

# INVESTOR PRESENTATION SECOND QUARTER 2012



Aspen Insurance Holdings Limited



# 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 US 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.co](http://www.aspen.co)

## 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 US 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," "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 and any intervening legislative or governmental action and changing judicial interpretation and judgments on insurers' liability to various risks; the effectiveness of our loss limitation methods; changes in the total industry losses, or our share of total industry losses, resulting from past events 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 acts of war and related legislation; 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 persistence of the global financial crisis and the Eurozone debt crisis; 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 Standard & Poor's ("S&P"), A.M. Best Company, Inc. ("A.M. Best") or Moody's Investor Service ("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 Bermuda 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 Report on Form 10-K as filed with the US Securities and Exchange Commission on February 28, 2012. 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 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, there can be no assurance that Aspen's ultimate losses will remain within the stated amounts.



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  - Investment Portfolio by Asset Type
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## WHO WE ARE ASPEN GROUP

Bermuda domiciled Specialty Insurer and Reinsurer  
Founded 2002; IPO 2003; current market cap \$2.1bn<sup>(1)</sup>  
\$2.2bn GWP in 2011; \$2.4bn  $\pm$  5% GWP in 2012<sup>(2)</sup>

### STRONG BALANCE SHEET

- \$3.4bn of shareholders' equity as at June 30, 2012
- Ratings of A/Stable (S&P), A2/Stable (Moody's) and A/Stable (A.M. Best)
- Diluted BVPS CAGR of 11.0% over five years to June 30, 2012
- \$1.2bn ordinary capital returned to shareholders 2003 – 2Q 2012

### MULTI-PLATFORM APPROACH

- 3 main underwriting locations: London, Bermuda and US
- Branch offices: Paris, Zurich, Cologne, Singapore, Dublin and US
- More than 800 employees in 30 offices across eight countries

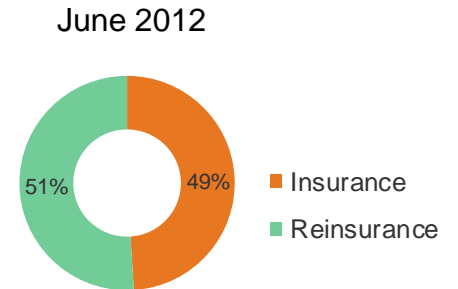
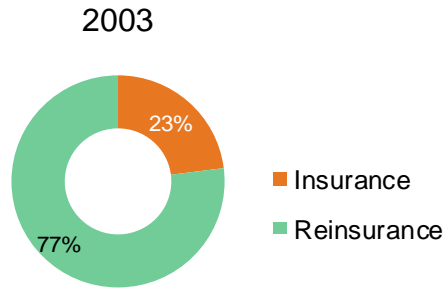
### WELL DIVERSIFIED PORTFOLIO

- Specialized in providing customized underwriting solutions to clients and brokers across an array of geographies, products and perils
- 51% Reinsurance, 49% Insurance<sup>(3)</sup>
- 55% Property, 45% Casualty<sup>(3)</sup>

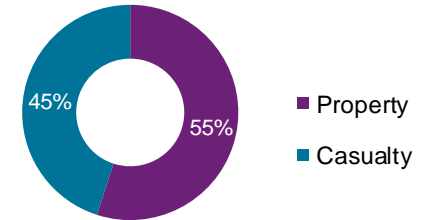
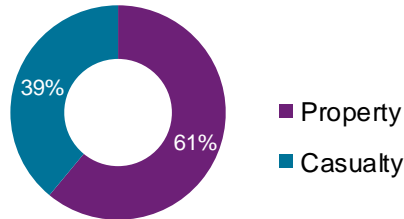


