Under Armour, Inc.
Form S-1/A
May 17, 2006
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As filed with the Securities and Exchange Commission on May 17, 2006

Registration No. 333-133951

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

UNDER ARMOUR, INC.

(Exact name of Registrant as specified in its charter)

Maryland	2300	52-1990078
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1020 Hull Street, 3rd Floor

Baltimore, Maryland 21230

(410) 454-6428

(Address, including zip code, and telephone number, including

area code, of Registrant s principal executive office)

Kevin M. Haley

Vice President-House Counsel and General Counsel

Under Armour, Inc.

1020 Hull Street, 3rd Floor

Baltimore, Maryland 21230

(410) 454-6428

(Name, address, including zip code, and telephone number, including

area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Class A Common Stock, par value $.0003 1/3 per share	8,007,640 Shares	$ 36.47	$ 292,038,631	$ 31,248(3)

(1) Includes 1,044,475 shares of common stock that may be purchased by the underwriters from certain of the selling stockholders upon the exercise of the underwriters option to purchase additional shares.
(2) Estimated pursuant to Rule 457(c) under the Securities Act, the offering price and registration fee are based on the high and low sale prices for the common stock on May 15, 2006, as reported on the Nasdaq National Market.
(3) $30,241 was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 17, 2006.

6,963,165 Shares

Under Armour, Inc.

Class A Common Stock

The selling stockholders of Under Amour, Inc. identified in this prospectus are offering 6,963,165 shares of Class A common stock. Under Armour, Inc. will not receive any of the proceeds from the sale of the shares being sold in this offering.

Under Armour, Inc. has two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible into one share of Class A common stock upon the occurrence of certain events. All of the Class B common stock is beneficially owned by Kevin A. Plank, our founder and Chief Executive Officer. Following this offering, Mr. Plank will control common stock representing 80.4% of the total voting power of our common stock.

The Class A common stock is quoted on The Nasdaq National Market under the symbol UARM. The last reported sale price of the Class A common stock on May 16, 2006 was $35.80 per share.

See Risk Factors on page 7 to read about factors you should consider before buying shares of the Class A common stock.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price		
Underwriting discount		
Proceeds, before expenses, to the selling stockholders		

To the extent that the underwriters sell more than 6,963,165 shares of Class A common stock, the underwriters have the option to purchase up to an additional 1,044,475 shares of Class A common stock from certain selling stockholders at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares of Class A common stock against payment in New York, New York on , 2006.

Goldman, Sachs & Co.

CIBC World Markets **Wachovia Securities**

Banc of America Securities LLC **Piper Jaffray** **Thomas Weisel Partners LLC**

Prospectus dated , 2006.

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SOURCES OF MARKET AND INDUSTRY DATA

This prospectus includes market share and industry data and forecasts that we have obtained from internal company surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Information regarding the U.S. sports apparel and active sports apparel markets is derived from The NPD Group, Inc. s 2005 NPD Fashionworld Consumer Estimated data. Except where otherwise noted, statements as to our position relative to our competitors or as to market share refer to the most recent available data.

USE OF TRADEMARKS AND TRADE NAMES

We have a number of registered marks, including Under Armour®, HeatGear®, ColdGear®, AllSeasonGear®, LooseGear® and the Under Armour design mark, and we have applied to register our Protect This House, Duplicity, I Think You Hear Us Coming and Click Clack trademarks. This prospectus also contains trademarks and trade names of other companies. All trademarks and trade names appearing in this prospectus are the property of their respective holders.

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PROSPECTUS SUMMARY

The following summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus as well as the information incorporated herein by reference carefully. In particular, you should read the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes relating to those statements included elsewhere in this prospectus or in the documents incorporated herein by reference.

Our Company

Under Armour is a leading designer, developer, marketer and distributor of technologically advanced, branded performance products for men, women and youth. We endeavor to build each and every Under Armour product with superior fabrication and design innovation utilizing a variety of synthetic microfiber fabrications. The broadening consumer demand for our products among professional, collegiate and Olympic teams and athletes, active outdoor enthusiasts, elite tactical professionals and consumers with active lifestyles is evidenced by our rapid net revenues growth from $5.3 million in 2000 to $281.1 million in 2005, representing a compound annual growth rate of approximately 120.9%. Our operating income has increased from $0.7 million in 2000 to $35.9 million in 2005, representing a compound annual growth rate of approximately 119.3%. We have continued our rapid growth in 2006 with net revenues increasing from $58.2 million in the first quarter of 2005 to $87.7 million in the first quarter of 2006, which represents an increase of 50.7%. Our operating income increased from $4.9 million in the first quarter of 2005 to $14.2 million in the first quarter of 2006, which represents an increase of 189.6%.

Our business began in 1995 as an idea of our founder and Chief Executive Officer, Kevin A. Plank, then special teams captain for the University of Maryland football team, when he set out to develop a next generation T-shirt. A year of fabric and product testing resulted in the first Under Armour compression product a synthetic shirt worn beneath an athlete s uniform or equipment that provided a snug fit, like a second skin, and remained drier and lighter. Since then, our products have evolved and expanded to include a wide variety of shirts, shorts, underwear, outerwear, gloves and other offerings, but our focus has remained the same to replace basic cotton products with innovative performance products that enable the wearer to feel drier, lighter and more comfortable.

Our products are merchandised to clearly communicate the condition or uses for which they were designed, including HeatGear to wear when it is hot, ColdGear to wear when it is cold and AllSeasonGear to wear when conditions are between the two. Within each of these different product lines our apparel comes in three fit types: compression (tight fitting), fitted (athletic cut) and loose (relaxed).

Our two-part marketing and branding strategy begins by selling our products to high profile athletes and teams, most notably in the National Football League, Major League Baseball, the National Hockey League and major collegiate and Olympic sports. We believe that sales to high profile athletes and teams strengthen our brand authenticity and, as a result, build consumer demand.

Our products can currently be purchased across the United States, Canada and Japan, and in France, Germany and the United Kingdom, in over 8,700 retail stores, up from approximately 500 retail stores in 2000. Sales to retail stores comprised approximately 90% of our total net revenues for 2005. We also sell our products directly to athletes and other users through our sports marketing group, to consumers through six retail outlet stores and through our website and toll-free call center.

