

PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
July 24, 2014

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, 2014

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.)

Waterloo House
100 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 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

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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	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

The registrant had 26,489,669 common shares, par value \$0.01 per share, outstanding as of July 17, 2014.

PLATINUM UNDERWRITERS HOLDINGS, LTD.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
 June 30, 2014 and December 31, 2013
 (\$ in thousands, except share data)

	(Unaudited)	
	June 30, 2014	December 31, 2013
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost - \$1,815,446 and \$1,799,888, respectively)	\$ 1,921,917	\$ 1,857,870
Fixed maturity trading securities at fair value (amortized cost - \$99,220 and \$97,959, respectively)	103,501	103,395
Short-term investments	42,144	66,679
Total investments	2,067,562	2,027,944
Cash and cash equivalents	1,361,730	1,464,418
Accrued investment income	20,593	20,026
Reinsurance premiums receivable	134,391	138,454
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	1,799	1,057
Prepaid reinsurance premiums	2,639	1,032
Funds held by ceding companies	88,091	119,241
Deferred acquisition costs	33,019	31,103
Reinsurance deposit assets	82,164	79,303
Deferred tax assets	18,160	25,141
Other assets	14,568	16,166
Total assets	\$ 3,824,716	\$ 3,923,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 1,560,517	\$ 1,671,365
Unearned premiums	133,244	126,300
Debt obligations	250,000	250,000
Commissions payable	51,497	78,791
Other liabilities	51,589	50,722
Total liabilities	\$ 2,046,847	\$ 2,177,178
Shareholders' Equity		
Common shares, \$0.01 par value, 200,000,000 shares authorized, 26,384,970 and 28,142,977 shares issued and outstanding, respectively	\$ 264	\$ 281
Additional paid-in capital	-	10,711
Accumulated other comprehensive income	91,351	48,084
Retained earnings	1,686,254	1,687,631
Total shareholders' equity	\$ 1,777,869	\$ 1,746,707

Total liabilities and shareholders' equity	\$ 3,824,716	\$ 3,923,885
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See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
For the Three and Six Months Ended June 30, 2014 and 2013
(\$ in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenue:				
Net premiums earned	\$124,825	\$142,933	\$251,098	\$269,786
Net investment income	17,645	17,808	35,337	36,352
Net realized gains (losses) on investments	(596)	11,686	(1,111)	25,004
Total other-than-temporary impairments	(19)	(200)	15	(614)
Portion of impairment losses recognized in other comprehensive income	(117)	(1,316)	(239)	(1,323)
Net impairment losses on investments	(136)	(1,516)	(224)	(1,937)
Other income (expense)	1,194	(315)	2,711	1,077
Total revenue	142,932	170,596	287,811	330,282
Expenses:				
Net losses and loss adjustment expenses	50,865	62,667	77,374	76,665
Net acquisition expenses	27,848	30,313	55,349	60,532
Operating expenses	21,434	19,718	39,717	39,023
Net foreign currency exchange losses (gains)	34	(859)	(153)	(1,079)
Interest expense	4,788	4,780	9,574	9,559
Total expenses	104,969	116,619	181,861	184,700
Income before income taxes	37,963	53,977	105,950	145,582
Income tax expense	1,783	4,123	6,035	9,212
Net income	\$36,180	\$49,854	\$99,915	\$136,370
Earnings per common share:				
Basic earnings per common share	\$1.36	\$1.63	\$3.68	\$4.32
Diluted earnings per common share	\$1.34	\$1.61	\$3.63	\$4.26
Shareholder dividends:				
Common shareholder dividends declared	\$2,112	\$2,337	\$4,321	\$4,921
Dividends declared per common share	\$0.08	\$0.08	\$0.16	\$0.16

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
For the Three and Six Months Ended June 30, 2014 and 2013
(\$ in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income	\$36,180	\$49,854	\$99,915	\$136,370
Other comprehensive income (loss) on available-for-sale securities before reclassifications:				
Change in net unrealized gains and losses on securities with other-than-temporary impairments recorded	(19)	(200)	15	(614)
Change in net unrealized gains and losses on all other securities	18,976	(64,027)	48,306	(58,217)
Total change in net unrealized gains and losses	18,957	(64,227)	48,321	(58,831)
Reclassifications to net income on available-for-sale securities:				
Net realized gains on investments	(56)	(12,968)	(56)	(27,243)
Net impairment losses on investments	136	1,516	224	1,937
Total reclassifications to net income	80	(11,452)	168	(25,306)
Other comprehensive income (loss) before income taxes	19,037	(75,679)	48,489	(84,137)
Income tax (expense) benefit	(2,245)	8,943	(5,222)	10,814
Other comprehensive income (loss)	16,792	(66,736)	43,267	(73,323)
Comprehensive income (loss)	\$52,972	\$(16,882)	\$143,182	\$63,047

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
For the Six Months Ended June 30, 2014 and 2013
(\$ in thousands)

	2014	2013
Common shares:		
Balances at beginning of period	\$281	\$327
Issuance of common shares	2	6
Re		