs. Reinsurance\*
- Property vs. Casualty\*
- GWP by "Core" Platform
- Global Footprint

2003

LTM\*\* September 2010



- 176 employees
- 4 offices, 3 countries

- 660+ employees
- 17 offices, 8 countries

Balanced Business Lines, Diversified Production Sources and Increased Global Presence



# What We Do

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Our strategy has 6 key elements:

- ① Diversified underwriting platform (product, peril and geography)
- ② Measured expansion where Aspen has a competitive advantage consistent with market conditions = continuous investment in our franchise
- ③ Execution framework underpinned by strong risk management infrastructure and culture
- ④ Focus on spreading risk and lowering volatility
- ⑤ Prudent stewardship of capital
- ⑥ People - hiring and development of talent

Creating Franchise Value

# What We Do

## Setting our Risk Return Profile

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- Risk appetite statement core component of our Risk Management framework

### Risk preferences

Risks inside and outside of core mission and strategy

### Return objective

Sets the levels of return on capital we seek to achieve, subject to risk constraints

### Volatility constraint

Limit on earnings volatility

### Capital constraint

Minimum level of risk adjusted capital

Integrated Risk Management Underpinning Everything We Do

# What We Do

## Setting our Return Objective



Aim to generate 10 year average ROEs which exceed the 3 year risk free rate by an average of at least 8% with a target of 10.5%

### Key Features

- Spread over the risk free rate rather than an absolute value of ROE
- Time weighted averaging over 10 years rather than the more usual 'over the cycle'
  - Reported ROE with an average of 8.5% over the risk free rate since inception\*
- Aim not to fall below 8%
- Believe that if we perform at higher target level of 10.5%, then more likely to achieve our valuation objective
- Volatility constraint to limit the chance of an ROE which is 5 percentage points worse than plan to a probability less than 25%

Motivated By Shareholder Return and Valuation Aspirations, But Subject to Constraints to Limit Downside Risk



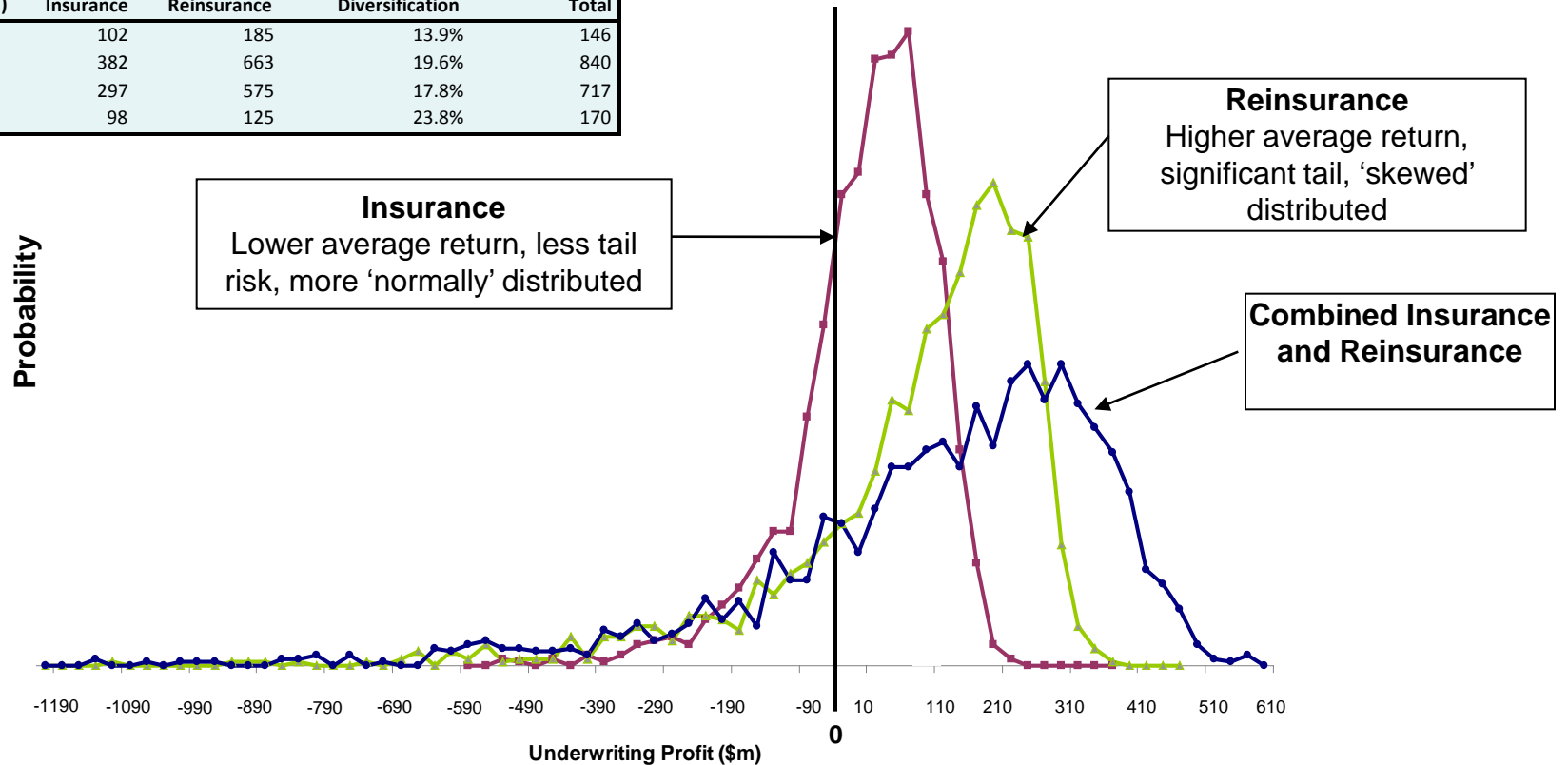
# What We Do

## The Specialty Approach



**Underwriting Risk Profiles by Segment (2010e)**

UW Loss (\$M)	Insurance	Reinsurance	Diversification	Total
StDev	102	185	13.9%	146
1 in 250	382	663	19.6%	840
1 in 100	297	575	17.8%	717
1 in 10	98	125	23.8%	170

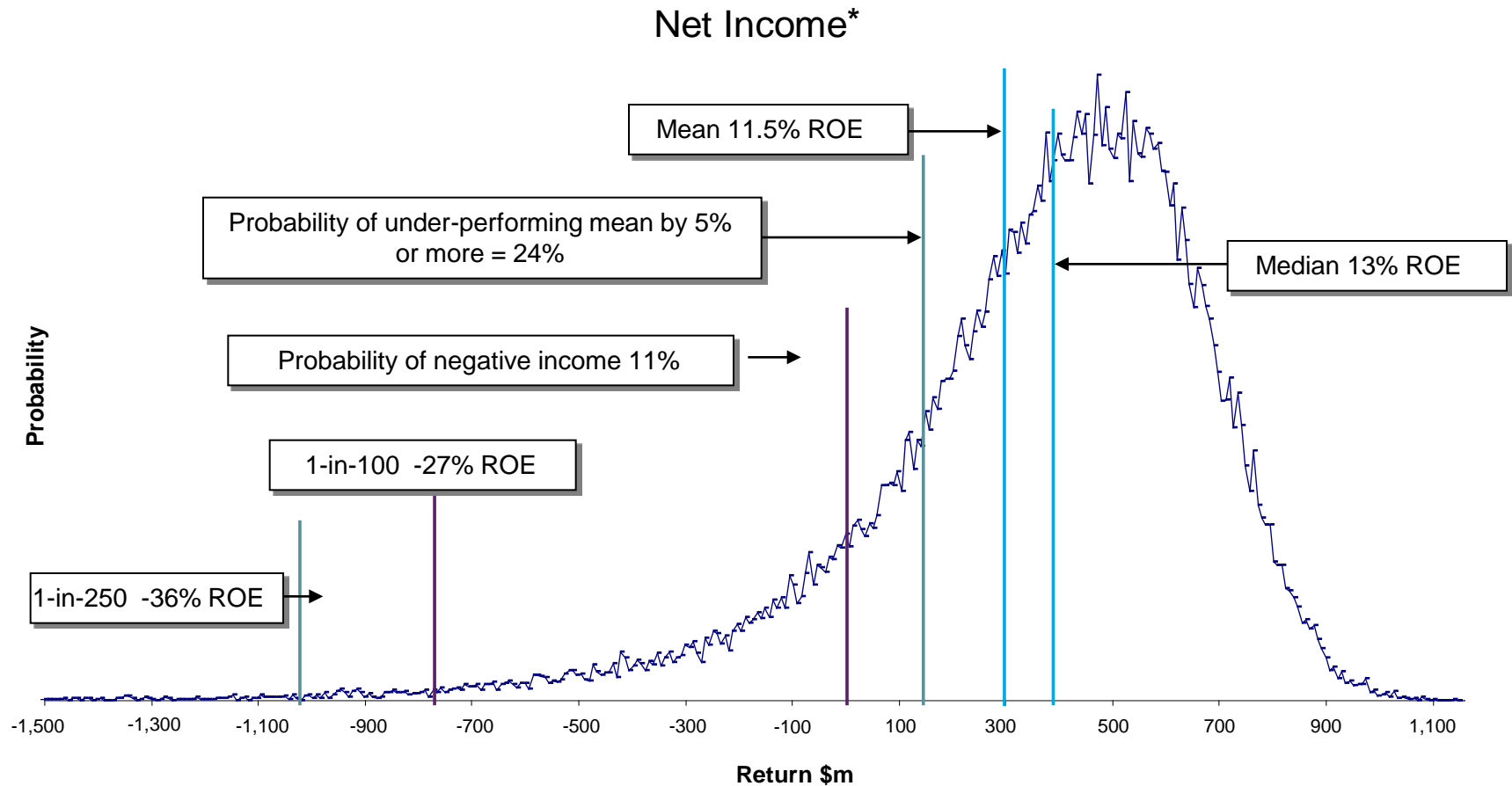


- Combined book (insurance and reinsurance) benefits from diversification between the two risk profiles

'Specialty' Approach Results in Lower Earnings Volatility

# What We Do

## Risk Profile – As At January 1, 2010



**Return Profile Consistent with Risk Appetite**

Disclaimer: The above graph is based on the 2010 plan without adjustment for 2010 actual performance. The risk profile is the result of numerous assumptions within our Economic Capital Model. Results may vary significantly from those shown.

(\*) Return periods shown relate to total annual net income

# What We Do

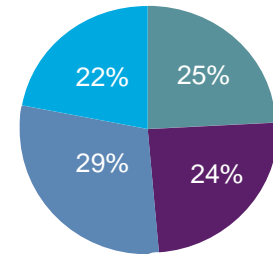
## Reinsurance: Overview and Strategy



### Aspen Approach

- 12 underwriting units in 4 divisions
- Established market leader
- Presence in major market hubs allowing close proximity to customers
- Deep expertise and understanding of client needs and risks
- Focus on smaller, specialized companies and risks to maintain portfolio diversity
- Focus on clients where reinsurance and reinsurance relationships are a vital part of their business need

GWP LTM\* to September 30, 2010: \$1,179m



- Property Catastrophe Reinsurance
- Property Other Reinsurance
- Casualty Reinsurance
- Specialty Reinsurance

### Property Catastrophe Reinsurance

- Treaty Catastrophe

### Property Other

- Treaty Risk Excess
- Treaty Pro Rata
- Global Property Facultative
- Risk Solutions

### Casualty Reinsurance

- US Casualty Treaty
- International Casualty Treaty
- Global Casualty Facultative

### Specialty Reinsurance

- Credit & Surety Reinsurance
- Agriculture
- Specialty Reinsurance
- Structured

# What We Do

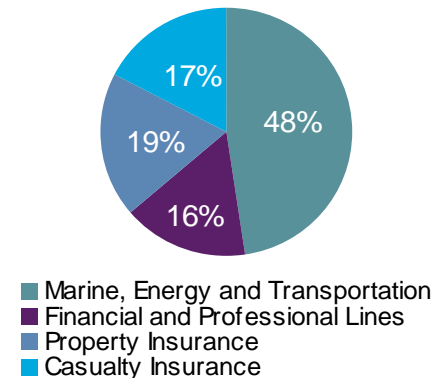
## Insurance: Overview and Strategy



### Aspen Approach

- 13 underwriting units in 4 divisions
- Specialist 'E&S' type approach to underwriting within Insurance operations
- Bias towards complex risks
- Diverse portfolio of disparate insurance risks
- Divisional focus compliments in-house underwriting expertise

GWP LTM\* to September 30, 2010: \$891m



#### Marine, Energy and Transportation

- MEC Liability
- Energy Property
- Marine Hull
- Specie
- Aviation

#### Financial and Professional Lines

- Financial Institutions
- Professional Liability (including Management and Technology Liability)
- Financial & Political Risks

#### Property Insurance

- UK Commercial Property & Construction
- US Property (E&S)

#### Casualty Insurance

- UK Commercial Liability
- Excess Casualty
- US Casualty (E&S)