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We believe that our strengths, which include the following, have enabled us to generate strong financial performance:

Powerful Brand Identity. We believe we have positioned our brand to represent a leading choice in performance products for athletes by striving to establish the brand loyalty of professional, collegiate and Olympic athletes and teams and developing formal relationships as official suppliers to high profile teams and leagues.

Focus on Product Performance. We focus on creating a full range of performance products in a variety of styles and fits that incorporate advanced fabrications and manufacturing techniques into our products.

Simple Merchandising Story. We communicate the technical aspect of our products to consumers by merchandising our products based on climate and use, with consistent color-coding in our advertising, fixturing, point-of-purchase displays and product hangtags.

Customer Satisfaction. We believe we have established a reputation for delivering high-quality performance products in a timely manner, in accordance with our retailers delivery requirements, and supported by a consistent merchandising and marketing message.

Proven Management Team and Culture Focused on Innovation. Our founder and Chief Executive Officer, Kevin A. Plank, has fostered a corporate culture based on innovation with the support of our core team of Under Armour brand experts and individuals who possess substantial experience in the apparel, footwear and sporting goods industries.

We intend to continue to increase net revenues and profitability by strengthening our position in the sports apparel market and growing our market. Specific elements of our strategy for continued growth include building our core mens business, expanding our womens business, broadening product offerings and introducing our performance products globally.

Our performance products are designed for use in a variety of sports and other activities, and as casual apparel. We also believe that our products will appeal to consumers in a number of other markets, including outdoor recreation, tactical and mountain sports. We focus on marketing and selling our products to consumers, either directly or through stores operated by the retailers who sell our products. We refer to these retailers in this prospectus as our customers, and we refer to the end-users of our products as consumers.

Our Corporate History and Principal Office

We were incorporated in Maryland in 1996 as KP Sports, Inc. In March 2005, we changed our name to Under Armour, Inc. Our principal executive office is located at 1020 Hull Street, Baltimore, Maryland 21230 and our telephone number is (888) 4ARMOUR (427-6687). We maintain a website at www.underarmour.com on which we post all reports we file with the Securities and Exchange Commission, or the SEC, under Section 13(a) of the Securities Exchange Act of 1934. We also post on this site our key corporate governance documents, including our board committee charters and our ethics policy. Information on our website is not, however, a part of this prospectus.

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The Offering

Class A common stock offered by the selling stockholders	6,963,165 shares
Common stock to be outstanding after this offering:	
Class A	33,384,196 shares
Class B	13,700,000 shares
Use of proceeds	We will not receive any proceeds from the sale of shares in this offering.
Voting rights	Our common stock consists of two classes: Class A common stock and Class B common stock. Purchasers in this offering will acquire Class A common stock. Class A and Class B common stock are identical in all respects, except with respect to voting and conversion rights. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 10 votes per share, on all matters to be voted on by our common stockholders. Shares of Class A and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders.
	All of the shares of Class B common stock are beneficially owned by Kevin A. Plank, our founder and Chief Executive Officer. Immediately following the closing of this offering, Mr. Plank will beneficially own shares of Class B common stock representing 80.4% of the combined voting power of our outstanding common stock. As a result, Mr. Plank will be able to control the outcome of substantially all matters submitted to a vote of our stockholders, including the election of directors, amendments to our charter and mergers or other business combinations.
	The shares of Class B common stock that Mr. Plank sells in this offering will automatically convert into a like number of shares of Class A common stock upon transfer to the underwriters. See Class B common stock conversion rights.
Class B common stock conversion rights	Shares of Class B common stock may only be held by Mr. Plank, non-profit or other corporations or partnerships controlled by him or his wife or trusts organized for the benefit of him or his wife or children or for charitable purposes if he or his wife controls the trust. We refer in this

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	prospectus to each such entity as a Kevin A. Plank family entity. Shares of Class B common stock that are transferred to a holder other than a Kevin A. Plank family entity will automatically convert into a like number of shares of Class A common stock. In addition, all of the Class B common stock will convert into Class A common stock on a one-for-one basis on the date upon which the number of shares of Class A common stock and Class B common stock beneficially owned by Mr. Plank and any Kevin A. Plank family entities, in the aggregate, represents less than 15.0% of the total number of shares of Class A and Class B common stock outstanding. See Description of Capital Stock Common Stock.
Nasdaq symbol	UARM
Risk Factors	See Risk Factors beginning on page 7 and other information included in this prospectus and the information incorporated herein by reference for a discussion of factors that you should carefully consider before investing in our Class A common stock.

The number of shares of common stock that will be outstanding after this offering in the table above excludes:

- 3,352,215 shares of Class A common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of $5.04 per share, of which 1,092,506 were vested as of April 30, 2006;

- 2,280,475 additional shares of Class A common stock reserved for issuance under our 2005 Omnibus Long-Term Incentive Plan as of April 30, 2006; and

- 998,270 additional shares of Class A common stock reserved for issuance under our Employee Stock Purchase Plan as of April 30, 2006.

Except as otherwise noted, all information in this prospectus assumes that the underwriters do not exercise their option to purchase up to 1,044,475 additional shares of Class A common stock from certain selling stockholders.

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Summary Consolidated Financial Data

You should read the data set forth below in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus or incorporated herein by reference. We derived the summary financial data for each of the three years ended December 31, 2003, 2004, 2005 and as of December 31, 2004 and 2005 from our audited consolidated financial statements and the related notes incorporated herein by reference. We derived the summary financial data for the years ended December 31, 2001 and 2002 and as of December 31, 2001, 2002 and 2003 from our audited consolidated financial statements and the related notes not included in this prospectus or incorporated herein by reference. We derived the summary financial data for each of the three-month periods ended March 31, 2005 and 2006 and as of March 31, 2006 from our unaudited consolidated financial statements and the related notes incorporated herein by reference. The summary financial data for the three-month period ended March 31, 2006 are not necessarily indicative of our results for the year ending December 31, 2006 and our historical results are not necessarily indicative of our results for any future period.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
In thousands, except per share amounts							
Statements of Income data:							
Net revenues	$ 19,732	$ 49,550	$ 115,419	$ 205,181	$ 281,053	$ 58,187	$ 87,696
Cost of goods sold	9,348	26,329	64,757	109,748	145,203	32,349	43,384
Gross profit	10,384	23,221	50,662	95,433	135,850	25,838	44,312
Selling, general and administrative expenses	7,035	18,908	40,709	70,053	99,961	20,941	30,132
Income from operations	3,349	4,313	9,953	25,380	35,889	4,897	14,180
Interest (expense) income, net	(305)	(894)	(2,214)	(1,284)	(2,915)	(589)	498
Income before income taxes	3,044	3,419	7,739	24,096	32,974	4,308	14,678
Provision for income taxes(1)	36	653	1,991	7,774	13,255	1,799	5,944
Net income	3,008	2,766	5,748	16,322	19,719	2,509	8,734
Accretion of and cumulative preferred dividends on Series A preferred stock			475	1,994	5,307	598	
Net income available to common stockholders	$ 3,008	$ 2,766	$ 5,273	$ 14,328	$ 14,412	$ 1,911	$ 8,734
Net income per share:							
Basic	$ 0.13	$ 0.09	$ 0.16	$ 0.41	$ 0.39	$ 0.05	$ 0.19
Diluted	$ 0.12	$ 0.08	$ 0.15	$ 0.39	$ 0.36	$ 0.05	$ 0.18
Weighted average common shares outstanding:							
Basic	23,160	31,200	32,106	35,124	37,199	35,525	46,486
Diluted	24,483	32,967	34,146	36,774	39,686	37,850	49,499

