PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-Q
October 29, 2010

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010

OR

o 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 X 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 X 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	X		Accelerated filer
Non-accelerated filer		(Do not check if a smaller reporting company)	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 X

The registrant had 39,266,069 common shares, par value $0.01 per share, outstanding as of October 15, 2010.

PLATINUM UNDERWRITERS HOLDINGS, LTD.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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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) September 30, 2010	December 31, 2009
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value (amortized cost – $2,623,945 and $3,590,081, respectively)	$ 2,702,471	$ 3,514,052
Fixed maturity trading securities at fair value (amortized cost – $161,567 and $136,426, respectively)	171,880	142,566
Preferred stocks (cost – $nil and $1,879, respectively)	–	3,897
Short-term investments	166,207	26,350
Total investments	3,040,558	3,686,865
Cash and cash equivalents	1,498,626	682,784
Accrued investment income	27,315	29,834
Reinsurance premiums receivable	175,914	269,912
Reinsurance recoverable on ceded losses and loss adjustment expenses	17,358	19,240
Prepaid reinsurance premiums	6,895	10,470
Funds held by ceding companies	82,428	84,478
Deferred acquisition costs	39,841	40,427
Deferred tax assets	34,427	63,093
Other assets	12,897	134,475
Total assets	$ 4,936,259	$ 5,021,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 2,194,173	$ 2,349,336
Unearned premiums	180,432	180,609
Debt obligations	250,000	250,000
Commissions payable	58,460	90,461
Other liabilities	88,321	73,441
Total liabilities	2,771,386	2,943,847
Shareholders' Equity		
Common shares, $.01 par value, 200,000,000 shares authorized, 39,266,069 and 45,942,639 shares issued and outstanding, respectively	393	459
Additional paid-in capital	619,112	883,425
Accumulated other comprehensive income (loss)	58,595	(70,005)
Retained earnings	1,486,773	1,263,852
Total shareholders' equity	2,164,873	2,077,731

Total liabilities and shareholders' equity	$ 4,936,259	$ 5,021,578

See accompanying notes to the consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30, 2010 and 2009
($ in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Net premiums earned	$183,404	229,538	595,014	$709,752
Net investment income	31,078	44,747	103,955	123,070
Net realized gains on investments	44,351	22,553	99,297	53,917
Total other-than-temporary impairment losses	(6,624)	(15,398)	(17,485)	(29,052)
Portion of impairment losses recognized in accumulated other comprehensive income (loss)	2,576	10,323	(8,075)	17,313
Net impairment losses on investments	(4,048)	(5,075)	(25,560)	(11,739)
Other income (expense)	(171)	(1,222)	(42)	4,222
Total revenue	254,614	290,541	772,664	879,222
Expenses:				
Net losses and loss adjustment expenses	79,094	99,240	315,137	368,349
Net acquisition expenses	32,517	50,009	113,934	128,503
Net changes in fair value of derivatives	4,154	4,305	6,499	6,828
Operating expenses	20,004	25,210	61,905	68,984
Net foreign currency exchange losses (gains)	235	(616)	(1,061)	(157)
Interest expense	4,763	4,757	14,232	14,268
Total expenses	140,767	182,905	510,646	586,775
Income before income taxes	113,847	107,636	262,018	292,447
Income tax expense (benefit)	20,185	(1,832)	28,796	(73)
Net income	93,662	109,468	233,222	292,520
Preferred dividends	–	–	–	1,301
Net income attributable to common shareholders	$93,662	109,468	233,222	$291,219
Earnings per common share:				
Basic earnings per common share	$2.31	2.20	5.42	$5.83
Diluted earnings per common share	$2.13	2.10	5.04	$5.57
Comprehensive income:				
Net income	$93,662	109,468	233,222	$292,520
Other comprehensive income – net change in unrealized gains and losses on available-for-sale securities, net of deferred taxes	45,895	106,570	128,600	169,952
Comprehensive income	$139,557	216,038	361,822	$462,472
Shareholder dividends:				

Preferred shareholder dividends declared	$–	–	–	$2,602
Dividends declared per preferred share	–	–	–	0.45
Common shareholder dividends declared	3,246	3,985	10,301	12,273
Dividends declared per common share	$0.08	0.08	0.24	$0.24

See accompanying notes to the consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2010 and 2009
($ in thousands)

	2010	2009
Preferred shares:		
Balances at beginning of period	$–	$57
Conversion of preferred shares	–	(57)
Balances at end of period	–	–
Common shares:		
Balances at beginning of period	459	475
Issuance of common shares	1	–
Repurchase of common shares	(80)	(37)
Settlement of equity awards	3	2
Conversion of preferred shares	–	57
Exercise of common share options	10	1
Balances at end of period	393	498
Additional paid-in capital:		
Balances at beginning of period	883,425	1,114,135
Issuance of common shares	4	246
Repurchase of common shares	(304,528)	(101,346)
Share based compensation	10,607	11,175
Settlement of equity awards	(966)	(1,126)
Exercise of common share options	29,552	2,855
Tax benefit from share based compensation	1,018	–
Balances at end of period	619,112	1,025,939
Accumulated other comprehensive income (loss):		
Balances at beginning of period	(70,005)	(188,987)
Cumulative effect of accounting change, net of deferred tax	–	(14,244)
Noncredit component of impairment losses on available-for-sale securities, net of deferred tax	5,909	(14,870)
Net change in unrealized gains and losses on available-for-sale securities, net of deferred tax	122,691	184,822
Balances at end of period	58,595	(33,279)
Retained earnings:		
Balances at beginning of period	1,263,852	883,717
Cumulative effect of accounting change, net of deferred tax	–	14,244
Net income	233,222	292,520
Preferred share dividends	–	(1,301)
Common share dividends	(10,301)	(12,273)
Balances at end of period	1,486,773	1,176,907
Total shareholders' equity	$2,164,873	$2,170,065

See accompanying notes to the consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2010 and 2009
($ in thousands)