# WHAT WE DO

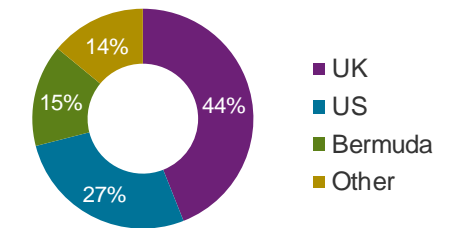
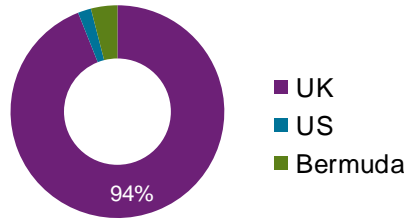
INSURANCE VS. REINSURANCE <sup>(1)</sup>



PROPERTY VS. CASUALTY <sup>(1)</sup>



GWP BY "CORE" PLATFORM <sup>(1)</sup>



GLOBAL FOOTPRINT

- 176 employees
- 4 offices, 3 countries

- 800+ employees
- 30 offices, 8 countries



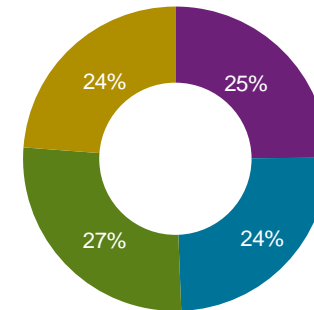
# WHAT WE DO

## REINSURANCE: OVERVIEW AND STRATEGY

### ASPEN APPROACH:

- Established market leader
- Presence in major market hubs enables 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 needs

### ANALYSIS OF GWP BY BUSINESS LINE (1)



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

#### PROPERTY CATASTROPHE REINSURANCE

- Treaty Catastrophe

#### OTHER PROPERTY REINSURANCE

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

#### CASUALTY REINSURANCE

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

#### SPECIALTY REINSURANCE

- Credit & Surety Reinsurance
- Agriculture
- Other Specialty including Aviation, Energy and Marine



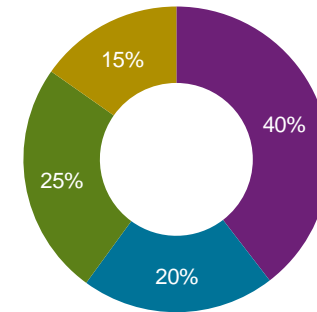
# WHAT WE DO

## INSURANCE: OVERVIEW AND STRATEGY

### ASPEN APPROACH:

- Innovative specialist 'E&S' type approach to underwriting within insurance operations
- Strong emphasis on complex risks
- Portfolio of highly differentiated insurance risks
- Divisional focus complements in-house underwriting expertise

### ANALYSIS OF GWP BY BUSINESS LINE (1)



- Marine, Energy and Transportation
- Financial and Professional Lines
- Property Insurance
- Casualty Insurance

MARINE, ENERGY, AVIATION AND TRANSPORTATION	FINANCIAL AND PROFESSIONAL LINES	PROPERTY INSURANCE	CASUALTY INSURANCE
<ul style="list-style-type: none"> <li>• Marine, Energy, and Construction Liability</li> <li>• Energy Property</li> <li>• Marine Hull</li> <li>• Specie</li> <li>• Aviation</li> <li>• US Marine</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Institutions</li> <li>• Credit, Political &amp; Terrorism</li> <li>• Kidnap &amp; Ransom</li> <li>• UK Professional Indemnity</li> <li>• UK Management Liability</li> <li>• Technology Liability</li> <li>• US Professional Liability</li> <li>• US Management Liability</li> <li>• Surety</li> </ul>	<ul style="list-style-type: none"> <li>• US Property</li> <li>• US Programs</li> <li>• UK Property</li> <li>• UK Regional Property</li> </ul>	<ul style="list-style-type: none"> <li>• Global Casualty</li> <li>• UK Liability</li> <li>• UK Regional Liability</li> <li>• Environmental Liability</li> <li>• US Primary Casualty</li> <li>• US Excess Casualty</li> </ul>