Dividends declared	$ 872	$ 2,826	$ 3,640	$ 5,000			

(1) Effective January 1, 2002, we elected to be taxed as a C corporation for federal income tax purposes. Prior to this election, we were not subject to federal income taxation at the corporation level.

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	At December 31,					At March 31,
	2001	2002	2003	2004	2005	2006
In thousands						
Balance Sheet Data:						
Cash and cash equivalents	$ 297	$ 794	$ 667	$ 1,085	$ 62,977	$ 58,292
Working capital(1)	4,981	5,296	13,822	16,690	134,118	140,830
Inventories	4,419	13,905	21,849	48,055	53,607	53,475
Total assets	9,539	29,524	54,725	110,977	203,687	211,231
Total debt and capital lease obligations, including current maturities	4,388	16,976	22,018	45,133	8,391	8,450
Mandatorily redeemable preferred stock			4,698	6,692		
Total stockholders equity	2,822	2,827	11,865	21,237	150,830	160,700

(1) Working capital is defined as current assets minus current liabilities.

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RISK FACTORS

You should carefully consider the risks described below, together with all of the other information in this prospectus, as well as the information incorporated herein by reference, before deciding to invest in our Class A common stock. If any of these risks actually occurs, our business, financial condition or results of operations may suffer. As a result, the price of our Class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If we continue to grow at a rapid pace, we may not be able to manage that growth effectively and our brand image, net revenues and profitability may decline.

We have expanded our operations rapidly since our inception and our net revenues have increased to $281.1 million in 2005 from $5.3 million in 2000. Our substantial growth has placed a significant strain on our management systems and resources. If our operations continue to grow, we will be required to continue to expand our sales and marketing, product development and distribution functions and to upgrade our management information systems and other processes and technology as well as obtain more space to support our expanding workforce. This expansion could increase the strain on these and other resources, and we could experience serious operating difficulties, including difficulties in hiring, training and managing an increasing number of employees, difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, and delays in production and shipments. These difficulties would likely result in the erosion of our brand image and a resulting decrease in net revenues, net income and the price of our Class A common stock.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology could harm our ability to effectively operate our business.

Our ability to effectively manage and maintain our inventory and internal reports, and to ship products to customers and invoice them on a timely basis depends significantly on our enterprise resource system, or ERP, which we implemented in the second quarter of 2006. The failure of this system to operate effectively or to integrate with other systems, or a breach in security of this system could cause delays in product fulfillment and reduced efficiency of our operations, and it could require significant capital investments to remediate any such failure, problem or breach. We cannot assure you that such events will not occur.

Our profitability may decline as a result of increasing pressure on margins.

Our industry is subject to significant pricing pressure caused by many factors, including intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products and changes in consumer demand. These factors may cause us to reduce our prices to retailers and consumers, which could cause our gross margin to decline if we are unable to offset price reductions with comparable reductions in our operating costs. If our gross margin declines and we fail to sufficiently reduce our cost of goods sold or grow our net revenues, our profitability will decline, and we could incur operating losses that we may be unable to fund or sustain for extended periods of time, if at all. This could have a material adverse effect on our results of operations, liquidity and financial condition and could result in a decline in the price of our Class A common stock.

A decline in sales to, or the loss of, one or more of our key customers could result in a material loss of revenues and negatively impact our prospects for growth.

In 2005, approximately 36% of our net revenues were generated from sales to our two largest customers, Dick s Sporting Goods and The Sports Authority. The percentage of our net revenues

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attributable to these customers has increased in recent years as these customers opened new store locations and devoted an increased portion of their floor space to our products. We expect this trend to continue in 2006. However, we do not enter into long-term sales contracts with these or our other key customers, relying instead on our relationships with these customers and on our position in the marketplace. As a result, we face the risk that one or more of these key customers may not increase their business with us as we expect, or may significantly decrease their business with us or terminate their relationship with us. The failure to increase our sales to these customers as we anticipate would have a negative impact on our growth prospects and any decrease or loss of these key customers business could result in a material decrease in our net revenues and net income.

We are incurring increased costs and are exposed to risks associated with complying with increasing and new regulation of corporate governance and disclosure standards.

We completed our initial public offering in November 2005. We are spending a significant amount of management time and external resources to comply with laws, regulations and standards relating to corporate governance and public disclosure, including under the Sarbanes-Oxley Act of 2002 (SOX), new SEC regulations and NASDAQ Stock Market rules. Our management team has limited experience operating a public reporting company. As a result, we will likely need to continue to improve our financial and management controls and our reporting systems and procedures.

Section 404 of SOX requires management s annual review and evaluation of our internal controls over financial reporting and attestations of the effectiveness of these controls by our management and by our independent registered public accounting firm. We are required by Section 404 to be compliant by December 31, 2006. Though we have undertaken efforts to become SOX compliant by the end of 2006, there is no guarantee that these efforts will result in management assurance or an attestation by the independent auditors that internal controls over financial reporting are adequate. In the event that our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our controls over financial reporting are not effective as required by Section 404 of SOX, investor perceptions of us may be adversely affected and, among other things, this could cause a decline in the price of our Class A common stock. In addition, our overhead may increase and our net income may decline as a percentage of net revenues as a result of the additional costs associated with complying with the complex legal regime associated with being a public reporting company.