	2010	2009
Operating Activities:		
Net income	$233,222	$292,520
Adjustments to reconcile net income to cash used in operations:		
Depreciation and amortization	9,468	13,576
Net realized gains on investments	(99,297)	(53,917)
Net impairment losses on investments	25,560	11,739
Net foreign currency exchange gains	(1,061)	(157)
Share based compensation	10,607	11,175
Deferred income tax expense (benefit)	4,729	(205)
Trading securities activities, net	(28,985)	208,318
Changes in assets and liabilities:		
Decrease (increase) in accrued investment income	2,459	(3,604)
Decrease in reinsurance premiums receivable	94,328	32,746
Decrease in funds held by ceding companies	1,977	51,067
Decrease in deferred acquisition costs	611	5,277
Decrease in net unpaid losses and loss adjustment expenses	(150,517)	(108,760)
Increase (decrease) in net unearned premiums	3,558	(11,246)
Decrease in commissions payable	(32,106)	(32,538)
Changes in net current income tax payable and recoverable	(77)	5,180
Changes in other assets and liabilities	(11,705)	1,320
Other net	–	(14)
Net cash provided by (used in) operating activities	62,771	422,477
Investing Activities:		
Proceeds from sale of fixed maturity available-for-sale securities	3,096,113	1,007,097
Proceeds from sale of preferred stocks	5,176	–
Proceeds from maturity or paydown of available-for-sale securities	193,101	366,416
Acquisition of fixed maturity available-for-sale securities	(2,114,820)	(1,957,486)
Acquisition of trading securities	– –	(159,748)
Decrease (increase) in short-term investments	(139,721)	27,456
Net cash provided by (used in) investing activities	1,039,849	(716,265)
Financing Activities:		
Dividends paid to preferred shareholders	–	(2,602)
Dividends paid to common shareholders	(10,301)	(12,273)
Repurchase of common shares	(304,608)	(101,384)
Proceeds from exercise of common share options	29,562	2,856
Net cash provided by (used in) financing activities	(285,347)	(113,403)
Effect of foreign currency exchange rate changes on cash	(1,431)	6,457
Net increase (decrease) in cash and cash equivalents	815,842	(400,734)

Cash and cash equivalents at beginning of period	682,784	813,017
Cash and cash equivalents at end of period	$1,498,626	$412,283
Supplemental disclosures of cash flow information:		
Income taxes paid (refunded)	$21,837	$(5,464)
Interest paid	$9,375	$9,375

See accompanying notes to the consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2010 and 2009

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Consolidation

Platinum Underwriters Holdings, Ltd. (“Platinum Holdings”) is a Bermuda holding company organized in 2002. Platinum Holdings and its consolidated subsidiaries (collectively, the “Company”) operate through two licensed reinsurance subsidiaries, Platinum Underwriters Bermuda, Ltd. (“Platinum Bermuda”) and Platinum Underwriters Reinsurance, Inc. (“Platinum US”). The terms “we,” “us,” and “our” also refer to the Company, unless the context otherwise indicates. We provide property and marine, casualty and finite risk reinsurance coverages, through reinsurance intermediaries, to a diverse clientele of insurers and select reinsurers on a worldwide basis.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These consolidated financial statements include the accounts of Platinum Holdings, Platinum Bermuda, Platinum US, Platinum Re (UK) Limited, Platinum Underwriters Finance, Inc. (“Platinum Finance”), Platinum Regency Holdings (“Platinum Regency”), Platinum Administrative Services, Inc. and Platinum UK Services Company Limited. All material inter-company transactions have been eliminated in preparing these consolidated financial statements. The consolidated financial statements included in this report as of and for the three and nine months ended September 30, 2010 and 2009 are unaudited and include adjustments consisting of normal recurring items that management considers necessary for a fair presentation under U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2009.

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. The results of operations for any interim period are not necessarily indicative of results for the full year.

Recently Issued Accounting Pronouncements

In October 2010, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update No. 2010-26, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts” (“ASU 2010-26”). ASU 2010-26 modifies the types of costs that may be deferred, allowing insurance companies to only defer costs directly related to a successful contract acquisition or renewal. These costs include incremental direct costs of successful contracts, the portion of employees’ salaries and benefits related to time spent on acquisition activities for successful contracts and other costs incurred in the acquisition of a contract. Additional disclosure of the type of acquisition costs capitalized is also required. ASU 2010-26 is effective on prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company’s annual period. We are currently evaluating the impact of the adoption of ASU 2010-26 on our financial position.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements” (“ASU 2010-06”). This update requires additional disclosures about fair value measurements, including disclosures regarding (i) the amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements and separate presentation of purchases, sales, issuances and settlements of items measured using significant unobservable inputs, as previously disclosed for Level 3, (ii) inputs and valuation techniques used to measure fair value for financial assets and liabilities that fall in either Level 2 or Level 3, (iii) the activity within Level 3 fair value measurements, and (iv) disaggregation of financial assets and liabilities measured at fair value into classes of financial assets and liabilities. The requirements were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure about purchases, sales, issuances and settlements which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. We adopted the guidance as of January 1, 2010 and it did not have an effect on our financial position and results of operations.

In June 2009, the FASB issued additional guidance under the FASB Accounting Standards Codification ("ASC") 810, "Consolidation" ("ASC 810"), which amends the consolidation guidance applicable to variable interest entities ("VIEs"). The amendments affected the overall consolidation analysis under ASC 810. In particular, the amendments modified the approach for determining the primary beneficiary of a VIE. We adopted the guidance as of January 1, 2010 and it did not have an effect on our financial position and results of operations.