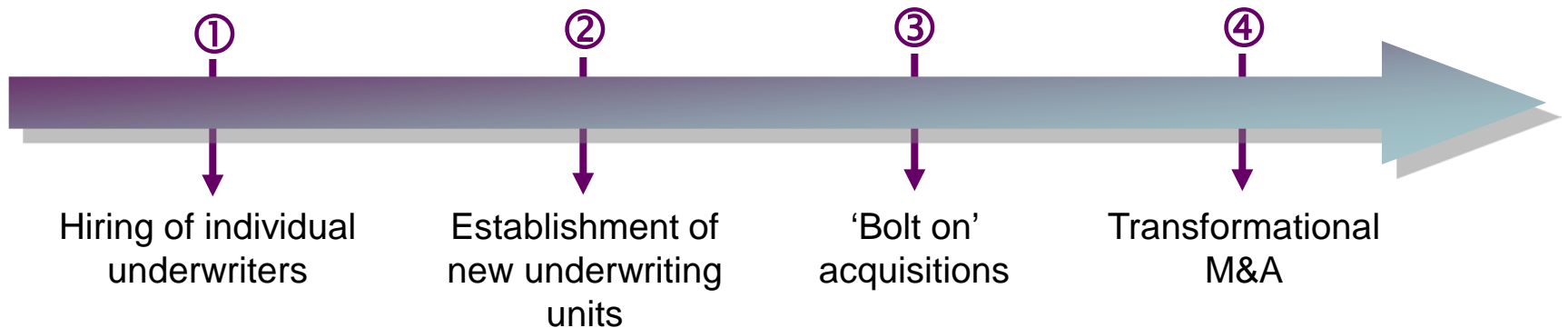
\*Last Twelve Months

# The Aspen Approach

## Managing Growth



### Growth Continuum

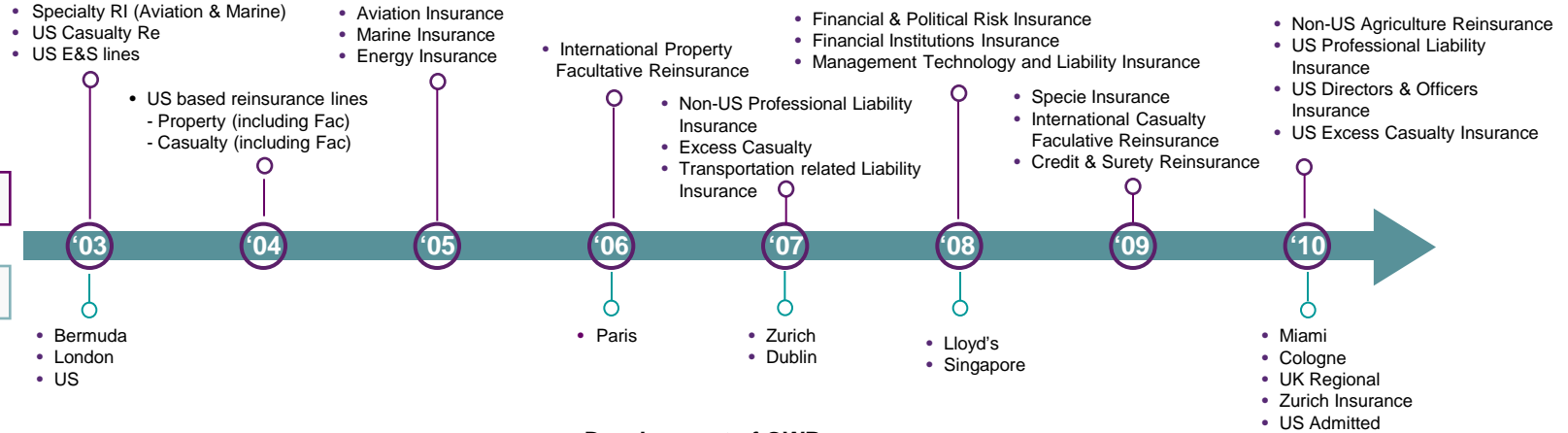


Key Evaluation Criteria	▪ Strategic fit	✓
	▪ Financially attractive	✓
	▪ Manageable execution risk	✓
	▪ Consistent with our risk management appetite	✓

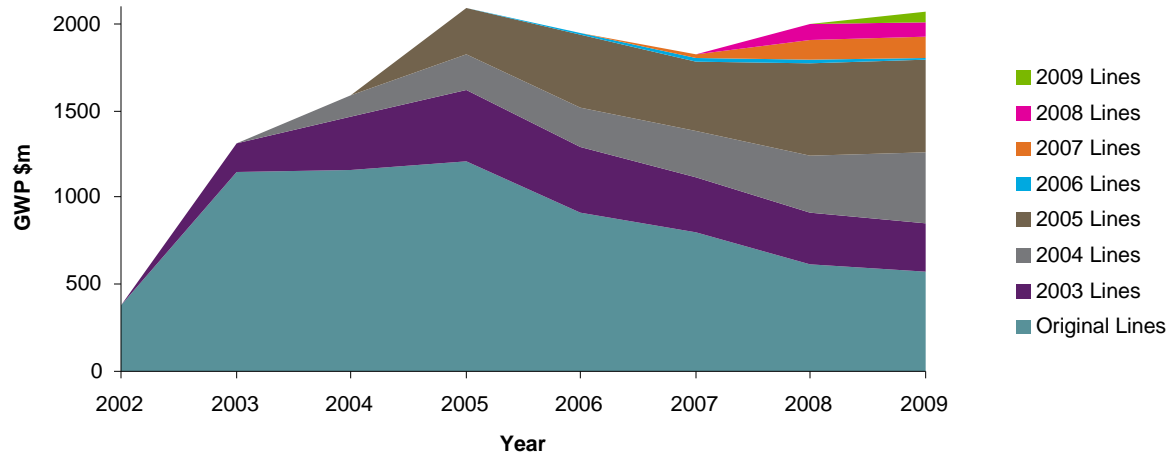
Regular Evaluation of Opportunities Consistent with Market Conditions in Accordance with Strict Criteria

# The Aspen Approach

## Investing in our Franchise



Development of GWP



Incremental Expansion into Adjacent Business Lines Consistent with Diversification Strategy and Market Conditions

# The Aspen Approach

## 2010 and Beyond



### Business

### Key Elements

#### Insurance

- Build out US Insurance platform
  - Addition of Admitted Market capability
- Round out 'London Market' portfolio
  - Addition of selected lines
  - Development of UK regional platform
  - Establishment of foothold in Swiss insurance market

#### Reinsurance

- Build out of non-US operations
  - Establishment of Miami office targeting Latin America
  - Continued selective build out for Continental Europe and Asian operations
- 'Watching brief' on Middle East

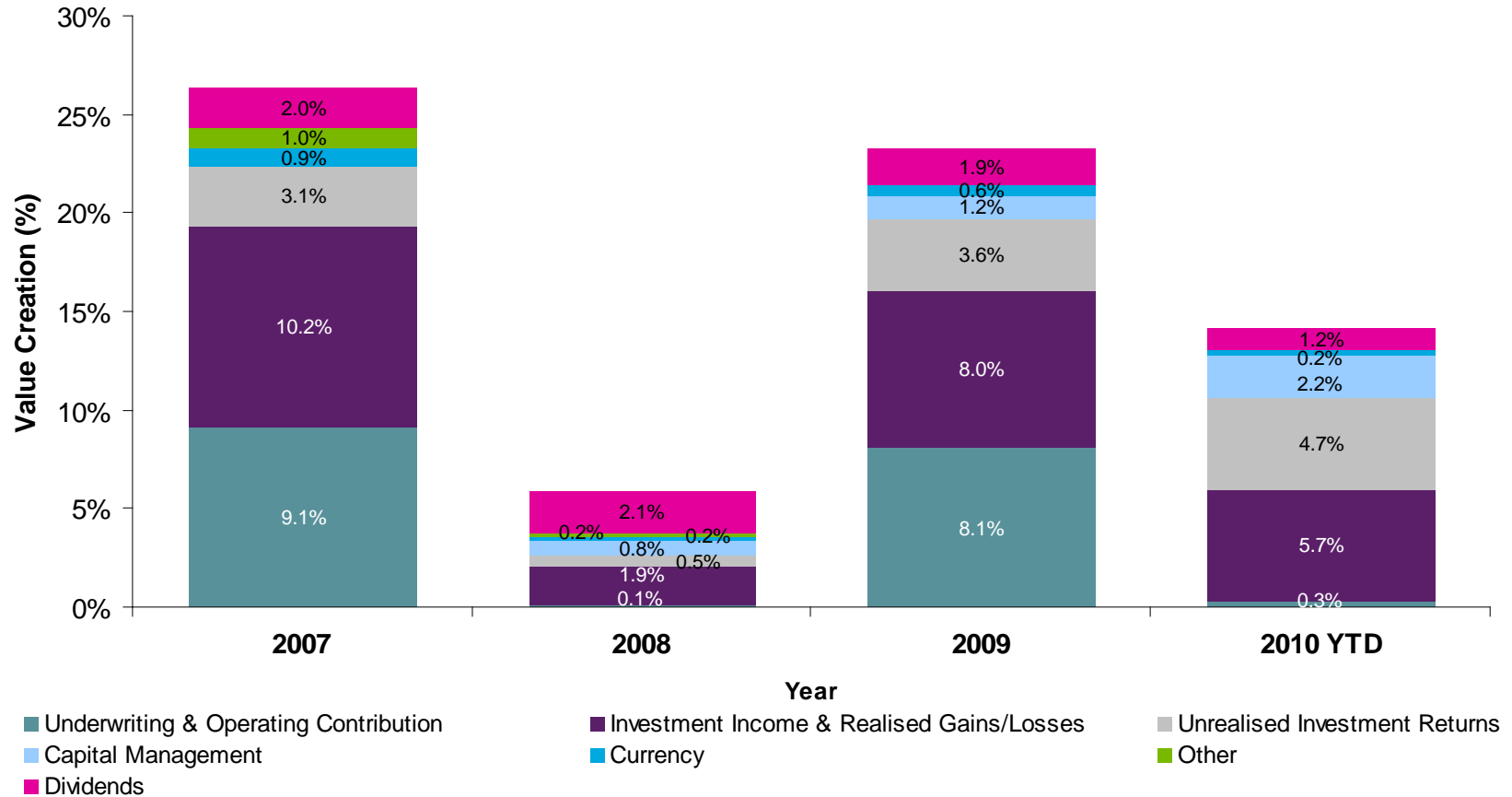
Measured Growth in Exposures We Know and Understand Subject to Market Conditions

# The Aspen Approach

## Shareholder Value Creation: Pulling the Financial Levers



Shareholder Value Creation 2007- 2010



Efficient Management of Financial Levers Key to Value Creation

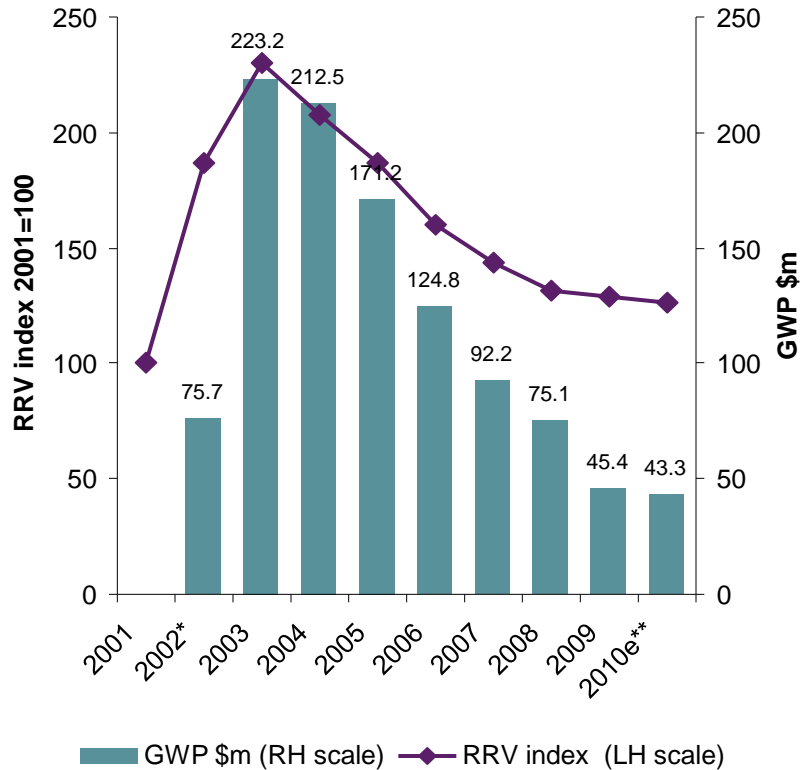


# The Aspen Approach

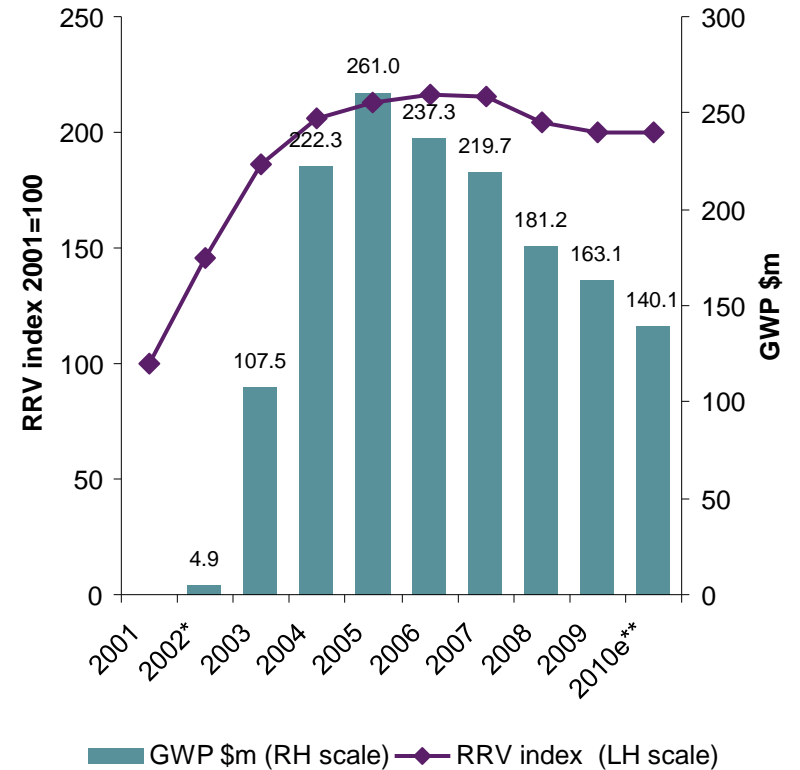
## Managing the Cycle



### UK Liability



### US Casualty Re



Proactive Management of Cycle

\* Since inception June 2002

\*\* Estimated GWP for 2010 (full year)

\*\*\* Renewal Rate Variation Report (RRV) monitors the change in rate for the risk from one year to the next

# The Aspen Approach

## Investment Philosophy and Current Appetite



### Likes

- High quality credit
- Active management of 'problem' issues
- Simplicity
- Input from multiple money managers
- Quality of investment decisions shown in total returns



### Dislikes

- High volatility
- Concentrated 'big bets'
- Illiquid investments
- Exclusive focus on income statement
- Impairment charges



### Current approach

- Maintain fixed income credit quality at AA– or better
- Maintain duration between 2.5 years and 3.5 years driven by outlook for interest rates and the yield curve
- Maintain current sector allocations and do not “chase yield” in the current low rate environment. Prepare the portfolio for a rising yield environment.
- At this point of the credit and interest rate cycles, preserve book value rather than trying to squeeze more income from low yielding, long duration securities or higher risk, below investment grade securities.