Sales of performance products may not continue to grow and this could adversely impact our ability to grow our business.

We believe that continued growth in industry-wide sales of performance products will be largely dependent on consumers continuing to transition from traditional alternatives, such as basic cotton T-shirts, to performance products. If consumers are not convinced that performance products are a better choice than traditional alternatives, growth in the industry and our business could be adversely affected. In addition, because performance products are often more expensive than traditional alternatives, consumers who are convinced that performance products provide a better alternative may still not be convinced that they are worth the extra cost. If industry-wide sales of performance products do not grow, our ability to continue to grow our business and our financial condition and results of operations could be materially adversely impacted.

If we are unable to anticipate consumer preferences and develop new products, we may not be able to maintain or increase our net revenues and profitability.

Our success depends on our ability to identify, originate and define product trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of

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performance or other sports apparel or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. There can be no assurance that we will respond to changing preferences in a timely manner. Failure to anticipate and respond to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels.

Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative products, and there can be no assurance of our ability to do so. In addition, there can be no assurance that our strategy of continuing to expand the range of performance products that we offer into new product categories will be well received by consumers or will not dilute our brand image and result in a shift of consumer preferences away from our product lines. The failure to effectively introduce new products and enter into new product categories that are accepted by consumers could result in a decrease in net revenues and excess inventory levels, which could have a material adverse effect on our financial condition and result in a decline in the price of our Class A common stock.

If the financial condition of our retail customers declines, our financial condition and results of operations could be adversely impacted.

We extend credit to our customers based on an assessment of a customer s financial condition, generally without requiring collateral. We face increased risk of order reduction or cancellation when dealing with financially ailing customers or customers struggling with economic uncertainty. A slowing economy in our key markets or a continued decline in consumer purchases of sporting goods generally could have an adverse effect on the financial health of our retail customers, which could in turn have an adverse effect on our sales, our ability to collect on receivables, our ability to borrow under our revolving credit facility and our financial condition.

If we encounter problems with our distribution system, our ability to deliver our products to the market would be adversely affected.

We rely on our distribution facility in Glen Burnie, Maryland, which became fully operational in July 2004, for substantially all of our product distribution. Our distribution facility includes computer controlled and automated equipment, which means the operations are complicated and may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions or other system failures. In addition, because substantially all of our products are distributed from one location, our operations could also be interrupted by floods, fires or other natural disasters near our distribution facility, as well as labor difficulties. We maintain business interruption insurance, but it may not adequately protect us from the adverse effects that could be caused by significant disruptions in our distribution facility, such as the long-term loss of customers or an erosion of our brand image. In addition, our distribution capacity is dependent on the timely performance of services by third parties, including the shipping of product to and from our distribution facility. If we encounter problems with our distribution facility, our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be materially adversely affected.

We rely on third-party suppliers and manufacturers to provide fabrics for and to produce our products, and we have limited control over these suppliers and manufacturers and may not be able to obtain quality products on a timely basis or in sufficient quantity.

Many of the specialty fabrics used in our products are technically advanced textile products developed by third parties and may be available, in the short-term, from a very limited number of sources. Substantially all of our products are manufactured by unaffiliated manufacturers, and, in 2005,

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three manufacturers produced over 35% of our products. We have no long-term contracts with our suppliers or manufacturing sources, and we compete with other companies for fabrics, raw materials, production and import quota capacity.

There can be no assurance that there will not be a significant disruption in the supply of fabrics or raw materials from current sources or, in the event of a disruption, that we would be able to locate alternative suppliers of materials of comparable quality at an acceptable price, or at all. In addition, we cannot be certain that our unaffiliated manufacturers will be able to fill our orders in a timely manner. If we experience significant increased demand, or need to replace an existing manufacturer, there can be no assurance that additional supplies of fabrics or raw materials or additional manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer would allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. Any delays, interruption or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower revenues and net income both in the short and long term.

In addition, there can be no assurance that our suppliers and manufacturers will continue to provide fabrics and raw materials and to manufacture products that are consistent with our standards. We have occasionally received, and may in the future continue to receive, shipments of product that fail to conform to our quality control standards. In that event, unless we are able to obtain replacement products in a timely manner, we risk the loss of revenues resulting from the inability to sell those products and related increased administrative and shipping costs. In addition, because we do not control our manufacturers, products that fail to meet our standards or other unauthorized products could end up in the marketplace without our knowledge, which could harm our reputation in the marketplace.

The cost of raw materials could affect our operating results.

The fabrics used by our suppliers and manufacturers are synthetic fabrics and involve raw materials, including petroleum-based products. Significant price fluctuations or shortages in petroleum or other raw materials may materially adversely affect our cost of goods sold, results of operations and financial condition, and cause a decline in the price of our Class A common stock.

Sponsorships and designations as an official supplier may become more expensive and this could impact the value of our brand image.

A key element of our marketing strategy has been to create a link in the consumer market between our products and professional and collegiate athletes. We previously gained significant publicity and brand name recognition from the perceived sponsorships associated with professional and collegiate athletes and sports programs using our products. The use of our products by athletes and teams was frequently without our paying compensation or in exchange for our furnishing product at a reduced cost or without charge and without formal arrangements. We also have licensing agreements to be the official supplier of performance apparel and footwear to a variety of sports leagues and college and Olympic teams. However, as competition in the performance apparel industry has increased, the costs associated with athlete sponsorships and official supplier licensing agreements have risen dramatically, including the costs associated with obtaining and retaining these sponsorships and agreements. There is no assurance that we will be able to retain existing or attract new athletes or sports programs to wear or endorse our products or retain official supplier agreements at a reasonable cost, or at all. If we are unable to maintain our current association with professional

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and collegiate athletes, teams and leagues, we could lose the on-field authenticity associated with our products and may be required to modify and substantially increase the cost of our marketing plan. As a result, our brand image, net revenues, expenses and profitability could be materially adversely affected.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our revenues and gross profit.