2. Investments

Available-for-sale Securities

The following table sets forth our fixed maturity available-for-sale securities and preferred stocks as of September 30, 2010 and December 31, 2009 ($ in thousands):

			Gross Unrealized Losses		
	Amortized Cost	Gross Unrealized Gains	Non-OTTI	Non-credit portion of OTTI	Fair Value
September 30, 2010:					
U.S. Government	$516,495	15,446	–	–	$531,941
U.S. Government agencies	100,000	790	–	–	100,790
Corporate bonds	384,984	27,641	704	–	411,921
Commercial mortgage-backed securities	201,286	12,413	3,189	366	210,144
Residential mortgage-backed securities	208,825	4,240	23,126	13,863	176,076
Asset-backed securities	33,966	237	6,927	3,581	23,695
Municipal bonds	1,103,265	67,654	478	–	1,170,441
Non-U.S. governments	75,124	2,637	298	–	77,463
Total fixed maturity available-for-sale securities	2,623,945	131,058	34,722	17,810	2,702,471
Preferred stocks	–	–	–	–	–
Total available-for-sale securities	$2,623,945	131,058	34,722	17,810	$2,702,471
December 31, 2009:					
U.S. Government	$614,224	270	5,797	–	$608,697
U.S. Government agencies	100,000	1,082	–	–	101,082
Corporate bonds	467,640	18,446	9,100	–	476,986
Commercial mortgage-backed securities	243,176	376	26,253	2,279	215,020
Residential mortgage-backed securities	767,338	3,158	39,142	16,651	714,703
Asset-backed securities	84,396	1,311	14,606	11,402	59,699
Municipal bonds	744,677	19,172	4,348	–	759,501
Non-U.S. governments	568,630	10,359	625	–	578,364
Total fixed maturity available-for-sale securities	3,590,081	54,174	99,871	30,332	3,514,052
Preferred stocks	1,879	2,018	–	–	3,897
Total available-for-sale securities	$3,591,960	56,192	99,871	30,332	$3,517,949

Our available-for-sale securities are U.S. dollar denominated securities. U.S. Government agencies include securities issued by financial institutions under the Temporary Liquidity Guarantee Program guaranteed by the Federal Deposit Insurance Corporation. Non-U.S. governments consist primarily of securities issued by governments and financial institutions that are explicitly guaranteed by the respective government.

Trading Securities

The following table sets forth the fair value of our fixed maturity trading securities as of September 30, 2010 and December 31, 2009 ($ in thousands):

	September 30, 2010	December 31, 2009
Insurance-linked securities	$ 26,300	$ 25,682
Non-U.S. dollar denominated securities:		
U.S. Government agencies	16,058	16,423
Corporate bonds	70	77
Non-U.S. governments	129,452	100,384
Total trading securities	$ 171,880	$ 142,566

We have elected to record our investments in insurance-linked securities at fair value. Insurance-linked securities have exposure to catastrophe loss, which we actively manage. We believe that the various risk elements of insurance-linked securities are more appropriately accounted for in accordance with the fair value measurement attributes of FASB ASC 825, “Financial Instruments” (“ASC 825”). The mark-to-market adjustments on securities recognized under ASC 825 contributed $0.3 million and $3.4 million to net realized gains on investments for the three months ended September 30, 2010 and 2009, respectively, and contributed $0.5 million and $6.2 million to net realized gains for the nine months ended September 30, 2010 and 2009, respectively.

At acquisition, we determine our trading intent in the near term for securities accounted for in accordance with ASC 825. If we do not intend to sell these securities in the near term, the purchases and sales are included in investing activities in our consolidated statements of cash flows, otherwise they are included in operating activities. For the nine months ended September 30, 2010, there were no purchases or sales of trading securities accounted for in accordance with ASC 825. For the nine months ended September 30, 2009, purchases of $159.7 million of securities were classified as investing activities and net sales of $208.3 million of securities were classified as net trading securities and included in operating activities of the consolidated statements of cash flows.

Unrealized Gains and Losses

The following table sets forth the net changes in unrealized gains and losses on our fixed maturity available-for-sale securities for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gross change in unrealized investment gains and losses	$51,753	121,591	152,537	$173,692
Less: deferred tax	(5,858)	(15,021)	(23,937)	(17,984)
Cumulative effect of accounting change, net of deferred tax	–	–	–	14,244
Net change in unrealized gains and losses	$45,895	106,570	128,600	$169,952

The following table sets forth our unrealized losses on securities classified as available-for-sale aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2010 and December 31, 2009 ($ in thousands):

	September 30, 2010		December 31, 2009	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Less than twelve months:				
U.S. Government	$–	–	594,343	$5,797
Corporate bonds	6,376	78	34,393	281
Commercial mortgage-backed securities	2	12	18,101	244
Residential mortgage-backed securities	5,849	455	540,606	10,446
Asset-backed securities	–	–	1,075	445
Municipal bonds	44,059	475	187,159	4,244
Non-U.S. governments	4,699	298	59,815	565
Total	$60,985	1,318	1,435,492	$22,022
Twelve months or more:				
U.S. Government	$–	–	–	$–

Corporate bonds	14,989	626	59,423	8,819
Commercial mortgage-backed securities	28,794	3,543	160,039	28,288
Residential mortgage-backed securities	81,575	36,534	94,969	45,347
Asset-backed securities	22,911	10,508	28,238	25,563
Municipal bonds	5,800	3	3,015	104
Non-U.S. governments	–	–	1,661	60
Total	$154,069	51,214	347,345	$108,181
Total unrealized losses:				
U.S. Government	$–	–	594,343	$5,797
Corporate bonds	21,365	704	93,816	9,100
Commercial mortgage-backed securities	28,796	3,555	178,140	28,532
Residential mortgage-backed securities	87,424	36,989	635,575	55,793
Asset-backed securities	22,911	10,508	29,313	26,008
Municipal bonds	49,859	478	190,174	4,348
Non-U.S. governments	4,699	298	61,476	625
Total	$215,054	52,532	1,782,837	$130,203

The fair values of fixed maturity available-for-sale securities included in the table above relate only to securities in an unrealized loss position as of the reporting date. We routinely review our available-for-sale investments to determine whether unrealized losses represent temporary changes in fair value or are the result of an other-than-temporary impairment ("OTTI"). The process of determining whether a security is other-than-temporarily impaired requires judgment and involves analyzing many factors. These factors include the overall financial condition of the issuer, the length of time and magnitude of an unrealized loss, specific credit events, the collateral structure and the credit support that may be applicable. The amount of the credit loss of an impaired debt security is the difference between the amortized cost and the greater of (i) the present value of expected future cash flows or (ii) the fair value of the security. The credit loss is recognized in net income and the portion of OTTI related to all other factors is recognized in accumulated other comprehensive income or loss in the consolidated statement of shareholders' equity.