## THE ASPEN APPROACH REINSURANCE: 2012 AND BEYOND

Business

Key Elements

REINSURANCE

- Continue diversification strategy by product and geography, with a focus on more pronounced growth in emerging markets
- Further development of local market strategy with dedicated teams in:
  - Continental Europe (Zurich), Asia (Singapore), Latin America (Miami) and Middle East (London)
- Implementation of cross-selling strategy to drive synergies across Property, Casualty and Specialty Lines
- Improving the Market
  - Provide our underwriters with data and facts to support the argument for improved prices
  - Development of specific actions, by product and territory, to achieve more adequate rates

Selective Growth in Exposures We Know and Understand, Subject to Market Conditions





## THE ASPEN APPROACH INSURANCE: 2012 AND BEYOND

### Business

### Key Elements

#### US INSURANCE

- Strong leadership
- Established teams – Property, Professional Liability, Management Liability, Inland Marine/Ocean Cargo, Primary Casualty, Surety, Excess Casualty, Environmental Liability and Programs
- Building momentum – teams executing on strategies with all licenses in place

#### INTERNATIONAL INSURANCE

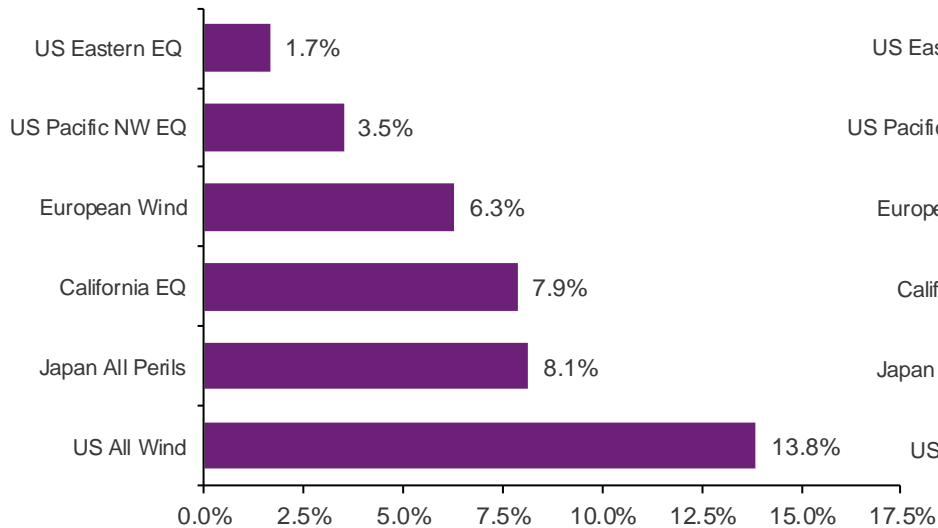
- Round out ‘London Market’ portfolio
  - Further development of UK regional platform
  - Established a foothold in Swiss insurance market
- Strong demand for Marine, Energy, Political Risk and Kidnap & Ransom

Selective Growth in Exposures We Know and Understand, Subject to Market Conditions