The market for active sports apparel is highly competitive and includes many new competitors as well as increased competition from established companies expanding their production and marketing of performance products. Because we currently own no fabric or process patents or copyrights, our current and future competitors are able to manufacture and sell products with performance characteristics and fabrications similar to our products. Many of our competitors are large apparel and sporting goods companies with strong worldwide brand recognition, such as Nike and Adidas, that have significantly greater financial, distribution, marketing and other resources than we do. Because of the fragmented nature of the industry, we also compete with other manufacturers, including those specializing in outdoor and tactical apparel and private label offerings of certain retailers, including some of our retail customers. Many of our competitors have significant competitive advantages, including longer operating histories, larger sales forces, bigger advertising budgets, better brand recognition among consumers, greater economies of scale and long-term relationships with our key retail customers that are potentially more important to those customers because of the significantly larger volume and product mix that our competitors sell to them. As a result, these competitors may be better equipped than we are to influence consumer preferences or otherwise increase their market share by:

- quickly adapting to changes in customer requirements;
- readily taking advantage of acquisition and other opportunities;
- discounting excess inventory that has been written down or written off;
- devoting resources to the marketing and sale of their products, including significant advertising, media placement and product endorsement;
- adopting aggressive pricing policies; and
- engaging in lengthy and costly intellectual property and other disputes.

In addition, while a component of one of our key growth strategies is to increase floor space for our products in retail stores, retailers have limited resources and floor space and we must compete with others to develop relationships with them. Increased competition by existing and future competitors could result in reductions in floor space in retail locations, reductions in sales or reductions in the prices of our products, and if retailers earn greater margins from our competitors   products, they may favor the display and sale of those products. Our inability to compete successfully against our competitors and maintain our gross profit margin could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.

To minimize purchasing costs and ensure supply, we generally place orders with our manufacturers at least 90-120 days prior to the time we need to deliver our products. However, we generally do not receive firm customer orders prior to 30 days before the date those orders are to be shipped. In addition, a significant portion of our net revenues is generated by at-once orders for

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immediate delivery to customers, particularly during our peak season from August through November. Because we place orders for products with our manufacturers before our customers orders are firm and because we receive a significant volume of at-once orders, if we fail to accurately forecast customer demand we may experience excess inventory levels or a shortage of product to deliver to our customers.

Factors that could affect our ability to accurately forecast demand for our products include:

- an increase or decrease in consumer demand for our products or for products of our competitors;
- our failure to accurately forecast customer acceptance for our new products;
- new product introductions by competitors;
- unanticipated changes in general market conditions or other factors, which may result in cancellations of advance orders or a reduction or increase in the rate of reorders placed by retailers;
- weakening of economic conditions or consumer confidence in future economic conditions, which could reduce demand for discretionary items, such as our products; and
- terrorism or acts of war, or the threat thereof, which could adversely affect consumer confidence and spending or interrupt production and distribution of product and raw materials.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on gross margin. In addition, if we underestimate the demand for our products, our manufacturers may not be able to produce products to meet our customer requirements, and this could result in delays in the shipment of our products and our ability to recognize revenue, as well as damage to our reputation and customer relationships. There can be no assurance that we will be able to successfully manage inventory demand in order to meet future order and reorder requirements.

The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial condition from period to period. A failure to accurately predict the level of demand for our products is likely to result in an unexpected adverse effect on our net revenues and net income, and we are unlikely to forecast such effects with any certainty in advance.

Our operating results are subject to seasonal and quarterly variations in our net revenues and net income, which could adversely affect the price of our Class A common stock.

We have experienced, and expect to continue to experience, seasonal and quarterly variations in our net revenues and net income. These variations are primarily related to increased sales of our products during the fall season, reflecting our historical strength in fall sports, and the seasonality of sales of our higher priced ColdGear line. Approximately 62% and 66% of our net revenues were generated during the last two quarters of 2005 and 2004, respectively.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things, the timing of the introduction of and advertising for new products and changes in our product mix. Variations in weather conditions may also have an adverse effect on our quarterly results of operations. For example, warmer than normal weather conditions throughout the fall or winter may reduce sales of our ColdGear line, leaving us with excess inventory and operating results below our expectations.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single year are not necessarily meaningful and

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that these comparisons cannot be relied upon as indicators of our future performance. Any seasonal or quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the price of our Class A common stock to fluctuate significantly.

Labor disruptions at ports or our suppliers or manufacturers may adversely affect our business.

Our business depends on our ability to source and distribute products in a timely manner. As a result, we rely on the free flow of goods through open and operational ports worldwide and on a consistent basis from our suppliers and manufacturers. Labor disputes at various ports, such as those experienced at western U.S. ports in 2002, or at our suppliers or manufacturers, create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes or other disruptions during our peak importing or manufacturing seasons, and could have an adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation or shortages and reduced net revenues and net income.

The value of our brand, and sales of our products, could be diminished if we are associated with negative publicity.

We require that our suppliers, independent manufacturers and licensees of our products operate their businesses in compliance with the laws and regulations that apply to them as well as the social and other standards and policies we impose on them. We do not control these suppliers, manufacturers or licensees or their labor practices. A violation of our policies, labor laws or other laws by our suppliers, manufacturers or licensees could interrupt or otherwise disrupt our sourcing or damage our brand image. Negative publicity regarding the production methods of any of our suppliers, manufacturers or licensees could adversely affect our reputation and sales and force us to locate alternative suppliers, manufacturing sources or licensees.

In addition, we have sponsorship contracts with a variety of athletes and feature those athletes in our advertising and marketing efforts and many athletes and teams use our products, including those teams or leagues for which we are an official supplier. Actions taken by athletes, teams or leagues associated with our products that harm the reputations of those athletes, teams or leagues could also harm our brand image and result in a material decrease in our net revenues and net income, which could have a material adverse effect on our financial condition and liquidity and the price of our Class A common stock.

Our international operations and the operations of many of our manufacturers are subject to additional risks that are beyond our control and that could harm our business.

In 2005, our apparel products were manufactured by 18 primary manufacturers, operating in 19 countries, five of which manufactured approximately 52% of our products. These five manufacturers Apparel Production Services, Inc., California Textile S.A. de C.V., MFI Product Inc., New Holland Lingerie, Inc. and Supertex, S.A. are located in Mexico, the Dominican Republic, Honduras and Colombia. In 2005, approximately 50% of our products were manufactured in Central and South America, with 43% manufactured in Asia and 7% manufactured in the United States. In addition, approximately 5% of our 2005 net revenues were generated through international sales and licensing fees. As a result of our international manufacturing and sales, we are subject to risks associated with doing business abroad, including:

political unrest, terrorism and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured;

currency exchange fluctuations;

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- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, taxes and other charges on imports, as well as trade restrictions and restrictions on the transfer of funds;
- reduced protection for intellectual property rights in some countries;
- understanding foreign consumer tastes and preferences that may differ from those in the United States;
- complying with foreign laws and regulations that differ from country to country;
- disruptions or delays in shipments; and
- changes in local economic conditions in countries where our manufacturers, suppliers or customers are located.