Investment holdings within our corporate bond portfolio were diversified across approximately 30 industry sectors and are comprised of many individual issuers and issues within each sector. As of September 30, 2010, the single largest unrealized loss within our corporate bond portfolio was $0.3 million related to a security with an amortized cost of $5.0 million. We consider the credit worthiness of our corporate bond portfolio by reviewing various performance metrics of the issuer, including financial condition and credit ratings as well as other public information. We determined that none of our corporate bonds were other-than-temporarily impaired for the three and nine months ended September 30, 2010 and 2009.

We analyze our commercial mortgage-backed securities ("CMBS") on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, debt-service-coverage ratios and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded no net impairment losses related to CMBS for the three months ended September 30, 2010 and net impairment losses of $1.7 million for the three months ended September 30, 2009, and net impairment losses of $7.8 million and $2.6 million for the nine months ended September 30, 2010 and 2009, respectively.

Our residential mortgage-backed securities ("RMBS") include U.S. Government agency RMBS and non-agency RMBS. Our securities with underlying sub-prime mortgages as collateral are included in asset-backed securities ("ABS"). We analyze our RMBS and sub-prime ABS on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include delinquencies, defaults, foreclosures, prepayment speeds and cumulative losses incurred. The expected losses for a mortgage pool are compared with the current level of credit support, which generally represents the point at which our security would experience losses. We evaluate projected cash flows as well as other factors in order to determine if a credit impairment has occurred. We recorded net impairment losses related to non-agency RMBS of $2.9 million and $2.0 million for the three months ended September 30, 2010 and 2009, respectively, and net impairment losses of $5.6 million and $5.8 million for the nine months ended September 30, 2010 and 2009, respectively. We also recorded net impairment losses related to sub-prime ABS of $1.1 million and $1.4 million for the three months ended September 30, 2010 and 2009, respectively, and net impairment losses of $12.2 million and $2.1 million for the nine months ended September 30, 2010 and 2009, respectively.

The following table sets forth a summary of the credit losses recognized on our fixed maturity available-for-sale securities for the nine months ended September 30, 2010 and 2009 ($ in thousands):

	2010	2009
Beginning balance, January 1	$18,695	$–
Cumulative effect of accounting change	–	2,300
Credit losses on securities not previously impaired	9,936	6,892

Additional credit losses on securities previously impaired	15,624	3,639
Reduction for increases in cash flows expected to be collected	(325)	–
Ending balance, September 30	$43,930	$12,831

The cumulative credit losses we recorded on CMBS of $10.4 million were on five securities issued from 2006 to 2008. As of September 30, 2010, 9.7% of the mortgage pools backing these securities were 90 days or more past due and 0.4% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 16.2%. The cumulative credit losses we recorded on RMBS and sub-prime ABS of $33.5 million were on 22 securities issued from 2005 to 2007. As of September 30, 2010, 18.5% of the mortgage pools backing these securities were 90 days or more past due and 3.6% of the mortgage pools had incurred cumulative losses. For these securities, the expected losses for the underlying mortgage pools were greater than the remaining credit support of 8.1%.

As of September 30, 2010, we no longer held any preferred stocks. For preferred stocks we previously held, we evaluated the unrealized losses of our preferred stocks by individual issuer and determined if we could forecast a reasonable period of time by which the fair value of the securities would increase and we would recover our cost. If we were unable to forecast a reasonable period of time in which to recover the cost of our preferred stocks, we recorded a net impairment loss in our consolidated statement of operations equivalent to the entire unrealized loss. We recorded no net impairment losses related to our preferred stocks for the three months ended September 30, 2010 and 2009 or for the nine months ended September 30, 2010. We recorded net impairment losses related to our preferred stocks of $1.2 million for the nine months ended September 30, 2009.

In evaluating the potential for OTTI, we also consider our intent to sell a security and the likelihood that we will be required to sell a security before an unrealized loss is recovered. Our intent to sell a security is based, in part, on adverse changes in the credit worthiness of a debt issuer, pricing and other market conditions and our anticipated net cash flows. If we determine that we intend to sell a security that is in an unrealized loss position, then the unrealized loss related to such security, representing the difference between the security's amortized cost and its fair value, is recognized as a net impairment loss in our consolidated statement of operations at the time we determine our intent is to sell.

We believe that the gross unrealized loss in our available-for-sale portfolio represents temporary declines in fair value. We believe that the unrealized loss is not necessarily predictive of ultimate performance and that the provisions we have made for net impairment losses are adequate. However, economic conditions may deteriorate more than expected and may adversely affect the expected cash flows of our securities, which in turn may lead to impairment losses recorded in future periods.

Net Investment Income

The following table sets forth our net investment income for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Fixed maturity securities	$31,274	43,777	105,054	$121,501
Short-term investments and cash and cash equivalents	510	237	1,097	1,534
Funds held	449	1,981	1,367	3,690
Subtotal	32,233	45,995	107,518	126,725
Less: investment expenses	1,155	1,248	3,563	3,655
Net investment income	$31,078	44,747	103,955	$123,070

Net Realized Gains and Losses on Investments

The following table sets forth our net realized gains and losses on investments for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gross realized gains on the sale of investments	$44,088	22,960	103,050	$53,277
Gross realized losses on the sale of investments	(1,647)	(4,882)	(8,007)	(5,431)
Net realized gains on the sale of investments	42,441	18,078	95,043	47,846
Mark-to-market adjustments on trading securities	1,910	4,475	4,254	6,071
Net realized gains on investments	$44,351	22,553	99,297	$53,917