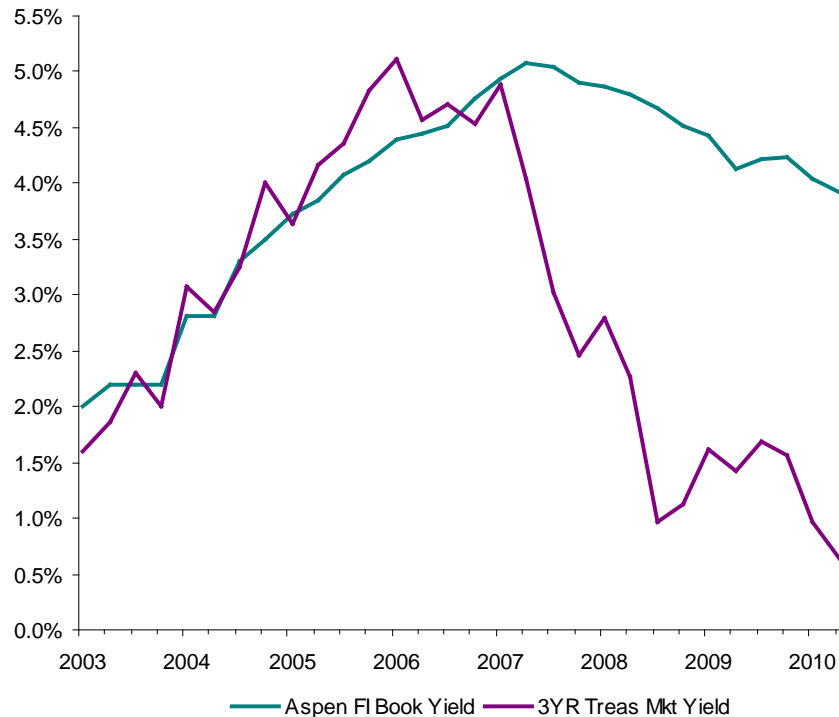
Focus on Long Term Holdings of Liquid High Quality Credit Instruments

# The Aspen Approach

## Prudent Investment Management



### Growth and Stability in Aspen's Book Yield Since 2003



- Consistent investment approach to deliver stable investment income focused on
  - Credit quality & liquidity
  - Interest rate tactics
  - Yield curve management

Proactive Management of Investment Portfolio to Build Long Term Value Through all Market Cycles;  
\$362mm in Unrealized Investment Gains at Q3 2010

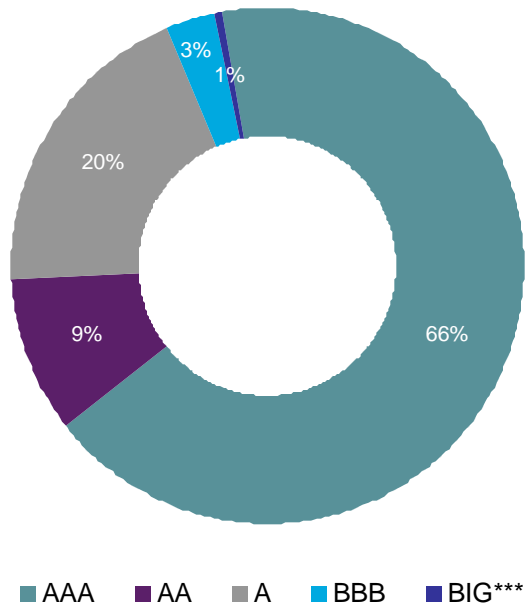
# The Aspen Approach

## Delivering Strong Investment Returns

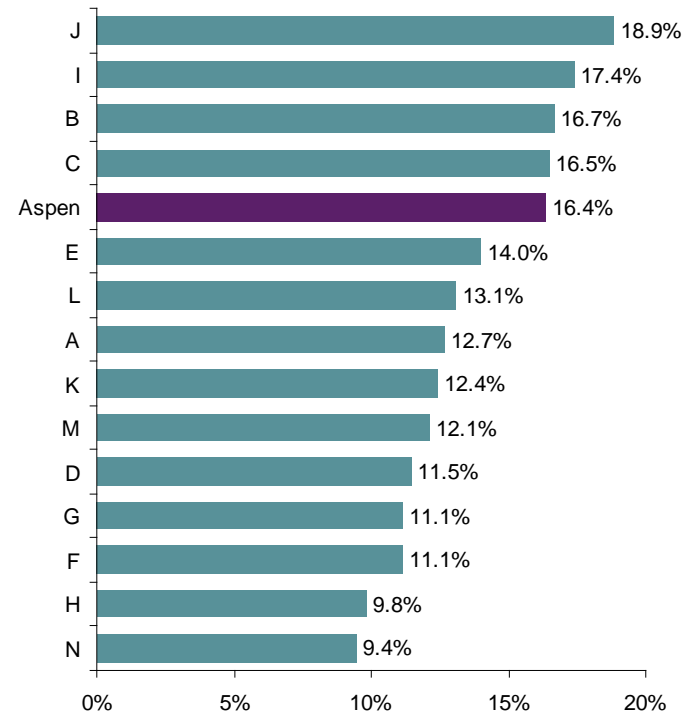


### Fixed Income Portfolio Credit Ratings

\$7.2bn\*\* as at September 30, 2010



### 3 Year Total Return vs. Peers\*



Outperformance vs. Peers; Aspen Rated #5 out of 15

\* Total investment return at September 30, 2010

\*\* Includes cash and short term securities in managed fixed income portfolios

\*\*\* Below Investment Grade

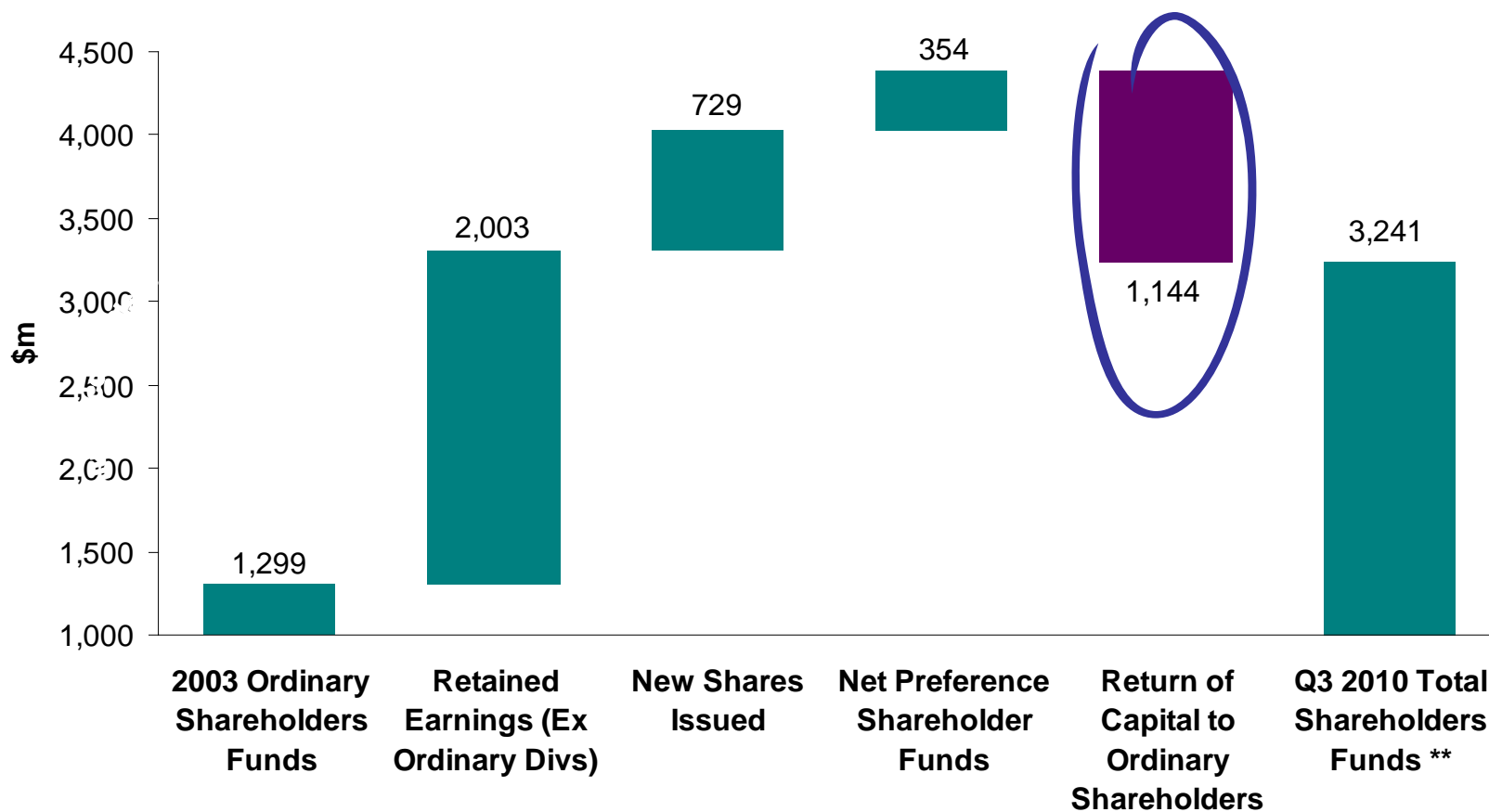
Peers include ACE, ACGL, ALTE, AWH, AXS, ENH, MRH, PRE, PTP, RE, RNR, TRH, VR, XL

# The Aspen Approach

## Pro-active Management of Capital



Shareholder Equity Development 2003 – Q3 2010\*\*



Continued Commitment to Capital Management; Returned \$1.1bn\* from 2003 to Date\*\* and \$408m Announced / Returned YTD in 2010

\* Includes preference dividends and \$200m share repurchases entered into in Q1 2010 and November 2010

# Business Performance and Market Outlook

## Q3 2010\*



### Information reflecting Aspen's portfolios

	Performance 1				Absolute Pricing 2				Relative Price Movement 3				Terms & Conditions 4				Volume change 5				Outlook 6			
	Q4'09	Q1'10	Q2'10	Q3'10	Q4'09	Q1'10	Q2'10	Q3'10	Q4'09	Q1'10	Q2'10	Q3'10	Q4'09	Q1'10	Q2'10	Q3'10	Q4'09	Q1'10	Q2'10	Q3'10	Q4'09	Q1'10	Q2'10	Q3'10
<b>Reinsurance</b>																								
<b>Property Catastrophe Reinsurance</b>																								
Treaty Catastrophe	Blue	Yellow	Yellow	Orange	Green	Yellow	Yellow	Yellow	Green	Green	Yellow	Orange	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
<b>Other Property Reinsurance</b>																								
Treaty Risk Excess	Blue	Blue	Blue	Green	Green	Yellow	Yellow	Yellow	Green	Yellow	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Yellow	Yellow	Yellow	Yellow
Treaty Pro Rata	Blue	Blue	Blue	Green	Orange	Orange	Orange	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Orange	Orange	Orange
Property Facultative	Blue	Blue	Blue	Blue	Green	Green	Green	Green	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green
<b>Casualty Reinsurance</b>																								
International Casualty Treaty	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Yellow
US Casualty Treaty	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Yellow	Orange	Yellow	Yellow	Yellow	Yellow
Casualty Facultative	Blue	Blue	Blue	Blue	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Yellow	Orange	Yellow
<b>Specialty Reinsurance</b>																								
Credit Surety & Political Risk RI	Blue	Blue	Blue	Green	Blue	Blue	Blue	Yellow	Green	Green	Green	Green	Blue	Blue	Blue	Blue	Green	Green	Green	Orange	Yellow	Yellow	Yellow	Yellow
Specialty Reinsurance	Blue	Blue	Blue	Blue	Green	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	Green	Yellow	Yellow	Yellow
<b>Insurance</b>																								
<b>Property Insurance</b>																								
UK Commercial Property & Construction Ins	Yellow	Orange	Yellow	Yellow	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	Orange	Orange	Orange	Yellow
US Property E&S Insurance	Yellow	Orange	Yellow	Yellow	Orange	Orange	Orange	Orange	Green	Green	Yellow	Orange	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	Green	Orange	Orange	Orange	Orange
<b>Casualty Insurance</b>																								
UK Liability Insurance	Blue	Blue	Blue	Blue	Orange	Orange	Orange	Yellow	Yellow	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Orange	Orange	Orange	Orange	Orange	Orange
Excess Casualty Insurance	Blue	Blue	Blue	Blue	Orange	Orange	Orange	Orange	Yellow	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Orange	Orange	Orange	Orange	Orange
US Casualty E&S Insurance	Red	Red	Red	Red	Orange	Orange	Orange	Red	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Orange	Orange	Orange	Orange	Red
<b>Marine, Energy &amp; Transportation Insurance</b>																								
MEC Liability Insurance	Green	Green	Green	Green	Green	Green	Green	Green	Blue	Green	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Orange	Orange	Yellow	Yellow	Yellow	Green
Energy Property Insurance	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Blue	Blue	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Green	Yellow	Orange	Orange	Orange
Marine Hull Insurance	Orange	Orange	Orange	Red	Yellow	Yellow	Orange	Orange	Blue	Blue	Green	Green	Green	Yellow	Green	Green	Yellow	Yellow	Orange	Orange	Yellow	Orange	Orange	Orange
Aviation Insurance	Green	Blue	Blue	Blue	Yellow	Yellow	Green	Green	Blue	Blue	Blue	Blue	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green
Specie	Diagonal	Orange	Orange	Red	Diagonal	Yellow	Yellow	Yellow	Diagonal	Yellow	Yellow	Yellow	Diagonal	Yellow	Green	Green	Diagonal	Blue	Green	Yellow	Diagonal	Yellow	Yellow	Yellow
<b>Financial &amp; Professional Lines Insurance</b>																								
Financial Institutions Insurance	Red	Red	Red	Red	Orange	Yellow	Blue	Green	Blue	Blue	Blue	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Orange	Green	Blue	Blue	Green
Professional Lines Insurance	Red	Red	Red	Red	Yellow	Yellow	Orange	Orange	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Yellow	Orange	Yellow	Yellow	Yellow	Yellow
Political & Financial Risks Insurance	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow