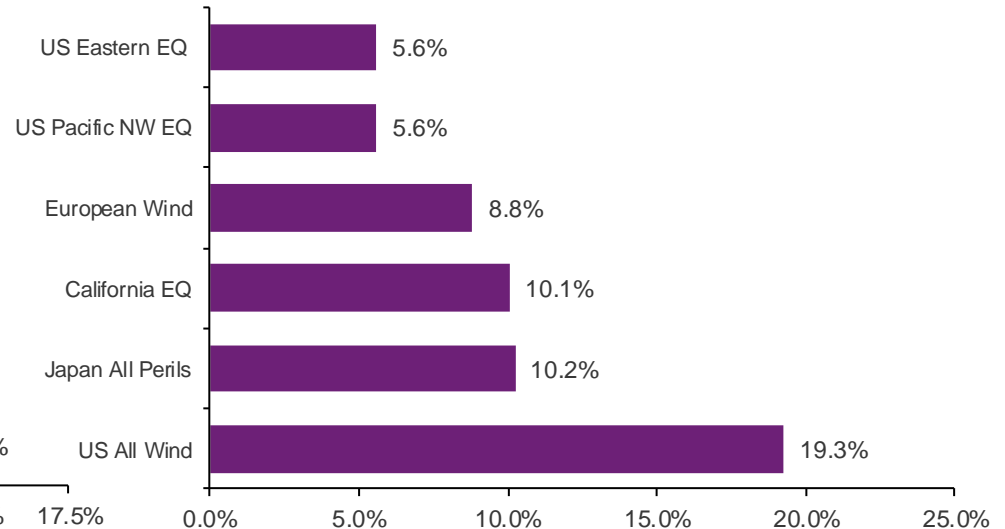


# ASPEN'S NATURAL CATASTROPHE EXPOSURES: MAJOR PERIL ZONES

100 year return period as % of total Shareholders' Equity



250 year return period as % of total Shareholders' Equity



1 in 100 year tolerance: 17.5% of total shareholders' equity

1 in 250 year tolerance: 25.0% of total shareholders' equity



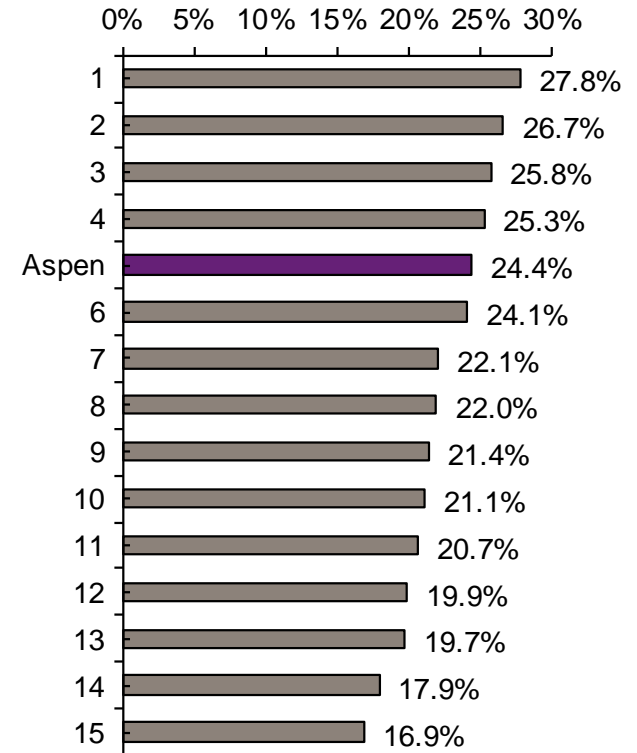
# DELIVERING STRONG INVESTMENT RETURNS

## ASPEN'S FIXED INCOME BOOK YIELD vs. 3 YR TREASURY YIELD SINCE 2003

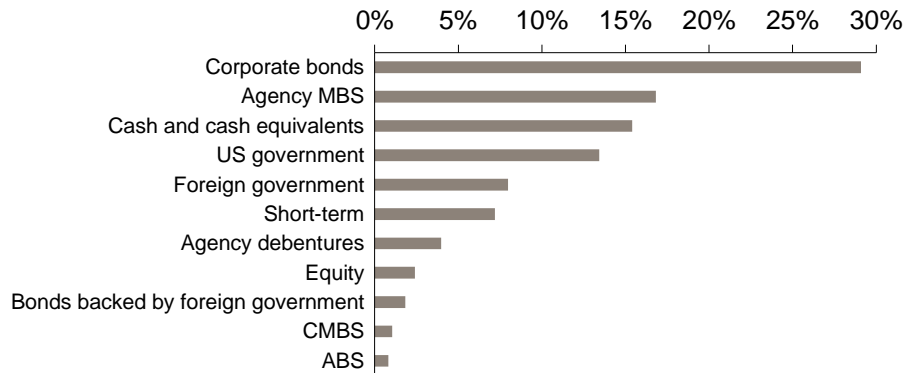


## 5 YEAR TOTAL RETURN<sup>(1)</sup> VS. PEERS<sup>(2)</sup>

### 5 Year Total Return



## INVESTMENT PORTFOLIO ASSET CLASS AND SECTOR ALLOCATIONS



**\$7.8 BILLION AS AT JUNE 30, 2012**

**Outperformance vs. Peers; Aspen Ranked #5 for 5 Year Total Return**

(1) 5 year cumulative performance as at March 31, 2012

(2) Peers include ACGL, ALTE, AWH, AXS, ENH, MRH, PRE, PTP, RE, RNR, TRH, XL – VR data not available for 5 years



# PROACTIVE MANAGEMENT OF CAPITAL

## CAPITAL MANAGEMENT STRATEGY

- Maintain capital at levels that satisfy all regulatory and rating agency requirements as well as internal metrics
- Optimize capital structure; conservatively leverage the balance sheet using high equity content preferred shares
  - Issued \$160 million 7.250% Perpetual Non-Cumulative Preference Shares in April 2012
- Competitive dividend yield; quarterly dividend increased 13% in 1Q 2012
- Return capital to shareholders
  - Continue to monitor trading activity so as to repurchase shares at attractive levels
  - Repurchased \$25 million of ordinary shares in the open market under the share repurchase program in 2Q 2012
  - Remaining \$167 million share repurchase authorization at June 30, 2012

	June 30, 2012