Maturities

Actual maturities of our fixed maturity available-for-sale and trading securities could differ from stated maturities due to call or prepayment provisions. The following table sets forth the amortized cost and fair value of our fixed maturity available-for-sale and trading securities by stated maturity as of September 30, 2010 ($ in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 66,880	$ 67,849
Due from one to five years	626,305	659,203
Due from five to ten years	929,853	975,849
Due in ten or more years	718,398	761,535
Mortgage-backed and asset-backed securities	444,076	409,915
Total	$ 2,785,512	$ 2,874,351

3. Fair Value Measurements

The fair values of our financial assets and liabilities are determined primarily through the use of observable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from external independent sources. Unobservable inputs reflect management's assumptions about what market participants' assumptions would be in pricing the asset or liability based on the best information available. We classify our financial assets and liabilities in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. This classification requires judgment in assessing the market and pricing methodologies for a particular security. The fair value hierarchy includes the following three levels:

Level 1: Valuations are based on unadjusted quoted prices in active markets for identical financial assets or liabilities;

Level 2: Valuations of financial assets and liabilities are based on prices obtained from independent pricing vendors, index providers, or broker-dealers using observable inputs; and

Level 3: Valuations are based on unobservable inputs for assets and liabilities where there is little or no market activity. Management's assumptions are used in internal valuation pricing models to determine the fair value of financial assets or liabilities.

The following table presents the fair value measurement levels for all financial assets and liabilities which the Company has recorded at fair value as of September 30, 2010 and December 31, 2009 ($ in thousands):

		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
September 30, 2010:				
Financial assets:				
U.S. Government	$531,941	531,941	–	$–
U.S. Government agencies	116,848	–	116,848	–
Corporate bonds	411,991	–	411,991	–
Commercial mortgage-backed securities	210,144	–	210,144	–
Residential mortgage-backed securities	176,076	–	176,076	–
Asset-backed securities	23,695	–	23,695	–
Municipal bonds	1,170,441	–	1,170,441	–
Non-U.S. governments	206,915	59,489	147,426	–
Insurance-linked securities	26,300	–	26,300	–
Preferred stocks	–	–	–	–
Short-term investments	166,207	–	166,207	–
Total	$3,040,558	591,430	2,449,128	$–
Financial liabilities:				
Derivative instrument	4,183	–	–	4,183
Total	$4,183	–	–	$4,183
December 31, 2009:				
Financial assets:				
U.S. Government	$608,697	608,697	–	$–
U.S. Government agencies	117,505	–	117,505	–
Corporate bonds	477,063	27,760	449,303	–
Commercial mortgage-backed securities	215,020	–	215,020	–
Residential mortgage-backed securities	714,703	–	714,703	–
Asset-backed securities	59,699	–	59,699	–
Municipal bonds	759,501	–	759,501	–
Non-U.S. governments	678,748	35,311	643,437	–
Insurance-linked securities	25,682	–	25,682	–
Preferred stocks	3,897	3,897	–	–
Short-term investments	26,350	–	26,350	–
Total	$3,686,865	675,665	3,011,200	$–
Financial liabilities:				
Derivative instrument	4,677	–	–	4,677
Total	$4,677	–	–	$4,677

Our financial assets and liabilities recorded at fair value include fixed maturity securities, preferred stocks, short-term investments and a derivative instrument. The fair values of our fixed maturity securities, preferred stocks and short-term investments are based on prices generally obtained from independent pricing vendors, index providers, or broker-dealers using observable inputs. Fixed maturity securities are generally valued using the market approach. The inputs used to determine the fair value of our financial assets and liabilities are as follows:

U.S. Government	The fair values of U.S. Government securities are based on quoted prices in active markets for identical assets. The fair value measurements are classified as Level 1.
U.S Government agencies	Our U.S. Government agencies portfolio consists of securities issued by financial institutions guaranteed by the Federal Deposit Insurance Corporation. The observable inputs used to price these securities may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements are classified as Level 2.
Corporate bonds	Our corporate bond portfolio is comprised of corporate issues and redeemable preferred stocks. The observable inputs used to price corporate issues may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and industry and economic indicators. The fair value measurements are classified as Level 2. Exchange traded redeemable preferred stocks are priced based on quoted prices in active markets for identical assets. The fair value measurements are classified as Level 1.

Commercial mortgage-backed securities	The fair values of CMBS are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, delinquencies, loss severities and default rates. The fair value measurements are classified as Level 2.
Residential mortgage-backed securities	Our RMBS portfolio is comprised of securities issued by U.S. Government agencies and by non-agency institutions. The observable inputs used to price U.S. Government agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, loan level information and prepayment speeds. The observable inputs used to price non-agency RMBS may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements are classified as Level 2.
Asset-backed securities	The fair values of ABS are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, security cash flows and structures, type of collateral, prepayment speeds, delinquencies, loss severities and default rates. The fair value measurements are classified as Level 2.
Municipal bonds	The fair values of municipal bonds are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and economic indicators. The fair value measurements are classified as Level 2.
Non-U.S. governments	Our non-U.S. government bond portfolio consists of securities issued primarily by governments, provinces, agencies and supranationals as well as debt issued by financial institutions that is guaranteed by a non-U.S. government. The fair values of non-U.S. government securities are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. The fair value measurements are classified as Level 1 or Level 2.
Insurance-linked securities	The fair values of insurance-linked securities are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark securities, bids, credit risks and specific catastrophic events. The fair value measurements are classified as Level 2.
Preferred stocks	Non-redeemable exchange traded preferred stocks are priced based on quoted prices in active markets for identical assets. The fair value measurements are classified as Level 1.

Short-term investments	Short-term investments are generally carried at amortized cost, which approximates fair value and are classified as Level 2.
Derivative instrument	The fair value of our derivative instrument is determined by management primarily using unobservable inputs through the application of our own assumptions and internal valuation pricing models. Unobservable inputs used in the internal valuation pricing model include the unpaid contract premiums, probability of losses triggered under the covered perils for first and second events, the remaining time to the end of the annual contract period and the seasonality of risks. The valuation is based on the use of significant unobservable inputs therefore the fair value measurement is classified as Level 3. See Note 4 for additional disclosure on our derivative instrument.