\*MEC - Marine, Energy & Construction

1 - 12 months rolling RORAC  
2 - Ratio In force Actual to Technical (or modelled) price

3 - Relative Price Movement for all in-force renewed contracts  
4 - Terms and Conditions

5 Change in rolling GWP for last 4 quarters vs. rolling GWP from previous 4 quarters  
6 - Outlook (Absolute Pricing \* Forecast Relative Price Movement)

# Reserves and Reserving Philosophy

## Summary

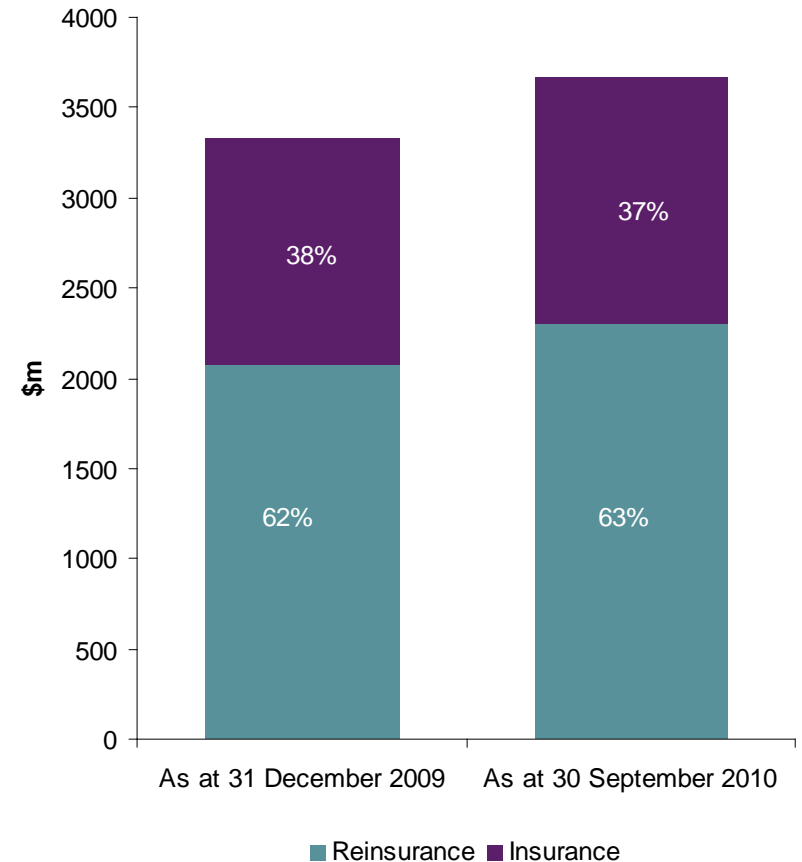
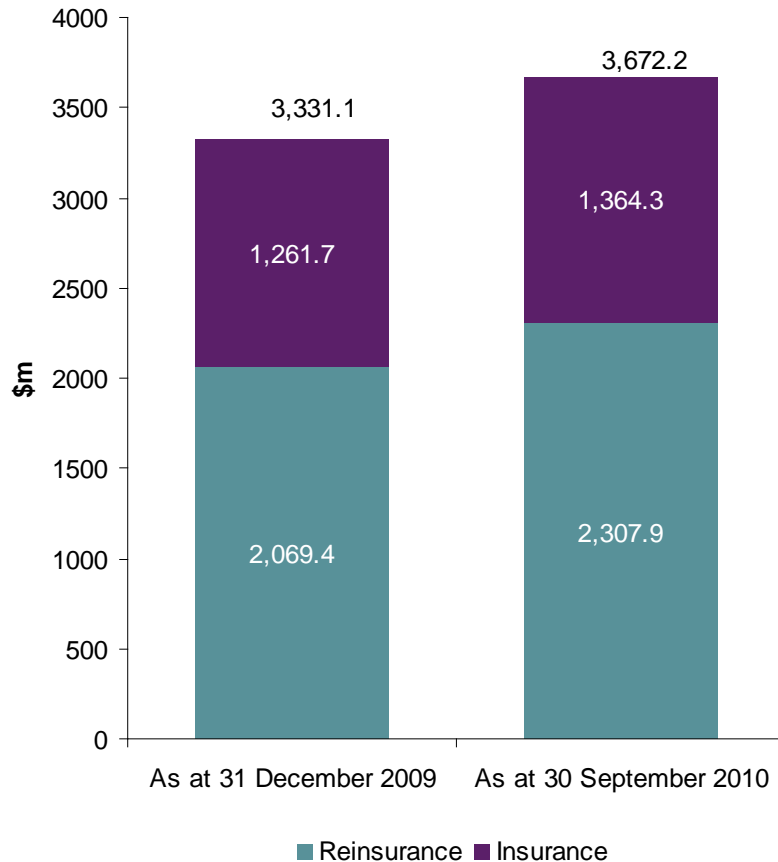
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- As of Q3 2010, loss reserves stand at \$3.7bn, with \$2.3bn of IBNR
- Aspen reserving philosophy is to maintain a consistent level of reserving strength above a mean best estimate
- As of Q3 2010, held reserves are set 8.6% (\$0.3bn) above the mean best estimate
- Level of margin is consistent with that as at year end 2008 and 2009
- Level of margin provides a high degree of confidence that the reserves will ultimately prove sufficient; as of Q3 2010, held reserves are estimated to be at the 86<sup>th</sup> percentile
- Historical reserve releases support the appropriateness of our philosophy
- Robust reserving process and strong reserving governance

# Reserves and Reserving Philosophy

## Gross Reserves: Insurance and Reinsurance



Reinsurance Reserves\* Account for 63% of Total Reserves (\$3.7bn) Reflecting History and Business Mix

\* As at September 30, 2010



# Reserves and Reserving Philosophy

## Loss Reserving Philosophy



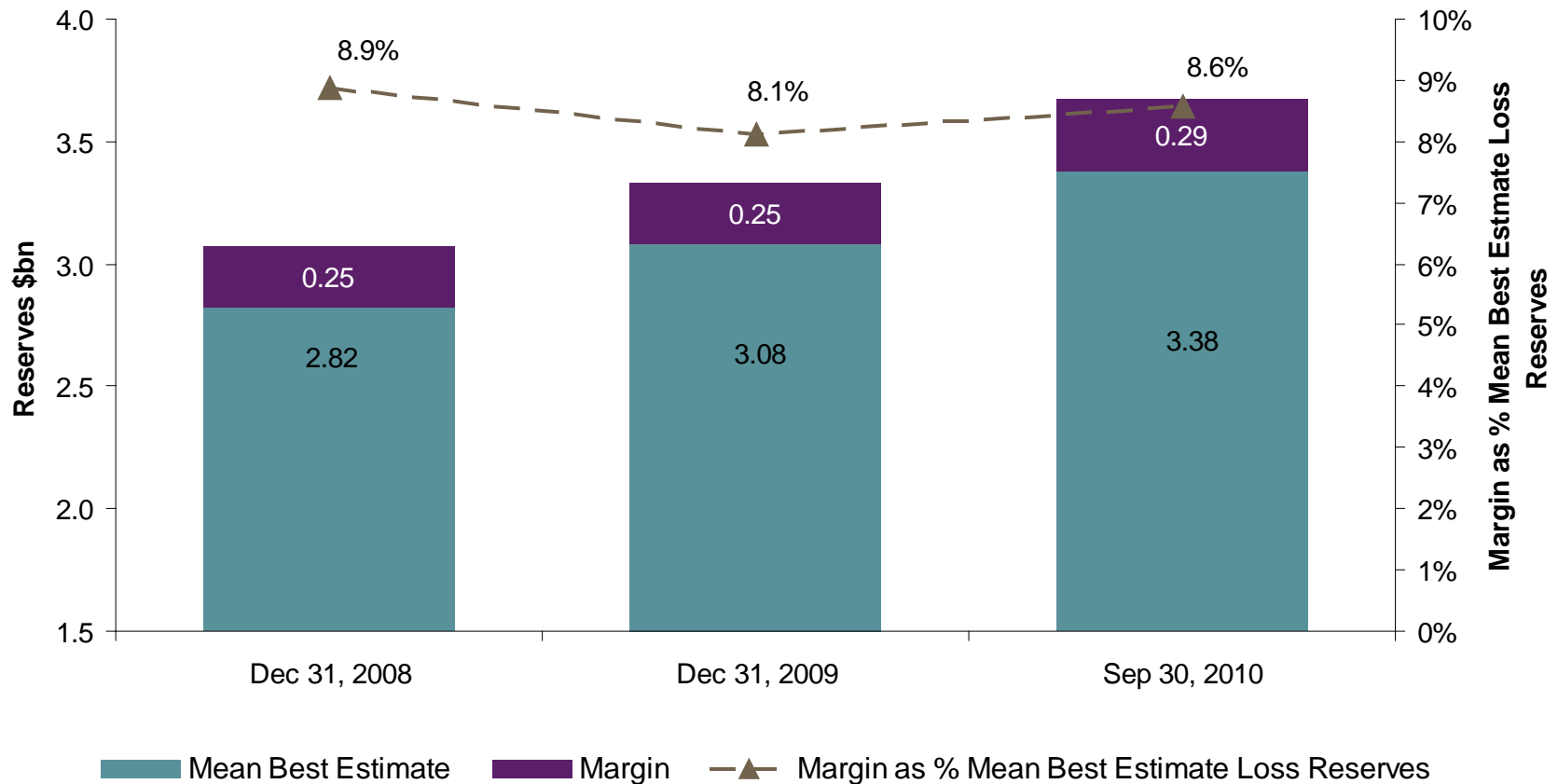
- Maintained a consistent approach to setting reserves over time
- Philosophy is to reserve each individual line of business with reference to
  - Actuarial mean best estimate
  - 75th percentile, which is a more prudent estimate
- Reserve selections for each line of business tend towards the more prudent, 75th percentile
- Across all lines, the likelihood of sufficiency is higher due to diversification
  - As at Q3 2010, the held reserve is at 86<sup>th</sup> percentile
  - Remained relatively stable over time (Year-end 2009 – 86<sup>th</sup> Percentile)
- As uncertainty reduces in more mature accident years, it is more likely than not that we will see reserve releases on a quarterly basis
- Consistency we seek to maintain in the adequacy of our loss reserves can result in adverse development in a quarter which experiences unusual levels of claims activity as opposed to allowing weakening in the adequacy of our loss reserves

### Consistent Reserving Philosophy

Note: Refer to our 2009 annual report on Form 10-K for a discussion of assumptions and uncertainties relating to the Company's reserves

# Reserves and Reserving Philosophy

## Consistent Levels of Reserve Adequacy



Absolute Level of Reserve Margin Has Increased;  
Margin as % of the Mean Best Estimate Remains in Line With 2008

Note: Refer to our 2009 annual report on Form 10-K for a discussion of assumptions and uncertainties relating to the Company's reserves