Debt/total capital	12.7%
Debt and preferred/total capital	25.6%

Capital Requirement Based On Disciplined Risk Management Approach



## FINANCIAL HIGHLIGHTS: 2Q 2012

(\$ millions, except per share data)

QUARTER ENDED JUNE 30	2012	2011	CHANGE
Gross written premiums	666.6	582.2	14.5%
Net written premiums	581.9	525.7	10.7%
Net earned premiums	513.4	459.8	11.7%
Underwriting income / (loss) including corporate expenses	65.8	(24.0)	NM
Net investment income	52.8	58.6	(9.9%)
Net income / (loss) after tax	84.6	9.1	NM

### FINANCIAL RATIOS

Loss ratio	51.1%	71.0%	
Policy acquisition expense ratio	19.9%	18.9%	
General, administrative and corporate expense ratio	16.3%	15.4%	
Combined ratio	87.3%	105.3%	
Annualized operating ROE <sup>(2)</sup>	13.6%	3.6%	
Diluted operating EPS <sup>(1)</sup>	1.32	0.35	
Diluted book value per share	40.01	37.24	7.4%

NM: Not meaningful

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

(2) In this presentation, we present data for return on equity based on average equity including all components of shareholder' equity other than the aggregate liquidation preference of our preference shares. Previously, we excluded net unrealized investment and foreign exchange gains included in 'Other Comprehensive Income' from the definition of average equity for this purpose. This change applies for Net Income ROE and Operating ROE



## FINANCIAL HIGHLIGHTS: YTD 2012

(\$ millions, except per share data)

SIX MONTHS ENDED JUNE 30	2012	2011	CHANGE
Gross written premiums	1,448.7	1,253.5	15.6%
Net written premiums	1,215.4	1,035.3	17.4%
Net earned premiums	1,008.8	912.2	10.6%
Underwriting income / (loss) including corporate expenses	96.3	(244.4)	NM
Net investment income	105.2	114.1	(7.8%)
Net income / (loss) after tax	163.3	(143.7)	NM