The following table reconciles the beginning and ending balance for our Level 3 derivative instrument measured at fair value using significant unobservable inputs for the nine months ended September 30, 2010 and 2009 ($ in thousands):

	2010	2009
Beginning balance at January 1	$(4,677)	$(4,753)
Purchases, issuances and settlements	6,993	7,336
Sales, maturities and paydowns	–	–
Total net realized gains included in earnings	–	–
Total decrease in fair value of the derivative instrument included in earnings	(6,499)	(6,828)
Total net unrealized gains (losses) included in comprehensive income	–	–
Transfers in and/or out of Level 3	–	–
Ending balance at September 30	$(4,183)	$(4,245)
Total decrease in fair value of the derivative instrument included in earnings relating to liabilities outstanding for the period	$(6,499)	$(6,828)

There were no transfers in or out of Levels 1, 2 or 3 during the nine months ended September 30, 2010 and 2009.

The carrying amounts of all financial assets and liabilities were equal to fair values as at September 30, 2010 and December 31, 2009, except for the senior notes included in debt obligations on our consolidated balance sheets. The senior notes were recorded at cost with a carrying value of $250.0 million at September 30, 2010 and December 31, 2009, and had a fair value of $274.4 million and $245.0 million at September 30, 2010 and December 31, 2009, respectively.

4. Derivative Instrument

In August 2008, we entered into a derivative agreement with Topiary Capital Limited ("Topiary"), a Cayman Islands special purpose vehicle, that provides us with the ability to recover up to $200.0 million if two catastrophic events involving U.S. wind, U.S. earthquake, European wind or Japanese earthquake occur that meet specified loss criteria during any of three annual periods commencing August 1, 2008. Any recovery we make under this contract is based on insured property industry loss estimates for the U.S. perils and European wind and a parametric index for Japanese earthquake events. Recovery is based on both a physical and financial variable and is not based on actual losses we may incur. Consequently, the transaction is accounted for as a derivative and is carried at the estimated fair value.

Under the terms of the agreement, we pay Topiary approximately $9.7 million during each of the three annual periods. The net derivative liability of $4.2 million and $4.7 million at September 30, 2010 and December 31, 2009, respectively, was included in other liabilities on our consolidated balance sheets. The net change in fair value for the nine months ended September 30, 2010 and 2009 of $6.5 million and $6.8 million, respectively, was included in the change in fair value of derivatives on our consolidated statements of operations.

Topiary's limit of loss is collateralized with high quality investment grade securities deposited in an account to secure its obligations to the Company. The performance of the securities in the collateral account is guaranteed under a total return swap agreement with Goldman Sachs International whose obligations under the swap agreement are guaranteed by Goldman Sachs Group, Inc.

Topiary is a variable interest entity under the provisions of ASC 810. We have concluded that we are not the primary beneficiary of Topiary and, accordingly, we have not consolidated this entity in our consolidated financial statements.

5. Income Taxes

We provide for income taxes based upon income reported in the consolidated financial statements and the provisions of currently enacted tax laws. Platinum Holdings and Platinum Bermuda are incorporated under the laws of Bermuda and are subject to Bermuda law with respect to taxation. Under current Bermuda law, we are not taxed on any Bermuda income or capital gains and we have received an assurance from the Bermuda Minister of Finance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings or Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 28, 2016. Platinum Holdings has subsidiaries based in the United States, the United Kingdom and Ireland that are subject to the respective tax laws thereof.

The income tax returns of our U.S.-based subsidiaries that remain open to examination are for calendar years 2003 and forward. The income tax returns of 2003 and 2004 are currently under examination by the U.S. Internal Revenue Service.

6. Company Share Repurchases

Our board of directors has authorized the repurchase of our common shares through a share repurchase program. In accordance with the share repurchase program, we repurchased 7,986,517 of our common shares in the open market for an aggregate amount of $304.6 million at a weighted average cost including commissions of $38.14 per share during the nine months ended September 30, 2010. The repurchased shares were cancelled. Since the program was established, our board of directors has monitored the level of share repurchase activity and periodically restored the repurchase authority under the program to $250.0 million, most recently on October 27, 2010.

7. Earnings per Common Share

The following is a reconciliation of the basic and diluted earnings per common share computations for the three and nine months ended September 30, 2010 and 2009 ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Earnings:				
Basic				
Net income attributable to common shareholders	$93,662	109,468	233,222	$291,219
Diluted				
Net income attributable to common shareholders	93,662	109,468	233,222	291,219
Effect of dilutive securities:				
Preferred share dividends	–	–	–	1,301

Adjusted net income for diluted earnings per common share	$93,662	109,468	233,222	$292,520
Common Shares:				
Basic				
Weighted average common shares outstanding	40,485	49,660	43,029	49,955
Diluted				
Weighted average common shares outstanding	40,485	49,660	43,029	49,955
Effect of dilutive securities:				
Conversion of preferred shares	–	–	–	1,011
Common share options	3,064	1,950	2,748	1,190
Restricted common shares and common share units	495	429	486	391
Adjusted weighted average common shares outstanding	44,044	52,039	46,263	52,547
Earnings Per Common Share:				
Basic earnings per common share	$2.31	2.20	5.42	$5.83
Diluted earnings per common share	$2.13	2.10	5.04	$5.57

8. Operating Segment Information

We conduct our worldwide reinsurance business through three operating segments: Property and Marine, Casualty and Finite Risk. The Property and Marine operating segment includes principally property and marine reinsurance coverages that are written in the United States and international markets. This operating segment includes property reinsurance, crop reinsurance and marine and aviation reinsurance. The Property and Marine operating segment includes reinsurance contracts that are either catastrophe excess-of-loss, per-risk excess-of-loss or proportional contracts. The Casualty operating segment includes reinsurance contracts that cover general and product liability, professional liability, accident and health, umbrella liability, workers' compensation, casualty clash, automobile liability, surety, trade credit, and political risk. We generally seek to write casualty reinsurance on an excess-of-loss basis. We write first dollar proportional casualty reinsurance contracts on an opportunistic basis. The Finite Risk operating segment includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. In exchange for contractual features that limit our downside risk, reinsurance contracts that we classify as finite risk provide the potential for significant profit commission to the ceding company. The classes of risks underwritten through finite risk contracts are generally consistent with the classes covered by traditional products. The finite risk contracts that we underwrite generally provide prospective protection, meaning coverage is provided for losses that are incurred after inception of the contract, as contrasted with retrospective coverage, which covers losses that are incurred prior to inception of the contract. The three main categories of finite risk contracts are quota share, multi-year excess-of-loss and whole account aggregate stop loss.