# Reserves and Reserving Philosophy

## Confidence in Reserves



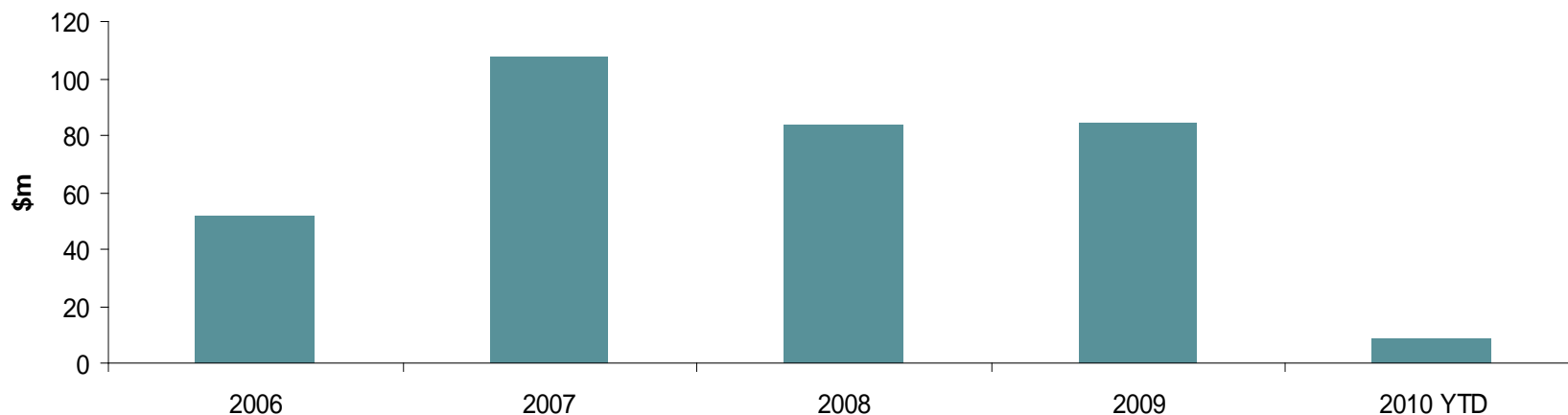
As At December 31, 2009			Mean Best				
\$ million	Accounted	Percentile %	10th	25th	Estimate	75th	90th
Property Reinsurance	390.6	68%	289.4	328.2	366.7	404.3	450.9
Casualty Reinsurance	1,518.9	75%	1,127.1	1,238.5	1,383.4	1,514.9	1,655.3
International Insurance	1,220.1	71%	954.1	1,033.4	1,143.9	1,243.2	1,358.9
US Insurance	201.5	67%	150.2	167.2	189.4	209.5	230.9
Diversification			295.8	162.6		(147.8)	(300.5)
<b>Group Total Post - Diversification</b>	<b>3,331.1</b>	<b>86%</b>	<b>2,816.6</b>	<b>2,929.9</b>	<b>3,083.4</b>	<b>3,224.1</b>	<b>3,395.5</b>

As at September 30, 2010			Mean Best				
\$ million	Accounted	Percentile %	10th	25th	Estimate	75th	90th
Reinsurance (total pre diversification)	2,307.9	74%	1,659.3	1,844.7	2,089.7	2,308.9	2,560.8
Insurance (total pre diversification)	1,364.3	67%	1,042.4	1,138.7	1,288.8	1,408.0	1,566.0
Diversification			360.3	211.4		(175.7)	(390.1)
<b>Group Total Post - Diversification</b>	<b>3,672.2</b>	<b>86%</b>	<b>3,062.0</b>	<b>3,194.8</b>	<b>3,378.5</b>	<b>3,541.2</b>	<b>3,736.7</b>

Held Reserves Estimated at the 86<sup>th</sup> Percentile of Modeled Outcomes  
i.e. an 86% Probability of Being Sufficient

# Reserves and Reserving Philosophy

## Historical Reserve Releases



- Favorable reserve development since 2006
- To date, 2010 has seen less favorable development than previous years
- As shown in previous slides, this is not as a result of a weakened reserving basis or reduced reserving margins

Note: Refer to our 2009 annual report on Form 10-K for a discussion of assumptions and uncertainties relating to the Company's reserves

# Reserves and Reserving Philosophy

## Loss Reserving Process

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- Multiple 'sets of eyes' reviewing reserves
  - Internal actuarial team: perform a detailed quarterly review by line of business and by accident year
  - The Reserve Committee: select the level of reserves to recommend based on the actuarial teams review; chaired by the Group CRO
  - External auditors: review the selections for reasonableness as part of their audit process
  - Audit Committee of the Board: approve the reserves
  - External actuarial consultants: perform a separate annual independent review and engage quarterly in the Reserve Committee discussions
- Intend to publish loss reserve triangles in late Q1/early Q2 2011

Robust Loss Reserving Process

# Q3 Results – Key Factors

## Finance and Professional Lines

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- Q3 2010: \$9.5 million reserve strengthening for insurance largely due to claims from financial institutions within financial and professional lines business
  - Established a new reserve in the quarter for a potential Professional Indemnity claim against a bank which advised hedge fund investors in respect of Madoff; reserved at 50% (maximum additional exposure \$5 million)
- Two other Madoff related claims previously provided for:
  - First fully reserved
  - Second fully reserved on lower of two layers – maximum additional exposure less than \$5 million
- Financial and Professional Lines account mainly written on a claims made basis, hence insureds are required to inform underwriters of any circumstances which may develop into claims in the form of notifications
  - Number of actual claims typically much lower than number of notifications
- As at September 30, 2010, Aspen has total net reserves of \$153 million against potential losses from financial institutions arising from sub-prime litigation, the credit crisis and associated exposures in both our insurance and reinsurance segments
  - Paid claims of \$18 million

# Q3 Results – Key Factors

## 2010 Oil and Gas Pipeline Losses

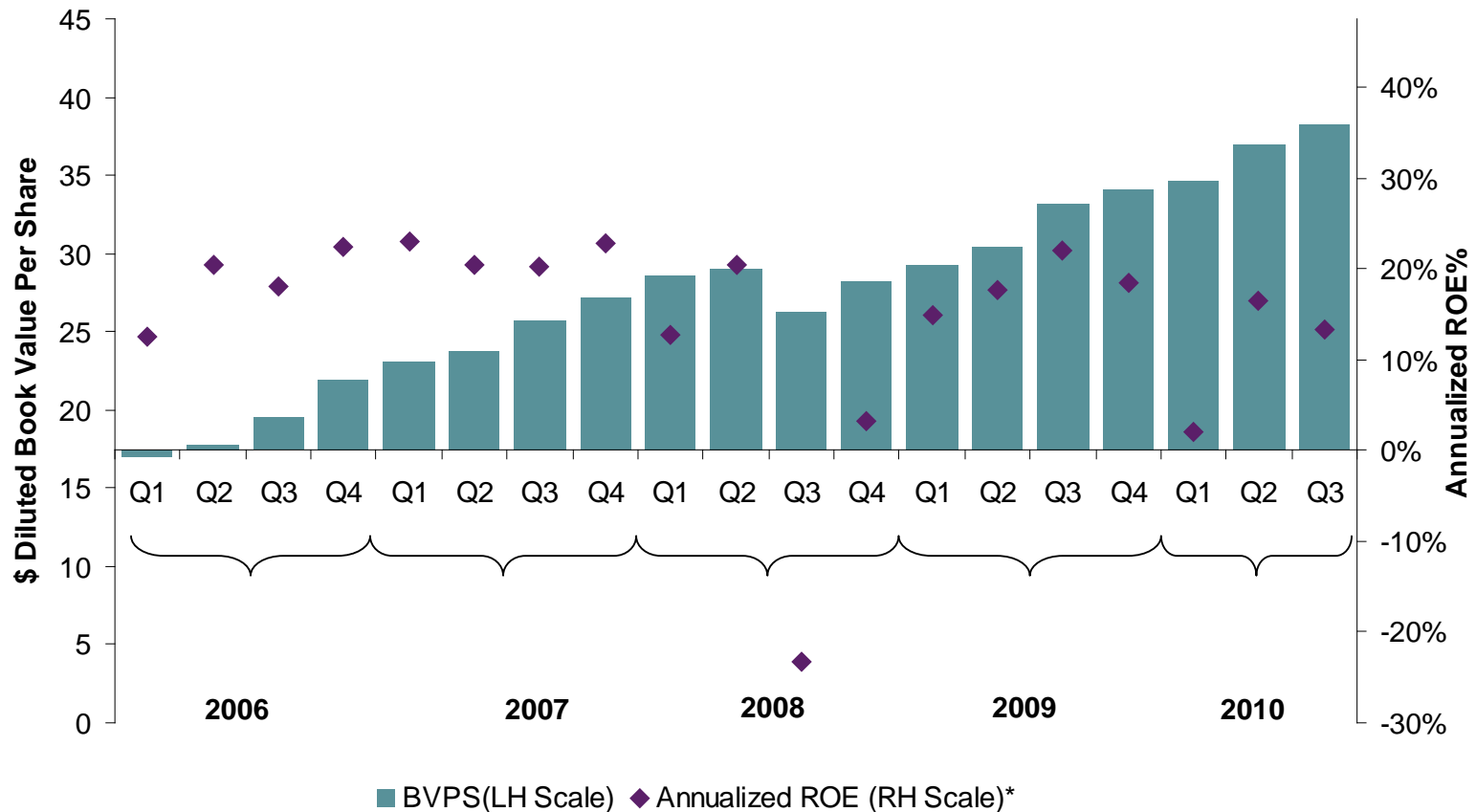
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- Incurred losses of \$35.9 million (\$40.0 million including reinstatements), for two oil pipeline spills & gas explosion in California, in line with expectations
- Abnormally high frequency in 3Q 2010
  - 14 pipeline losses since commenced writing Energy business in 2H 2004
    - 3 of these losses in 3Q 2010
- Two Enbridge losses
  - Kalamazoo River, Michigan – fully reserved
  - Romeoville, Illinois – reserved at \$10 million (with possible modest deterioration <\$5 million if Kalamazoo loss improves)
- PG&E loss
  - Reserved at \$5.9 million (maximum exposure \$8.25 million if top layer affected)
- \$20 million maximum potential net line size for this type of business; \$6.7 million average line for any one risk on in-force business

# Our Investment Proposition

## Growth in Book Value Per Share and ROE



Diluted Book Value per Share up 15% since September 30, 2009

(\*) 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)



# Our Investment Proposition

## The Embedded Value in Our Franchise

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### Underwriting Excellence

#### 'Right' business model

- Niche focused
- Expert based
- Appropriately diversified (Insurance/Reinsurance, Property/Casualty, Geography)

### Operational Effectiveness

#### 'Right' Tools

- Significant investment in integrated risk management, actuarial and other quantitative techniques to enhance our business

### Talent Management

#### 'Right' People

- Motivation
- Experience
- Appetite to succeed
- Alignment with shareholders (i.e., the right compensation structures)

### Agility

#### 'Right' size and speed of response

- Sufficient scale to withstand 'shock' losses and compete effectively in all phases of the cycle
- Ability to respond rapidly to changes in market conditions

Aspen Well Positioned for Future Success

# Appendix

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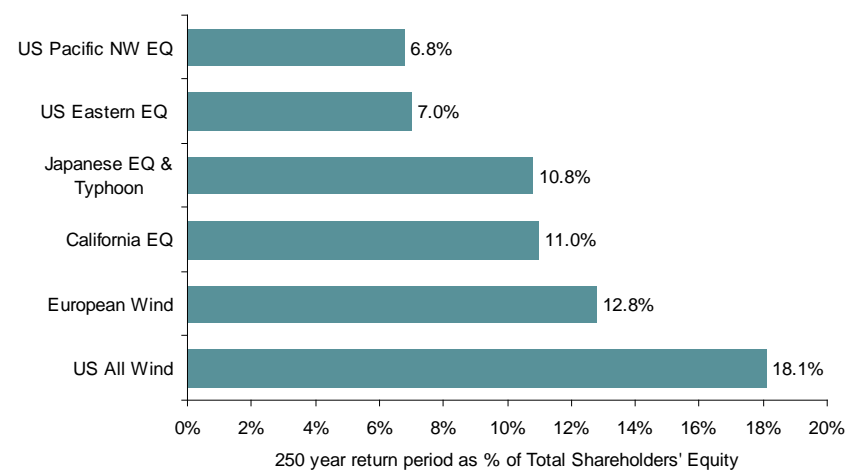
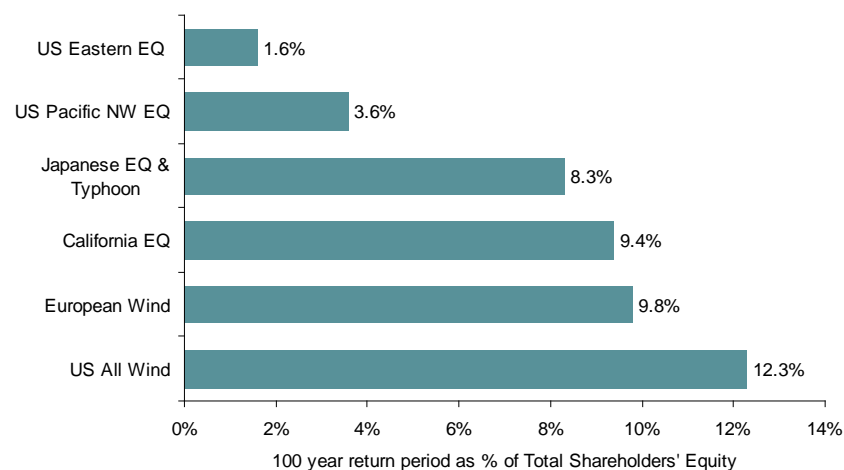