These and other factors beyond our control could interrupt our manufacturers production in offshore facilities, influence the ability of our manufacturers to export our products cost-effectively or at all, inhibit our and our unaffiliated manufacturers ability to procure certain materials, increase our legal or compliance costs and influence our ability to sell our products in international markets, any of which could have an adverse effect on our business, financial condition and operations.

Our senior secured credit facility provides our lenders with a first-priority lien against substantially all of our assets and contains financial covenants and other restrictions on our actions, and it could therefore limit our operational flexibility or otherwise adversely affect our financial condition.

We have, from time to time, financed our liquidity needs in part from borrowings made under our senior secured credit facility. The senior secured credit facility is a revolving facility of up to $75.0 million (based on the current value of our accounts receivable and inventory). We have the option to increase the size of the revolving facility to $100.0 million if certain conditions are satisfied, including meeting certain financial covenants.

Our senior secured credit facility contains a number of significant restrictions that limit our ability, among other things, to:

- borrow money;
- use our accounts receivable, inventory, intellectual property and other assets as security in other borrowings or transactions;
- pay dividends on stock or redeem or acquire any of our securities;
- sell certain assets;

make certain investments;

guaranty certain obligations of third parties;

undergo a merger or consolidation; and

engage in any activity materially different from those presently conducted by us.

The facility also provides the lenders with the ability to reduce the valuation of our inventory and receivables and thereby reduce our ability to borrow under the facility even if we are in compliance with all of the conditions of the facility. In addition, we are required to comply with certain financial covenants in the event we fail to maintain a minimum borrowing availability. Failure to comply with these operating or financial covenants could result from, among other things, changes in our results of

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operations or general economic changes. These covenants may restrict our ability to engage in transactions that would otherwise be in our best interests. Failure to comply with any of the covenants under our senior secured credit facility could result in a default under the facility. This could cause the lenders to accelerate the timing of payments and exercise their lien on essentially all of our assets, which would have a material adverse effect on our business, operations, financial condition and liquidity. In addition, because our senior secured credit facility bears interest at variable interest rates, which we do not anticipate hedging against, increases in interest rates would increase our cost of borrowing, resulting in a decline in our net income and cash flow, which could cause the price of our Class A common stock to decline.

Risks Related to Our Management

Our future success is substantially dependent on the continued service of our senior management and other key employees.

Our future success is substantially dependent on the continued service of our senior management and other key employees, particularly Kevin A. Plank, our founder and Chief Executive Officer. The loss of the services of our senior management or other key employees could make it more difficult to successfully operate our business and achieve our business goals.

We also may be unable to retain existing management, technical, sales and client support personnel that are critical to our success, which could result in harm to key customer relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs.

If we are unable to attract and retain new team members, including senior management, we may not be able to achieve our business objectives.

Our growth has largely been the result of significant contributions by our current senior management and product design teams. However, to be successful in continuing to grow our business, we will need to continue to attract, retain and motivate highly talented employees with a range of skills and experience. Competition for employees in our industry is intense and we have experienced difficulty from time to time in attracting the personnel necessary to support the growth of our business, and we may experience similar difficulties in the future. With new additions to our senior management we may develop and implement changes in our product development, merchandising, marketing and operational strategies. There can be no assurance that we would successfully assimilate new senior management and make strategic modifications to our past operating policies in a timely and efficient manner, and if we are unable to attract, assimilate and retain additional senior management with the necessary skills, we may not be able to grow or successfully operate our business.

Risks Related to Proprietary Rights

Our fabrics and manufacturing technology are not patented or copyrighted and can be imitated by our competitors.

The intellectual property rights in the technology, fabrics and processes used to manufacture our products are generally owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain patent protection for our products is limited and we currently own no fabric or process patents or copyrights. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics and fabrications similar to our products. Because many of our competitors, such as Nike and Adidas, have significantly greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors do sell similar

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products to ours at lower prices, our net revenues and profitability could be materially adversely affected.

Our trademark and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our registered and common law trademarks have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We cannot assure you that obstacles will not arise as we expand our product line and the geographic scope of our marketing. From time to time, we have received claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Any claim, regardless of its merit, could be expensive and time consuming to defend. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights belonging to third parties or cease using those rights altogether. Any of these events could harm our business and have a material adverse effect on our results of operations, liquidity and financial condition.

Our failure to protect our intellectual property rights could diminish the value of our brand, weaken our competitive position and reduce our revenues.

We currently rely on a combination of copyright, trademark and trade dress laws, patent laws, unfair competition laws, confidentiality procedures and licensing arrangements to establish and protect our intellectual property rights. We cannot assure you that the steps taken by us to protect our proprietary rights will be adequate to prevent infringement of our trademarks and proprietary rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position may suffer.

From time to time, we discover unauthorized products in the marketplace that are either counterfeit reproductions of our products or unauthorized irregulars that do not meet our quality control standards. If we are unsuccessful in challenging a third party s products on the basis of trademark infringement, continued sales of their products could adversely impact our brand, result in the shift of consumer preferences away from our products and adversely affect our business.

We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation.

Risks Related to Corporate Governance and This Offering

Because Kevin A. Plank controls the majority of the voting power of our common stock, investors in this offering will not be able to determine the outcome of stockholder votes.

Our Class A common stock has one vote per share and our Class B common stock has 10 votes per share. After the completion of this offering, Kevin A. Plank, our founder and Chief Executive

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Officer, will control 80.4% of the combined voting power of all of our common stock. So long as Mr. Plank continues to hold, directly or indirectly, shares of common stock representing more then 50% of the combined voting power of our common stock, he will be able to direct the election of all of the members of our board of directors who will determine our strategic plans and financing decisions and appoint top management. Mr. Plank will also be able to determine the outcome of substantially all matters submitted to a vote of our stockholders, including matters involving mergers, acquisitions and other transactions resulting in a change of control of us, and our pursuit of corporate opportunities. Mr. Plank may seek to cause us to take courses of action that, in his judgment, could enhance his investment in us, but which might involve risks to holders of our Class A common stock or adversely affect us or other investors, including investors in this offering.

Our stock price may be volatile and your investment in our Class A common stock could suffer a decline in value.