In managing our operating segments, we use measures such as net underwriting income and underwriting ratios to evaluate segment performance. We do not allocate assets or certain income and expenses such as net investment income, net realized gains and losses on investments, net impairment losses on investments, net changes in fair value of derivatives, net foreign currency exchange gains and losses, interest expense and certain corporate expenses to segments. The measures we use in evaluating our operating segments should not be used as a substitute for measures determined under U.S. GAAP. The following table summarizes underwriting activity and ratios for the three operating segments, together with a reconciliation of underwriting income to income before income taxes for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30, 2010			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$114,885	80,362	4,180	$199,427
Net premiums earned	98,342	80,437	4,625	183,404
Net losses and loss adjustment expenses	70,657	8,156	281	79,094
Net acquisition expenses	14,140	16,395	1,982	32,517
Other underwriting expenses	7,905	5,171	307	13,383
Segment underwriting income (loss)	$5,640	50,715	2,055	58,410
Net investment income				31,078
Net realized gains on investments				44,351
Net impairment losses on investments				(4,048)
Net changes in fair value of derivatives				(4,154)
Net foreign currency exchange (losses) gains				(235)
Other income (expense)				(171)
Corporate expenses not allocated to segments				(6,621)

Interest expense				(4,763)
Income before income taxes				$113,847
Ratios:				
Net loss and loss adjustment expense	71.8%	10.1%	6.1%	43.1%
Net acquisition expense	14.4%	20.4%	42.9%	17.7%
Other underwriting expense	8.0%	6.4%	6.6%	7.3%
Combined	94.2%	36.9%	55.6%	68.1%

	Three Months Ended September 30, 2009			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$147,448	88,467	7,675	$243,590
Net premiums earned	132,567	90,591	6,380	229,538
Net losses and loss adjustment expenses	46,307	59,243	(6,310)	99,240
Net acquisition expenses	16,821	19,393	13,795	50,009
Other underwriting expenses	9,643	6,751	342	16,736
Segment underwriting income (loss)	$59,796	5,204	(1,447)	63,553
Net investment income				44,747
Net realized gains on investments				22,553
Net impairment losses on investments				(5,075)
Net changes in fair value of derivatives				(4,305)
Net foreign currency exchange (losses) gains				616
Other income (expense)				(1,222)
Corporate expenses not allocated to segments				(8,474)
Interest expense				(4,757)
Income before income taxes				$107,636
Ratios:				
Net loss and loss adjustment expense	34.9 %	65.4 %	(98.9 %)	43.2 %
Net acquisition expense	12.7 %	21.4 %	216.2 %	21.8 %
Other underwriting expense	7.3 %	7.5 %	5.4 %	7.3 %
Combined	54.9 %	94.3 %	122.7 %	72.3 %

	Nine Months Ended September 30, 2010			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$335,775	246,741	16,056	$598,572
Net premiums earned	326,698	253,505	14,811	595,014
Net losses and loss adjustment expenses	232,294	79,744	3,099	315,137
Net acquisition expenses	47,589	52,874	13,471	113,934
Other underwriting expenses	24,324	17,295	958	42,577
Segment underwriting income (loss)	$22,491	103,592	(2,717)	123,366
Net investment income				103,955
Net realized gains on investments				99,297
Net impairment losses on investments				(25,560)
Net changes in fair value of derivatives				(6,499)
Net foreign currency exchange (losses) gains				1,061
Other income (expense)				(42)
Corporate expenses not allocated to segments				(19,328)
Interest expense				(14,232)

Income before income taxes				$262,018
Ratios:				
Net loss and loss adjustment expense	71.1 %	31.5 %	20.9 %	53.0 %
Net acquisition expense	14.6 %	20.9 %	91.0 %	19.1 %
Other underwriting expense	7.4 %	6.8 %	6.5 %	7.2 %
Combined	93.1 %	59.2 %	118.4 %	79.3 %

	Nine Months Ended September 30, 2009			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$402,588	273,940	20,451	$696,979
Net premiums earned	394,554	299,712	15,486	709,752
Net losses and loss adjustment expenses	186,565	179,426	2,358	368,349
Net acquisition expenses	47,711	66,020	14,772	128,503
Other underwriting expenses	26,925	18,550	1,042	46,517
Segment underwriting income (loss)	$133,353	35,716	(2,686)	166,383
Net investment income				123,070
Net realized gains on investments				53,917
Net impairment losses on investments				(11,739)
Net changes in fair value of derivatives				(6,828)
Net foreign currency exchange (losses) gains				157
Other income (expense)				4,222
Corporate expenses not allocated to segments				(22,467)
Interest expense				(14,268)
Income before income taxes				$292,447
Ratios:				
Net loss and loss adjustment expense	47.3 %	59.9 %	15.2 %	51.9 %
Net acquisition expense	12.1 %	22.0 %	95.4 %	18.1 %
Other underwriting expense	6.8 %	6.2 %	6.7 %	6.6 %
Combined	66.2 %	88.1 %	117.3 %	76.6 %

9. Dividend Capacity and Condensed Consolidating Financial Information

The payment of dividends from our subsidiaries is limited by applicable laws and statutory requirements of the jurisdictions in which the subsidiaries operate, including Bermuda, the United States, and Ireland. Based on regulatory restrictions, the maximum amount available for payment of dividends or other distributions by the reinsurance subsidiaries of Platinum Holdings in 2010 without prior regulatory approval is estimated to be approximately $451.0 million. As of September 30, 2010, dividends paid by the reinsurance subsidiaries of Platinum Holdings in 2010 were $305.0 million. Subsequent to September 30, 2010, dividend payments of $138.0 million were made by the reinsurance subsidiaries of Platinum Holdings.