## 2010 Guidance

	Actual 2009 Results	Initial Guidance February 9, 2010	Revised Guidance April 28, 2010	Revised Guidance July 28, 2010	Revised Guidance October 28, 2010
<b>Gross Written Premium</b>	<b>\$2.1 billion</b>	<b>\$2.2 billion ± 5%</b>	<b>\$2.2 billion ± 5%</b>	<b>\$2.1 billion ± 5%</b>	<b>\$2.0 billion ± 5%</b>
<b>% Premium Ceded</b>	<b>11.3% of GEP</b>	<b>8% - 12% of GEP</b>	<b>8% - 12% of GEP</b>	<b>8% - 10% of GEP</b>	<b>8% - 10% of GEP</b>
<b>Combined Ratio</b>	<b>84.1%</b>	<b>88% - 94%</b>	<b>92% - 98%</b>	<b>92% - 98%</b>	<b>94% - 99%</b>
<b>Tax Rate</b>	<b>11.4%</b>	<b>10% to 14%</b>	<b>9% to 13%</b>	<b>9% to 13%</b>	<b>9% to 11%</b>
<b>Cat-Load</b>	<b>\$12 million</b>	<b>\$170 million</b> (assuming normal loss experience)	<b>\$140 million</b> (assuming normal loss experience for the remainder of 2010)	<b>\$110 million</b> (assuming normal loss experience for the remainder of 2010)	<b>\$40 million</b> (assuming normal loss experience for the remainder of 2010)

# Aspen's Modelled Worldwide Natural Catastrophe Exposures

## Major Peril Zones



- 1 in 100 Year Tolerance: 17.5% of Total Shareholders' Equity

- 1 in 250 Year Tolerance: 25% of Total Shareholders' Equity



## Financial Highlights: Q3 2010

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

Quarter Ended September 30	2010	2009	Change
Gross Written Premiums	415.8	490.3	(15.2%)
Net Written Premiums	377.0	462.1	(18.4%)
Net Earned Premiums	451.7	470.9	(4.1%)
Underwriting Income	25.3	92.5	(72.6%)
Net Investment Income	58.1	58.9	(1.4%)
Net Income after Tax	92.8	145.8	(36.4%)
<b>Financial Ratios</b>			
Loss Ratio	63.3%	49.9%	—
Expense Ratio	31.1%	30.4%	—
Combined Ratio	94.4%	80.3%	—
Annualized Operating ROE*	9.6%	19.2%	—
Operating EPS*	0.79	1.40	(43.6%)
Diluted Book Value per Share*	38.22	33.16	15.3%

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



## Financial Highlights: YTD 2010

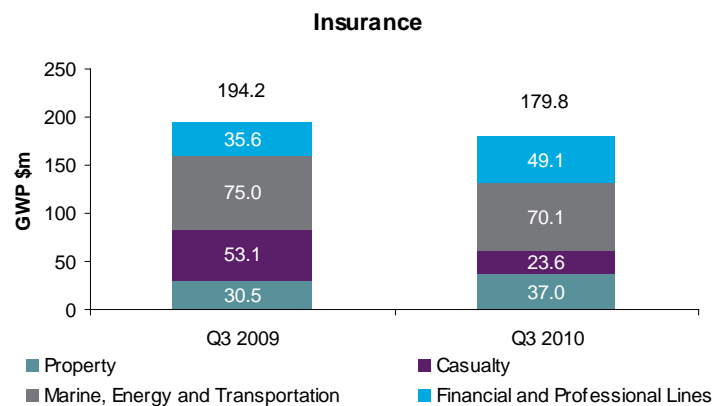
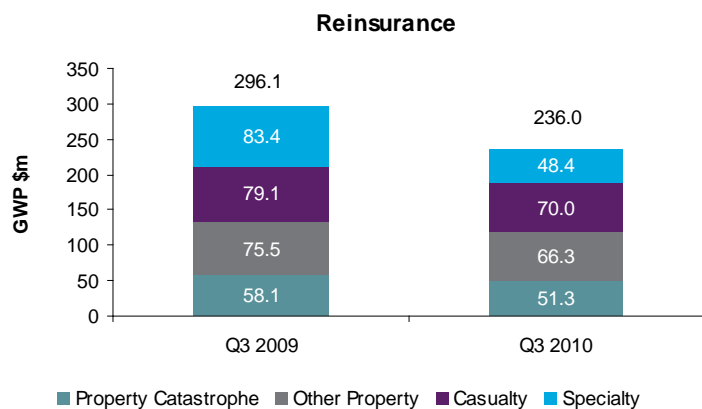
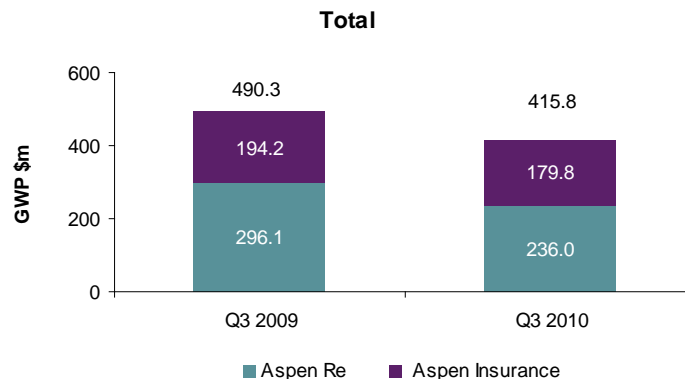
(US\$ in millions, except per share data)

Nine Months Ended September 30	2010	2009	Change
Gross Written Premiums	1,664.0	1,661.4	0.2%
Net Written Premiums	1,495.9	1,453.4	2.9%
Net Earned Premiums	1,399.2	1,346.8	3.9%
Underwriting Income	39.9	215.1	(81.5%)
Net Investment Income	175.0	190.3	(8.0%)
Net Income after Tax	220.0	347.6	(36.7%)
<b>Financial Ratios</b>			
Loss Ratio	67.3%	53.5%	—
Expense Ratio	29.9%	30.5%	—
Combined Ratio	97.2%	84.0%	—
Annualized Operating ROE*	8.4%	17.7%	—
Operating EPS*	2.03	3.72	(45.4%)
Diluted Book Value per Share*	38.22	33.16	15.3%

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

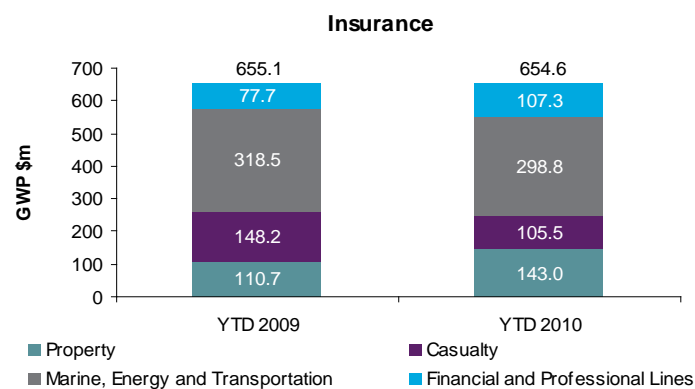
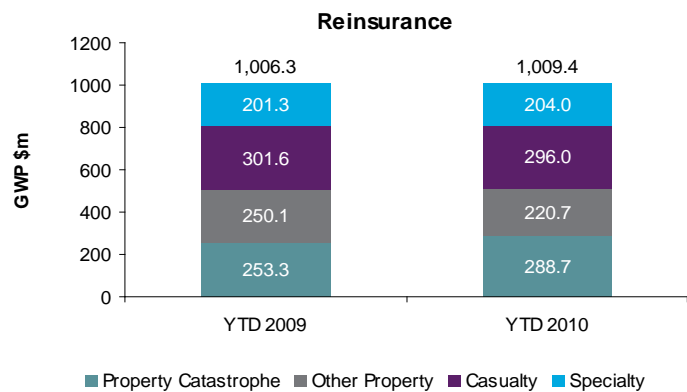
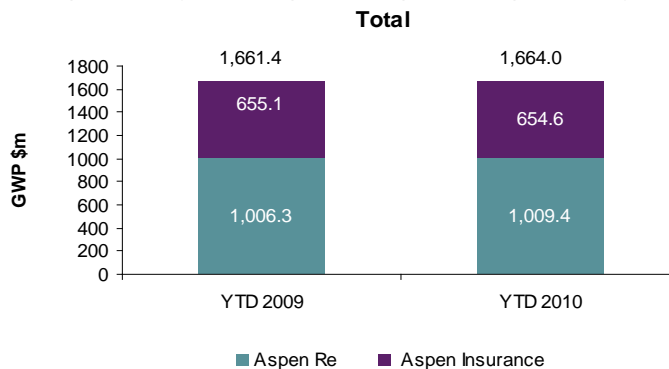


# Financial Highlights: Group Summary Q3 2010





# Financial Highlights: Group Summary YTD 2010

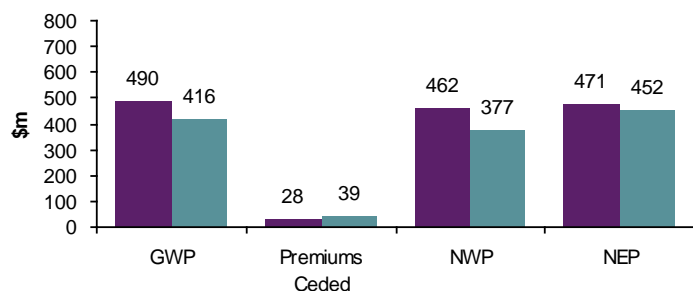




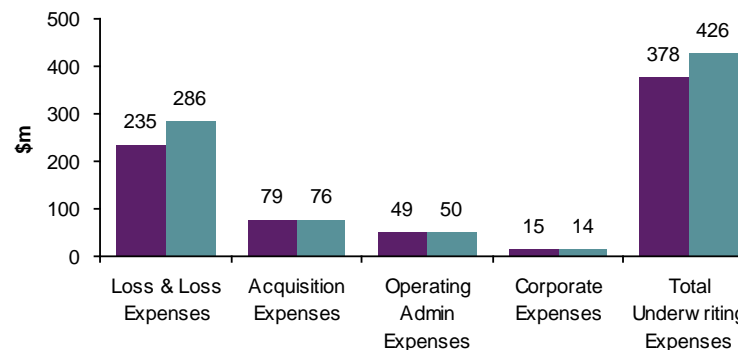


# Financial Highlights: Group Summary Q3 2010

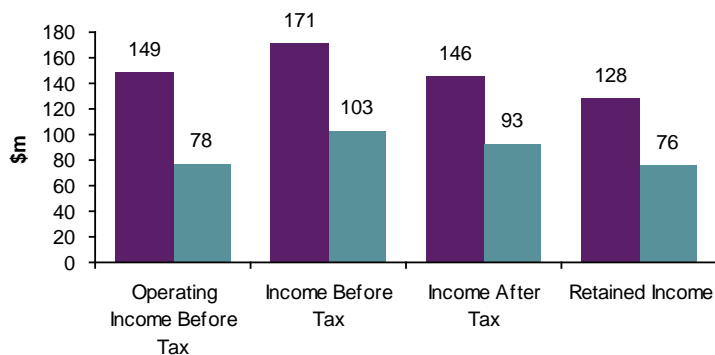
**Underwriting Revenues**



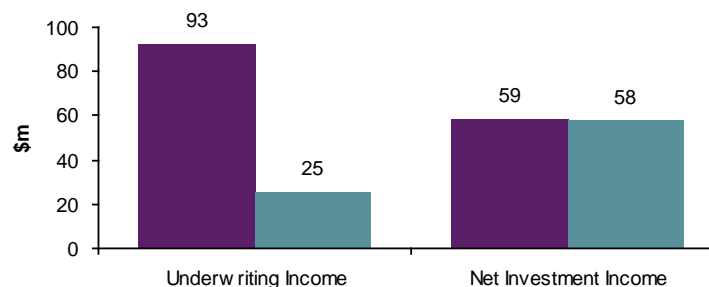
**Expenses**



**Income**



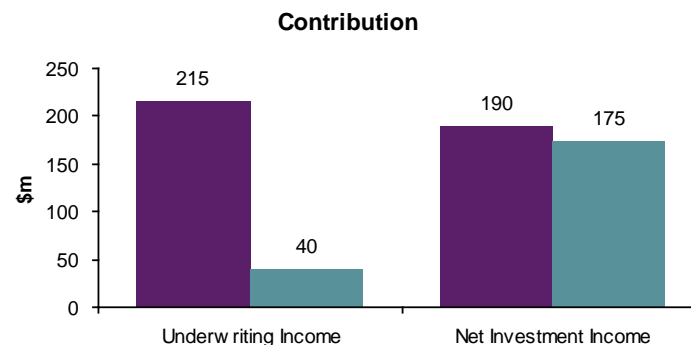
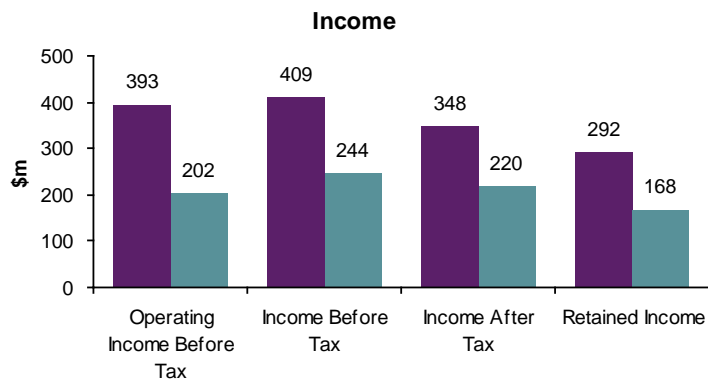
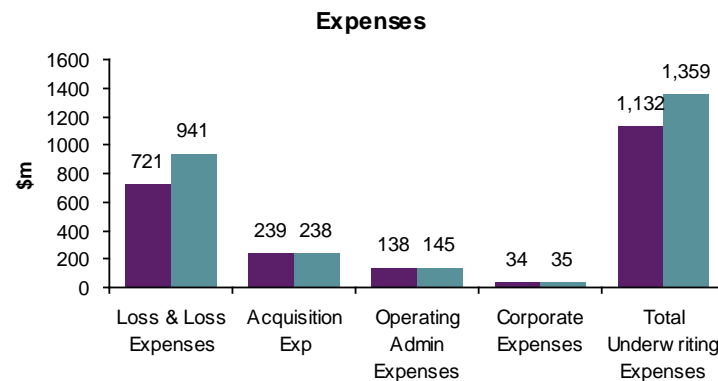
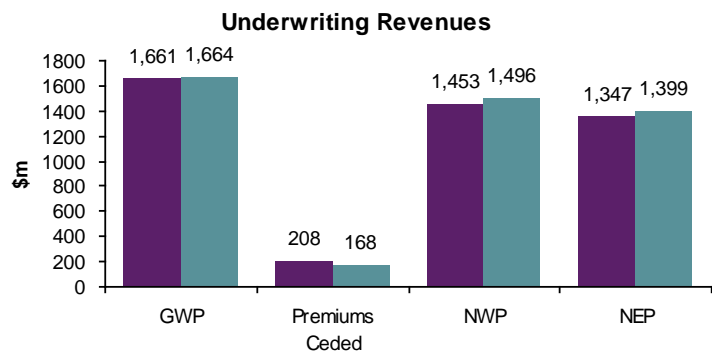
**Contribution**