Broad market and industry factors may adversely affect the price of our Class A common stock, regardless of our actual operating performance. Factors that could cause fluctuation in the price of our Class A common stock may include, among other things:

- actual or anticipated fluctuations in quarterly operating results;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- speculation about our business in the press or the investment community;
- conditions or trends in our industry or the economy generally;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in the sports apparel or footwear industries;
- announcements by us or our competitors of new products, significant acquisitions, strategic partnerships or divestitures;
- capital commitments;
- additions or departures of key personnel; and
- sales of our common stock, including sales by our directors, officers or significant stockholders.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs to us and divert our management s attention and resources.

Future sales of our shares could adversely affect the market price of our Class A common stock.

If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our Class A common stock in connection with future acquisitions, strategic alliances or otherwise, the market price of our Class A common stock could decline significantly. Moreover, the perception in the public market that our stockholders might sell shares of common stock could depress the market price of our Class A common stock. After completion of this offering, there will be 33,384,196 shares of Class A common stock and 13,700,000 shares of Class B common stock issued and outstanding. All of the shares of the Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, or the Securities Act, by persons other than our affiliates (within the meaning of Rule 144 under the Securities Act) immediately upon completion of this offering. See Shares Eligible for Future Sale.

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Some provisions of our charter, bylaws and Maryland law inhibit potential acquisitions and acquisition bids that you may consider favorable.

Even if Kevin A. Plank were to cease to control a majority of the voting power of our common stock, our corporate documents and Maryland law contain provisions that may enable our board of directors to resist a change in control of our company, including a change in control considered favorable by you and other stockholders or involving a premium price for our common stock. These provisions include:

- limitations on persons authorized to call a special meeting of stockholders;
- limitations on the authority of stockholders to amend our bylaws;
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- the ability of our board of directors to classify or reclassify any unissued shares of common stock or preferred stock, including setting the preferences, rights, voting powers and other terms of the classified or reclassified shares, without stockholder approval;
- the ability of our board of directors, without stockholder approval, to classify the board, such that directors would be elected for staggered three-year terms, thereby substantially increasing the time required to replace a significant number of directors;
- the ability of our board of directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock, or the number of shares of stock of any class that we have the authority to issue; and
- advance notice procedures required for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing or cause us to take other corporate actions you desire.

In addition, our charter allows our board of directors, in evaluating a potential acquisition of control of our company, to consider its potential effect on our stockholders, employees, suppliers, customers and creditors and the communities in which our offices or other establishments are located. We have also opted out of the provisions of Maryland law that would otherwise prohibit certain business combinations between our company and any person who beneficially owns 10% or more of our common stock, or that person s affiliate.

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus and the documents incorporated herein by reference constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, believes, intends, estimate potential or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus and the documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. These factors include without limitation:

- our ability to manage our growth effectively;
- our ability to maintain effective internal controls;
- the availability, integration and effective operation of management information systems and other technology;
- increased competition causing us to reduce the prices of our products or to increase significantly our marketing efforts in order to avoid losing market share;
- changes in consumer preferences or the reduction in demand for performance apparel and other products;
- our ability to accurately forecast consumer demand for our products;
- reduced demand for sporting goods and apparel generally;
- failure of our suppliers or manufacturers to produce or deliver our products in a timely or cost-effective manner;
- our ability to accurately anticipate and respond to seasonal or quarterly fluctuations in our operating results;
- our ability to effectively market and maintain a positive brand image;

- our ability to attract and maintain the services of our senior management and key employees; and

- changes in general economic or market conditions, including as a result of political or military unrest or terrorist attacks.

The forward-looking statements contained in this prospectus and the documents incorporated herein by reference reflect our views and assumptions only as of the date of this prospectus. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

All of the shares of Class A common stock offered by this prospectus are being sold by the selling stockholders. We will not receive any proceeds from the sale of shares sold in this offering.

DIVIDEND POLICY

We currently anticipate that we will retain any future earnings for use in our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future. In addition, our senior secured credit facility limits our ability to pay dividends to our stockholders.

We did not declare any dividends during 2005. On December 31, 2004, we declared a cash dividend of $5.0 million, which was paid in January 2005 to our common stockholders, including Rosewood Capital IV, L.P. and Rosewood Capital IV Associates, L.P., which we refer to collectively as the Rosewood entities, on the class of our common stock held by them.

PRICE RANGE OF OUR CLASS A COMMON STOCK

Our Class A common stock has been traded on the Nasdaq National Market under the symbol UARM since November 18, 2005. Prior to that time there was no public market for our stock. As of April 30, 2006, there were 562 record holders of our Class A common stock, and three record holders of our Class B common stock; all shares of our Class B common stock are beneficially owned by our President and Chief Executive Officer, Kevin A. Plank. The following table sets forth the high and low sale prices of our Class A common stock on the Nasdaq National Market during the fourth quarter of 2005 and the first two quarters of 2006.

	High	Low
2005		
Fourth Quarter (since November 18, 2005)	$ 40.00	$ 21.08
2006		
First Quarter	$ 41.90	$ 25.85
Second Quarter (through May 16, 2006)	$ 40.50	$ 30.75

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes and the information contained elsewhere in this prospectus under the caption Risk Factors and in our Annual Report on Form 10-K for the year ended December 31, 2005 (the Form 10-K) and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (the Form 10-Q), which are incorporated herein by reference.

Overview

We are a leading developer, marketer and distributor of branded performance products for men, women and youth. Since our founding in 1995, we have grown and reinforced our brand name and image through sales to athletes and teams at the collegiate and professional level, as well as sales to consumers with active lifestyles. We believe that Under Armour is a widely recognized athletic brand known for its performance and authenticity and is uniquely positioned as a performance alternative to cotton and non-performance apparel and footwear.

Our net revenues have grown from $5.3 million in 2000 to $281.1 million in 2005, and from $58.2 million in the first quarter of 2005 to $87.7 million in the first quarter of 2006. We believe that growth in our net revenues has been driven by a growing interest in performance products and the strength of the Under Armour brand in the marketplace relative to our competitors, as evidenced by the increases in sales of our mens core product line as well as consumer acceptance of our new products. Our new products for 2005 included our Metal series, Fleece program, the Duplicity sports bra and our Tech-T line.

