

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
July 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-31341

Platinum Underwriters Holdings, Ltd.
(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0416483
(I.R.S. Employer Identification
No.)

The Belvedere Building
69 Pitts Bay Road
Pembroke, Bermuda
(Address of principal executive
offices)

HM 08
(Zip Code)

(441) 295-7195
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ___ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | | |
|-------------------------|-------------------------------------|---------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ___ No

As of July 15, 2009, there were outstanding 49,778,459 common shares, par value \$0.01 per share, of the registrant.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Balance Sheets
(\$ in thousands, except share data)

| | (Unaudited) | |
|--|------------------|----------------------|
| | June 30, 2009 | December 31, 2008 |
| ASSETS | | |
| Investments: | | |
| Fixed maturity available-for-sale securities at fair value (amortized cost – \$3,948,976 and \$3,267,571, respectively) | \$ 3,795,396 | \$ 3,063,804 |
| Fixed maturity trading securities at fair value (amortized cost – \$239,542 and \$296,837, respectively) | 250,525 | 305,237 |
| Preferred stocks (cost – \$1,879 and \$3,087, respectively) | 3,551 | 2,845 |
| Short-term investments | 13,849 | 75,036 |
| Total investments | 4,063,321 | 3,446,922 |
| Cash and cash equivalents | 335,937 | 813,017 |
| Accrued investment income | 33,813 | 29,041 |
| Reinsurance premiums receivable | 261,817 | 307,539 |
| Reinsurance recoverable on ceded losses and loss adjustment expenses | 16,452 | 12,413 |
| Prepaid reinsurance premiums | 8,263 | 10,897 |
| Funds held by ceding companies | 120,232 | 136,278 |
| Deferred acquisition costs | 43,720 | 50,719 |
| Income tax recoverable | 7,156 | 11,973 |
| Deferred tax assets | 63,804 | 71,444 |
| Other assets | 13,623 | 36,920 |
| Total assets | \$ 4,968,138 | \$ 4,927,163 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Unpaid losses and loss adjustment expenses | \$ 2,394,330 | \$ 2,463,506 |
| Unearned premiums | 190,757 | 218,890 |
| Debt obligations | 250,000 | 250,000 |
| Ceded premiums payable | 6,675 | 2,918 |
| Commissions payable | 121,780 | 125,551 |
| Other liabilities | 51,892 | 56,901 |
| Total liabilities | 3,015,434 | 3,117,766 |
| Shareholders' Equity | | |
| Preferred shares, \$.01 par value, 25,000,000 shares authorized, none and 5,750,000 shares issued and outstanding, respectively | – | 57 |
| Common shares, \$.01 par value, 200,000,000 shares authorized, 49,778,459 and 47,482,161 shares issued and outstanding, respectively | 498 | 475 |
| Additional paid-in capital | 1,020,631 | 1,114,135 |

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| | | |
|--|-------------|--------------|
| Accumulated other comprehensive loss | (139,849) | (188,987) |
| Retained earnings | 1,071,424 | 883,717 |
| Total shareholders' equity | 1,952,704 | 1,809,397 |
| Total liabilities and shareholders' equity | \$4,968,138 | \$ 4,927,163 |

See accompanying Notes to the Consolidated Financial Statements.

- 1 -

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Operations (Unaudited) and
Consolidated Statements of Comprehensive Income (Unaudited)
For the Three and Six Months Ended June 30, 2009 and 2008
(\$ in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------------|------------------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue: | | | | |
| Net premiums earned | \$232,462 | 257,982 | 480,214 | \$559,833 |
| Net investment income | 44,077 | 46,932 | 78,323 | 95,994 |
| Net realized gains (losses) on investments | 10,794 | (6,168) | 31,364 | (3,196) |
| Other income | 5,212 | 716 | 5,444 | 620 |
| Total revenue | 292,545 | 299,462 | 595,345 | 653,251 |
| Expenses: | | | | |
| Net losses and loss adjustment expenses | 124,945 | 93,392 | 269,109 | 253,595 |
| Net acquisition expenses | 38,338 | 66,137 | 78,494 | 126,679 |
| Net changes in fair value of derivatives | 106 | 959 | 2,523 | 1,769 |
| Total other-than-temporary impairment losses | 10,194 | – | 13,654 | – |
| Portion of impairment losses recognized in accumulated other comprehensive loss | (6,938) | – | (6,990) | – |
| Net impairment losses | 3,256 | – | 6,664 | – |
| Operating expenses | 22,906 | 25,100 | 43,774 | 46,790 |
| Net foreign currency exchange (gains) losses | (537) | 1,998 | 459 | (2,871) |
| Interest expense | 4,756 | 4,751 | 9,511 | 9,501 |
| Total expenses | 193,770 | 192,337 | 410,534 | 435,463 |
| Income before income tax expense | 98,775 | 107,125 | 184,811 | 217,788 |
| Income tax expense | 645 | 4,768 | 1,759 | 10,260 |
| Net income | 98,130 | 102,357 | 183,052 | 207,528 |
| Preferred dividends | – | 2,602 | 1,301 | 5,204 |
| Net income attributable to common shareholders | \$98,130 | 99,755 | 181,751 | \$202,324 |
| Earnings per share: | | | | |
| Basic earnings per share | \$1.94 | 2.06 | 3.63 | \$4.02 |
| Diluted earnings per share | \$1.90 | 1.82 | 3.47 | \$3.58 |
| Comprehensive income: | | | | |
| Net income | \$98,130 | 102,357 | 183,052 | \$207,528 |
| Other comprehensive income (loss) – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes | 64,958 | (38,876) | 63,382 | (42,997) |
| Comprehensive income | \$163,088 | 63,481 | 246,434 | \$164,531 |

Shareholder dividends:

| | | | | |
|--|--------|-------|-------|---------|
| Preferred shareholder dividends declared | \$- | 2,602 | 2,602 | \$5,204 |
| Dividends declared per preferred share | - | 0.45 | 0.45 | 0.91 |
| Common shareholder dividends declared | 4,026 | 3,976 | 8,288 | 8,130 |
| Dividends declared per common share | \$0.08 | 0.08 | 0.16 | \$0.16 |

See accompanying Notes to the Consolidated Financial Statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Six Months Ended June 30, 2009 and 2008
(\$ in thousands)

| | 2009 | 2008 |
|------------------------------------|------------|------------|
| Preferred shares: | | |
| Balances at beginning of period | \$57 | \$57 |
| Conversion of preferred shares | (57) | - |
| Balances at end of period | - | 57 |
| Common shares: | | |
| Balances at beginning of period | 475 | 538 |
| Issuance of common shares | - | 1 |
| Purchase of common shares | (37) | (63) |
| Settlement of equity awards | 2 | - |
| Conversion of preferred shares | 57 | - |
| Exercise of common share options | 1 | 11 |
| Balances at end of period | 498 | 487 |
| Additional paid-in capital: | | |
| Balances at beginning of period | 1,114,135 | 1,338,466 |
| Issuance of common shares | 246 | 1,647 |
| Purchase of common shares | (101,346) | (213,877) |
| Share based compensation | 7,091 | 7,711 |
| Settlement of equity awards | (1,070) | (925) |
| Exercise of common share options | 1,575 | 24,444 |
| Tax benefit of share options | - | 69 |
| Balances at end of period | 1,020,631 | 1,157,535 |