■ Q3 2009 ■ Q3 2010



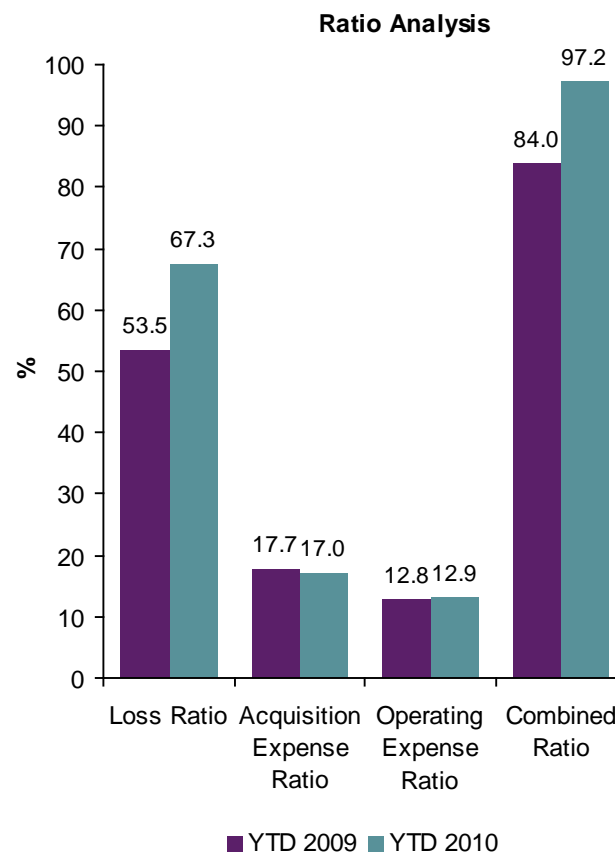
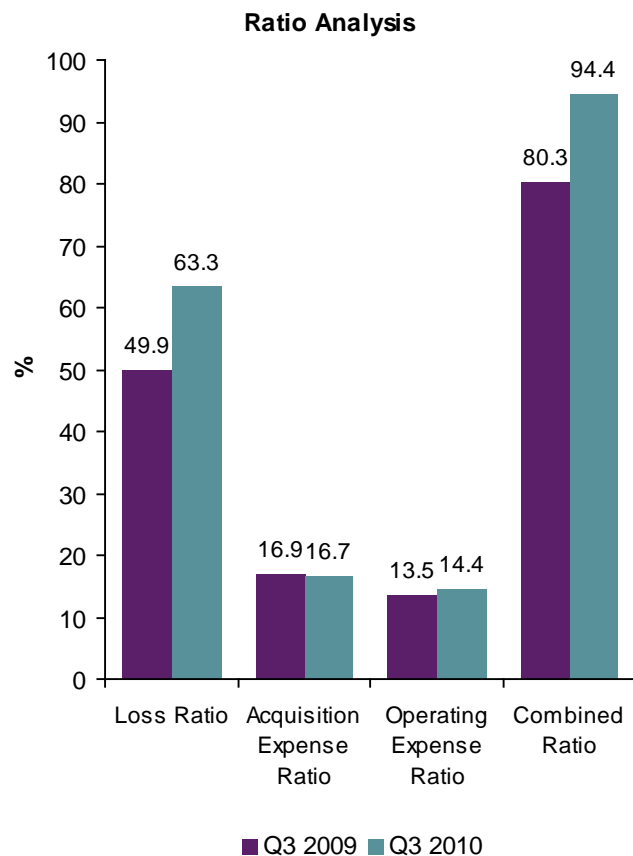
# Financial Highlights: Group Summary YTD 2010



■ YTD 2009 ■ YTD 2010

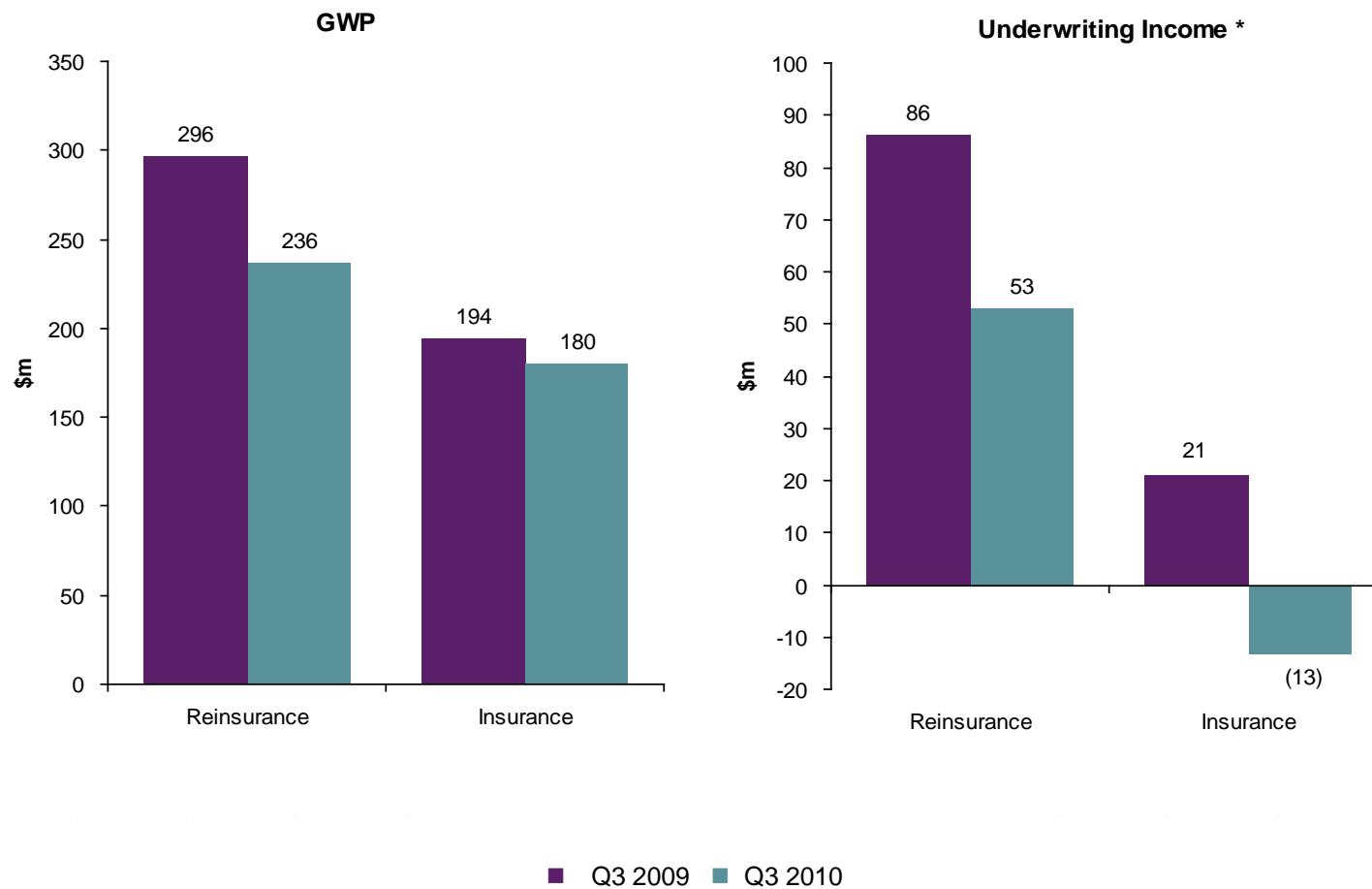


# Key Performance Metrics: Q3 2010 and YTD 2010





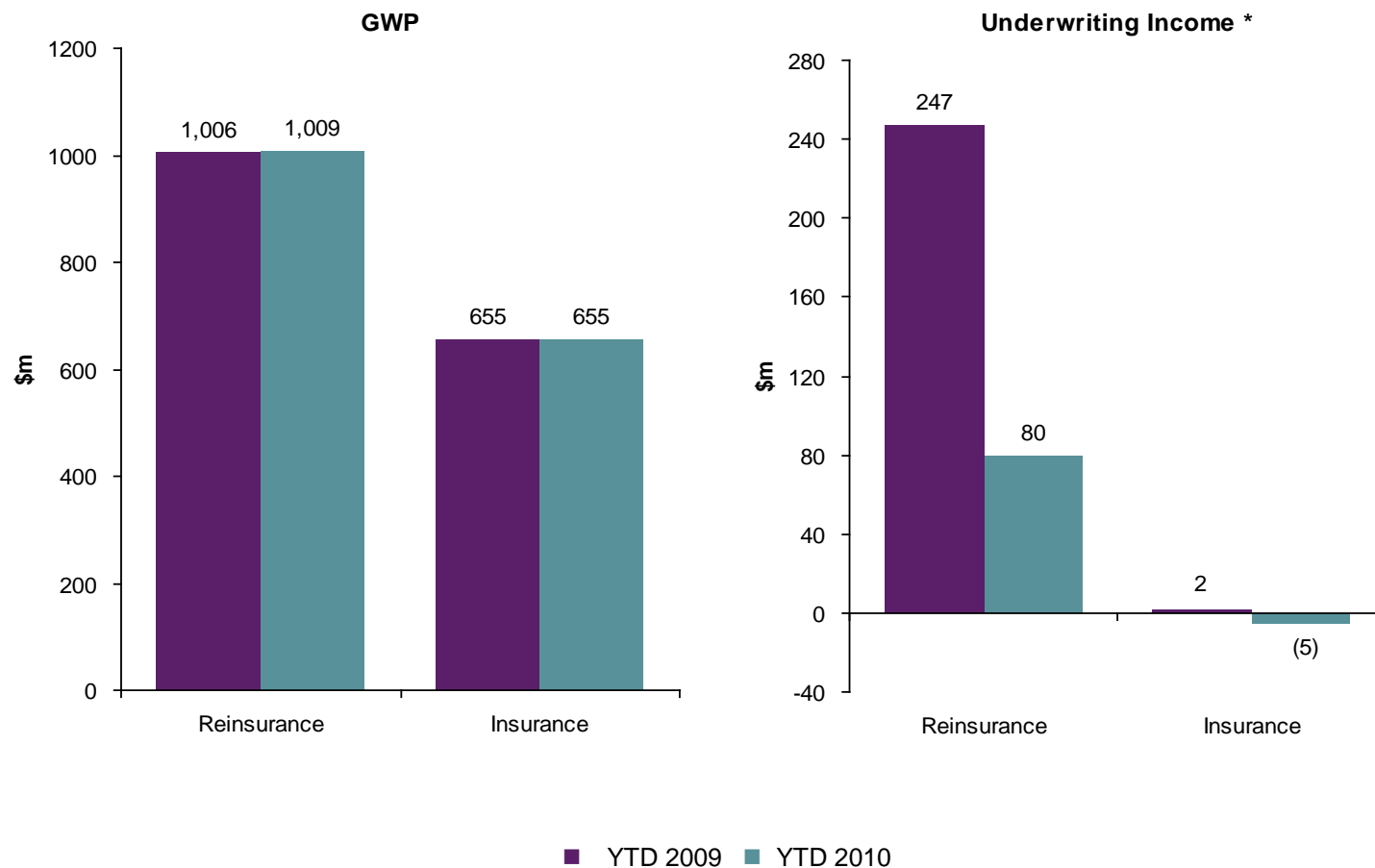
## Results by Business Segment: Q3 2010



(\*) Underwriting income is calculated as underwriting revenues, less underwriting expenses.



# Results by Business Segment: YTD 2010

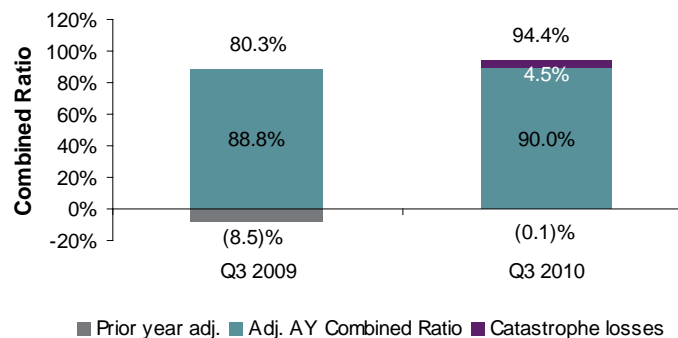


(\*) Underwriting income is calculated as underwriting revenues, less underwriting expenses.