During the three and nine months ended September 30, 2010, Platinum Bermuda paid dividends of $50.0 million and $285.0 million, respectively, to Platinum Holdings. Subsequent to September 30, 2010, Platinum Bermuda paid dividends of $100.0 million to Platinum Holdings.

Platinum Finance is a U.S.-based intermediate holding company, a wholly-owned subsidiary of Platinum Regency and the sole shareholder of Platinum US. Based on regulatory restrictions, the maximum amount available for payment of dividends or other distributions by Platinum US to Platinum Finance in 2010 without prior regulatory approval is $58.6 million. Platinum US paid no dividends to Platinum Finance during the three months ended September 30, 2010 and paid dividends of $20.0 million to Platinum Finance during the nine months ended September 30, 2010. Subsequent to September 30, 2010, Platinum US paid dividends of $38.0 million to Platinum Finance. In addition, subsequent to September 30, 2010, Platinum Finance provided a $40.0 million loan to Platinum Holdings, due February 1, 2011, with interest payable at maturity at a rate of 80 basis points per annum.

Platinum Regency is an Ireland-based intermediate holding company and subsidiary of Platinum Holdings. Platinum Regency paid no dividends to Platinum Holdings during the three months ended September 30, 2010 and paid dividends of $8.5 million to Platinum Holdings during the nine months ended September 30, 2010.

Platinum Finance has $250.0 million of Series B Notes, due June 1, 2017, outstanding, that are fully and unconditionally guaranteed by Platinum Holdings.

The tables below present the condensed consolidating financial information of Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of September 30, 2010 and December 31, 2009 and for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

Condensed Consolidating Balance Sheet September 30, 2010	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$–	5,832	3,034,726	–	$ 3,040,558
Investment in subsidiaries	2,106,104	649,000	448,679	(3,203,783)	–
Cash and cash equivalents	43,907	46,607	1,408,112	–	1,498,626
Reinsurance assets	–	–	322,436	–	322,436
Other assets	18,652	3,218	53,414	(645)	74,639
Total assets	$2,168,663	704,657	5,267,367	(3,204,428)	$ 4,936,259
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$–	–	2,433,065	–	$ 2,433,065
Debt obligations	–	250,000	–	–	250,000
Other liabilities	3,790	6,280	78,896	(645)	88,321
Total liabilities	3,790	256,280	2,511,961	(645)	2,771,386
Shareholders' Equity					
Common shares	393	–	8,000	(8,000)	393
Additional paid-in capital	619,112	213,625	1,877,902	(2,091,527)	619,112
Accumulated other comprehensive income	58,595	37,015	95,597	(132,612)	58,595
Retained earnings	1,486,773	197,737	773,907	(971,644)	1,486,773
Total shareholders' equity	2,164,873	448,377	2,755,406	(3,203,783)	2,164,873
Total liabilities and shareholders' equity	$2,168,663	704,657	5,267,367	(3,204,428)	$ 4,936,259

Condensed Consolidating Balance Sheet December 31, 2009	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$–	26,426	3,660,439	–	$ 3,686,865
Investment in subsidiaries	2,023,276	546,946	341,627	(2,911,849)	–
Cash and cash equivalents	49,448	7,655	625,681	–	682,784
Reinsurance assets	–	–	424,527	–	424,527
Other assets	13,649	6,265	210,963	(3,475)	227,402
Total assets	$2,086,373	587,292	5,263,237	(2,915,324)	$ 5,021,578
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$–	–	2,620,406	–	$ 2,620,406
Debt obligations	–	250,000	–	–	250,000
Other liabilities	8,642	1,641	66,633	(3,475)	73,441
Total liabilities	8,642	251,641	2,687,039	(3,475)	2,943,847

Shareholders' Equity					
Common shares	459	–	6,250	(6,250)	459
Additional paid-in capital	883,425	212,608	1,883,156	(2,095,764)	883,425
Accumulated other comprehensive loss	(70,005)	(7,439)	(77,490)	84,929	(70,005)
Retained earnings	1,263,852	130,482	764,282	(894,764)	1,263,852
Total shareholders' equity	2,077,731	335,651	2,576,198	(2,911,849)	2,077,731
Total liabilities and shareholders' equity	$2,086,373	587,292	5,263,237	(2,915,324)	$ 5,021,578

Condensed Consolidating Statement of Operations For the Three Months Ended September 30, 2010	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$–	–	183,404	–	$ 183,404
Net investment income	44	33	31,001	–	31,078
Net realized gains on investments	–	79	44,272	–	44,351
Net impairment losses on investments	–	–	(4,048)	–	(4,048)
Other income (expense)	6,014	–	(6,185)	–	(171)
Total revenue	6,058	112	248,444	–	254,614
Expenses:					
Net losses and loss adjustment expenses	–	–	79,094	–	79,094
Net acquisition expenses	–	–	32,517	–	32,517
Net changes in fair value of derivatives	–	–	4,154	–	4,154
Operating expenses	6,196	57	13,751	–	20,004
Net foreign currency exchange losses (gains)	–	–	235	–	235
Interest expense	–	4,763	–	–	4,763
Total expenses	6,196	4,820	129,751	–	140,767
Income (loss) before income taxes	(138)	(4,708)	118,693	–	113,847
Income tax expense (benefit)	450	(1,720)	21,455	–	20,185
Income (loss) before equity in earnings of subsidiaries	(588)	(2,988)	97,238	–	93,662
Equity in earnings of subsidiaries	94,250	27,900	30,117	(152,267)	–
Net income	$93,662	24,912	127,355	(152,267)	$ 93,662

Condensed Consolidating Statement of Operations For the Three Months Ended September 30, 2009	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$–	–	229,538	–	$ 229,538