### FINANCIAL RATIOS

Loss ratio	54.1%	93.8%	
Policy acquisition expense ratio	19.6%	18.4%	
General, administrative and corporate expense ratio	16.7%	14.6%	
Combined ratio	90.4%	126.8%	
Annualized operating ROE <sup>(2)</sup>	11.4%	(10.2%)	
Diluted operating EPS <sup>(1)</sup>	2.20	(2.01)	
Diluted book value per share	40.01	37.24	7.4%

NM: Not meaningful

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

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APPENDIX



## INVESTMENT PORTFOLIO BY ASSET TYPE

**TOTAL INVESTMENT PORTFOLIO AT MARKET VALUE (\$ millions)<sup>(1)</sup>: \$7,824.3**

CASH, SHORT-TERM SECURITIES AND EQUITY SECURITIES		GOVERNMENT / AGENCY		STRUCTURED SECURITIES		CREDIT SECURITIES	
Short-term securities	503.6	US government	1,014.5	Asset-backed securities	62.6	Corporate bonds	1,795.5
Equity securities	187.4	Agency debentures	311.1	Agency rated mortgage-backed securities (GNMA, FINMA, FHLB)	1,305.5	FDIC guaranteed corporate bonds	3.0
Cash and cash equivalents	1,309.0	Foreign governments	618.2	Non-agency rated commercial mortgage-backed securities	79.3	Foreign corporates	438.9
Investment in Cartesian Iris Re	33.1					Bonds backed by foreign government	119.8
						Municipal bonds	42.8
<b>Q2 2012</b>	<b>2,033.1</b>	<b>Q2 2012</b>	<b>1,943.8</b>	<b>Q2 2012</b>	<b>1,447.4</b>	<b>Q2 2012</b>	<b>2,400.0</b>
<b>Q1 2012</b>	<b>1,828.3</b>	<b>Q1 2012</b>	<b>1,900.7</b>	<b>Q1 2012</b>	<b>1,446.7</b>	<b>Q1 2012</b>	<b>2,494.7</b>

Overall Portfolio Asset Allocations Have Not Changed Significantly During 2012

(1) As at June 30, 2012, including cash and cash equivalents





# EUROZONE INVESTMENT EXPOSURE

(\$ in millions except for percentages)

COUNTRY	RATINGS				EQUITIES	MARKET VALUE	MARKET VALUE %	UNREALIZED PRE-TAX GAIN / (LOSS)
	AAA	AA	A	BBB				
AUSTRIA		100%				17.7	6.2%	0.2
BELGIUM			29%		71%	4.6	1.6%	1.1
FINLAND	87%				13%	12.5	4.3%	0.4
FRANCE	8%	62%	16%	1%	13%	109.9	38.3%	3.5
GERMANY	75%	8%	17%			77.7	27.1%	3.8
ITALY				26%	74%	2.6	0.9%	-
LUXEMBOURG				100%		1.7	0.6%	-
NETHERLANDS	31%	44%	25%			57.0	19.9%	2.6
SPAIN				100%		3.2	1.1%	(0.2)
<b>TOTAL EUROPEAN EXPOSURE 2Q 2012</b>	<b>33%</b>	<b>41%</b>	<b>16%</b>	<b>3%</b>	<b>7%</b>	<b>286.9</b>	<b>100.0%</b>	<b>11.4</b>

- Eurozone exposures consist of sovereigns , equities, and high quality corporates with 90% having a rating of “A” or higher, with de minimis exposure to Italian and Spanish corporate bonds
- Eurozone exposure is approximately 4% of Aspen’s aggregate investment portfolio
- Aspen has no exposure to the sovereign debt of Greece, Ireland, Italy, Portugal or Spain



## RESERVE POSITION

(\$ in millions)

AS AT JUNE 30, 2012			
	CASE	IBNR	TOTAL
Reinsurance	1,360.4	1,545.2	2,905.6
Insurance	803.1	847.7	1,650.8
<b>GROUP TOTAL</b>	<b>2,163.5</b>	<b>2,392.9</b>	<b>4,556.4</b>

IBNR Represented 53% of Total Reserves at June 30, 2012