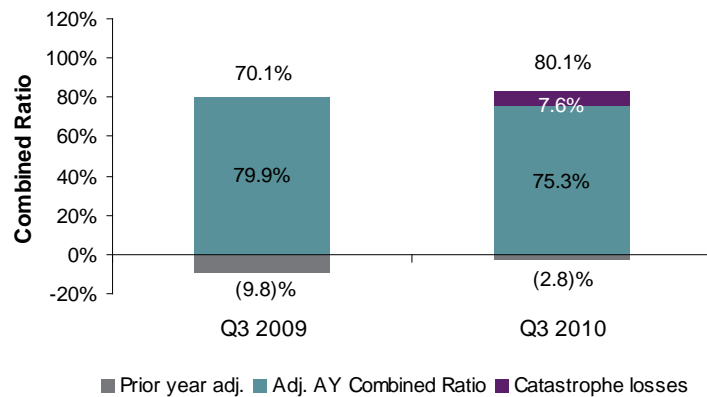


# Key Performance Metrics: Q3 2010

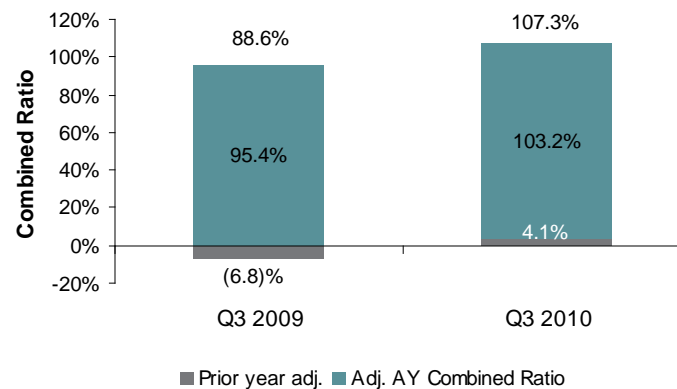
**Total**



**Reinsurance**



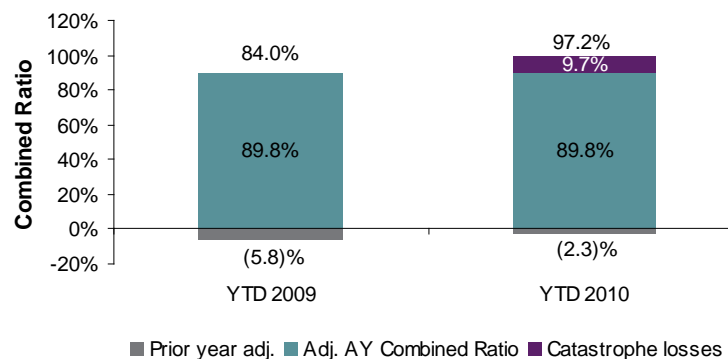
**Insurance**



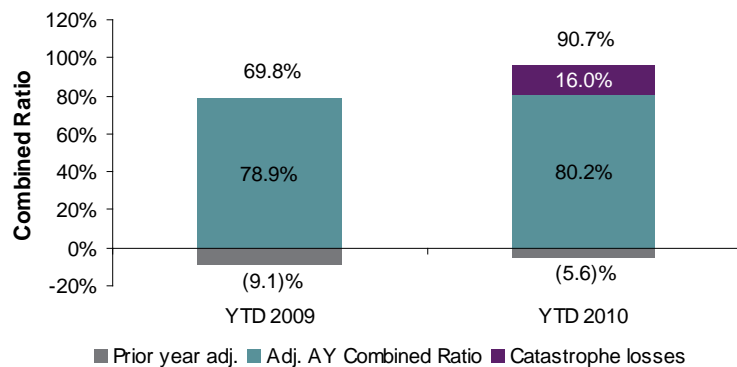


# Key Performance Metrics: YTD 2010

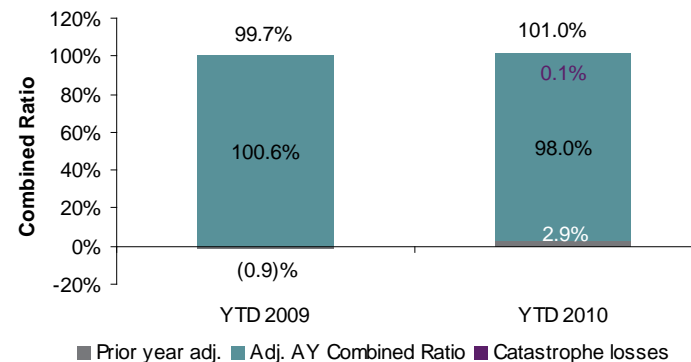
**Total**



**Reinsurance**



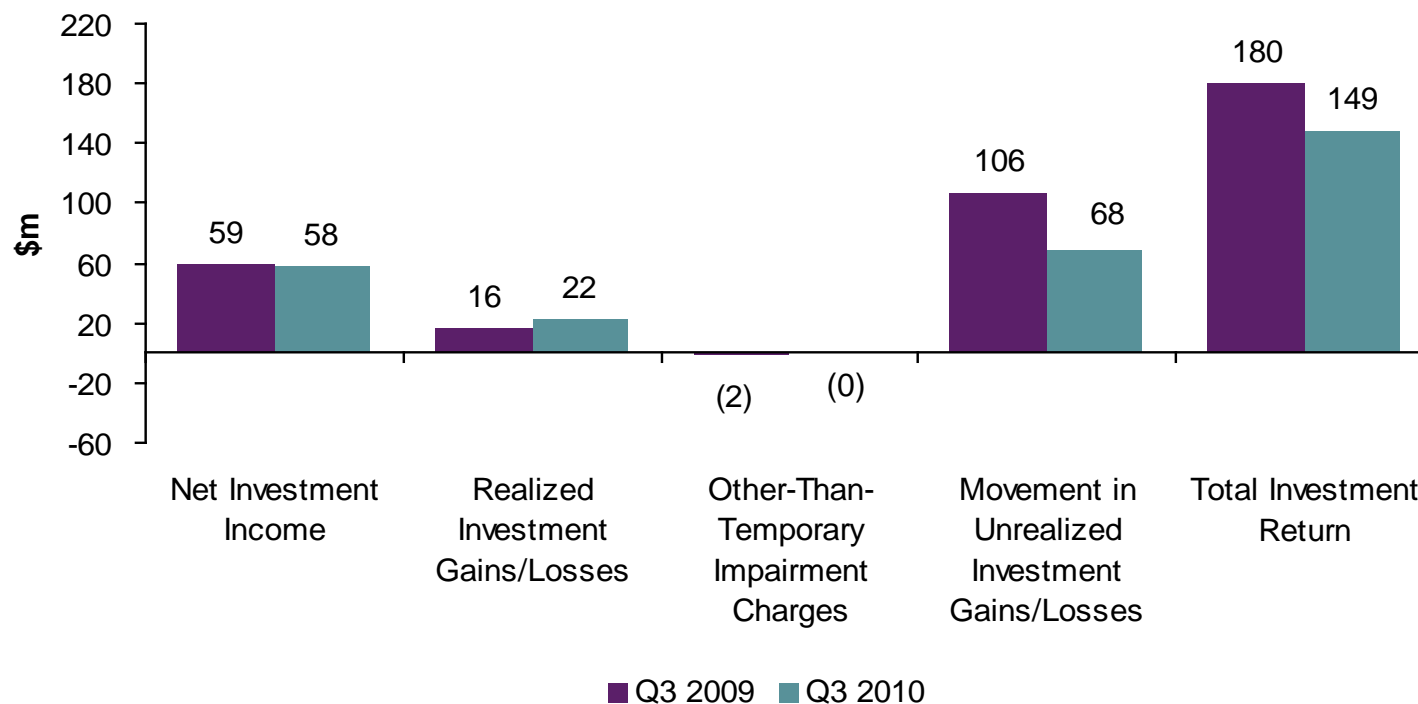
**Insurance**





# Financial Highlights

## Total Investment Return – Q3 2010



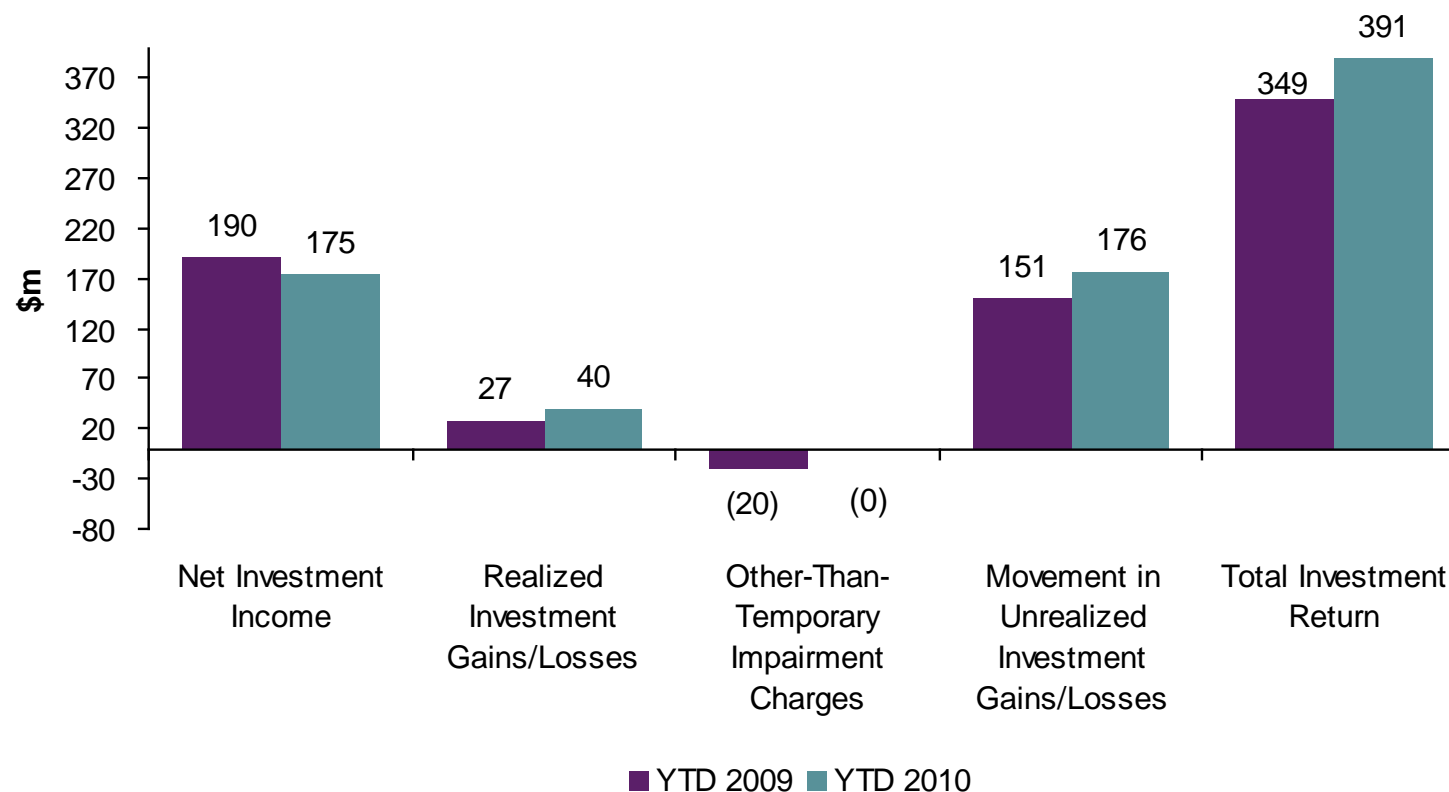
Annualized Investment Return for the Quarter of 8.5%





# Financial Highlights

## Total Investment Return – YTD 2010



Annualized Investment Return for the Year to Date of 7.6%



# Fixed Income Portfolio by Asset Type

(US\$ in millions)






ASSETS: INVESTMENT PORTFOLIO SEPTEMBER 30, 2010

TOTAL INVESTMENT PORTFOLIO AT MARKET VALUE **7,205.6**

Cash, Short-Term Securities and FOHF		Government/Agency		Structured Securities		Unsecured Credit	
Short-term Securities	299.5	U.S. Government	837.3	Asset-backed securities	81.3	Corporate bonds	1,915.4
Cash and Cash Equivalents	914.3	Agency Debentures	344.6	Agency Rated Mortgage-backed securities (GNMA, FNMA, FHLB)	1,102.0	FDIC Guaranteed Corporate bonds	135.7
Other Investments (Iris Re)	28.7	Foreign governments	603.5	Non-Agency Rated Mortgage-backed securities		Foreign corporate bonds	471.4
				- CMBS	150.5	Bonds backed by foreign government	243.9
				- RMBS	40.4	Municipal bonds	37.1
<b>Q3 2010</b>	<b>1,242.5</b>		<b>1,785.4</b>		<b>1,374.2</b>		<b>2,803.5</b>
<b>Q2 2010</b>	<b>1,069.8</b>		<b>1,636.0</b>		<b>1,430.0</b>		<b>2,687.6</b>



## Business Performance and Market Outlook: Key

Key	Performance	Absolute Pricing	Relative Price Movement	Terms and Conditions	Volume change	Outlook
	1	2	3	4	5	6
	Excellent	Excellent	Significantly Up	Excellent	Significantly Up	Excellent
	Good	Good	Up	Good	Up	Good
	Satisfactory	Satisfactory	Flat	Satisfactory	Flat	Satisfactory
	Of Concern	Of Concern	Down	Of Concern	Down	Of Concern
	Unsatisfactory	Unsatisfactory	Significantly Down	Unsatisfactory	Significantly Down	Unsatisfactory