We plan to increase our domestic net revenues by building upon our relationships with existing customers and expanding our product offerings in new and existing retail stores. Our products are offered in over 7,000 retail stores in North America, up from approximately 500 retail stores in 2000. In addition, we plan to expand our product offerings to include additional mens and womens performance products as well as expanding further into off-field outdoor sports, including hunting, fishing, running, mountain sports, skiing and golf. We expect our new product offerings to include football cleats in 2006 and baseball cleats in 2007.

We believe that our products will appeal to athletes and consumers with active lifestyles around the globe. Since 1999, the Under Armour brand has been sold through a licensee in the Japanese market place. We began selling our products in Canada during 2003 and in the United Kingdom through independent sales agents in 2005. We plan to increase net revenues internationally by adding product offerings through our Japanese licensee and expanding our Canadian and European distribution.

Our license revenues have grown from $84,000 in 2002 to $9.8 million in 2005, and from $1.4 million in the first quarter of 2005 to $2.4 million in the first quarter of 2006. We have entered into licensing agreements with established, high-quality manufacturers to produce and distribute Under Armour branded products to further reinforce our brand identity and increase our net revenues and gross profit. In exchange for the use of our trademarks, our licensees pay us license revenues based on their net sales of core products of socks, hats, bags and other accessories. We seek to continue to grow our license revenues by working with our existing licensees to offer additional products and increase their distribution, and by selectively entering into new licensing agreements.

We believe there is an increasing recognition in the United States of the health benefits of an active lifestyle. We believe this trend provides us with an expanding consumer base for our products.

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We also believe there is a shift in consumer demand from basic cotton products to performance products such as those we offer, which are intended to provide better performance by wicking perspiration away from the skin, helping to regulate body temperature and enhancing comfort. We believe that these shifts in consumer preferences and lifestyles are not unique to the United States, but are occurring in a number of markets around the world, thereby increasing our opportunities to introduce our performance products to new consumer bases.

Although we believe these trends will facilitate our growth, we also face potential challenges that could limit our ability to take advantage of these opportunities, including, among others, the risk that we may not be able to manage our rapid growth effectively. In addition, we may not consistently be able to anticipate consumer preferences and develop new products that meet changing preferences in a timely manner. Furthermore, our industry is very competitive. Our profitability may decline if we experience increasing pressure on margins, if we lose one or more of our key customers or if our competitors establish the brand loyalty of our current or potential consumers. While we seek to diversify the risk of interruptions in the supply of raw materials for our products and have what we believe is a diverse manufacturing base around the world, we may still be susceptible to general economic changes such as increases in the costs of raw materials, including petroleum, which is a significant component of many of our products, or other disruptions in the economy or in international trade. For a more complete discussion of the risks facing our business, see Risk Factors.

Internal Controls

Since 2004, we have invested significant resources to comprehensively document and analyze our system of internal controls over financial reporting, which included the hiring of a Director of Internal Audit and the formation of an Internal Audit Department, along with the initiation of a company-wide internal controls improvement project. The focus of the improvement project, and the steering committee founded to oversee the project, has been to design, implement and maintain a system of internal controls sufficient to satisfy our reporting obligations as a public company. Throughout 2005 and the first quarter of 2006, we continued to document significant processes and identify areas requiring improvement. We are in the process of designing enhanced processes and controls to address those areas. We plan to continue these initiatives as well as prepare for our first management report on internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 (SOX), for the year ending December 31, 2006. During January 2006, we contracted with one of the major public accounting firms to assist us with these efforts. We believe this added expertise and experience will augment our internal resources.

We believe adequate resources and expertise, both internal and external, have been put in place to meet the SOX Section 404 requirements. We intend to work closely with our independent registered public accounting firm during this process.

General

Net revenues comprise both net sales and license revenues. Net sales comprise our four primary product categories: mens, womens, youth and accessories. For further detail, see Results of Operations.

Cost of goods sold consists primarily of product costs, inbound freight and duty costs, handling costs to make products floor-ready to customer specifications, write-downs for inventory obsolescence and, since June 2004, overhead costs associated with our quick turn, Special Make-Up Shop. No cost of goods sold is associated with license revenues. We do not include our distribution facility costs in the calculation of the cost of goods sold, but rather include these costs as a component of our selling, general and administrative expenses. As a result, our gross profit may not be comparable to that of

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other companies that include distribution facility costs in the calculation of their cost of goods sold. We believe, however, that our distribution facility costs have not been of a sufficient magnitude to materially affect our gterms and conditions that remain applicable over multiple years of coverage. These reinsurance contracts may cover multiple classes of a ceding company's business and typically provide the benefit of reducing the impact of large or catastrophic losses on a ceding company's underwriting results. The multiple year term and premium structure of multi-year excess-of-loss reinsurance contracts are not typically found in traditional reinsurance contracts.

Whole account aggregate stop loss. Aggregate stop loss reinsurance contracts provide broad protection against a wide range of contingencies that are difficult to address with traditional reinsurance, including inadequate pricing by a ceding company or higher frequency of claims than the ceding company expected. The reinsurer on a whole account aggregate stop loss contract agrees to indemnify a ceding company for aggregate losses in excess of a deductible specified in the contract. These contracts can be offered on a single or multi-year basis, and may provide catastrophic and attritional loss protection. The benefit of whole account aggregate stop loss contracts to ceding companies is that such contracts provide the broadest possible protection of a ceding company's underwriting results which is not generally available in the traditional reinsurance market.

Marketing

We market our reinsurance products worldwide primarily through non-exclusive relationships with leading reinsurance brokers, as we believe that the use of reinsurance brokers enables us to operate on a more cost-effective basis and to maintain the flexibility to enter and exit reinsurance lines in a quick and efficient manner. We also believe that brokers are particularly useful in assisting with placements of excess-of-loss reinsurance programs. In addition to their role as intermediaries in placing risk, brokers perform data collection, contract preparation and other administrative tasks. We believe that by doing business largely through reinsurance brokers we are able to avoid the expense and regulatory complications of a worldwide network of offices and thereby minimize fixed costs associated with marketing activities.

Based on in-force premiums written by us as of December 31, 2013, the brokers from which we derived the largest portions of our business (with the approximate percentage of business derived from each of such brokers and its affiliates) were: Aon Benfield (33%), Marsh & McLennan Companies (25%), Willis Group Holdings (13%) and Jardine Lloyd Thompson Group plc (11%). The loss of business relationships with any of these brokers could have a material adverse effect on our business.

Underwriting and Risk Management

Overview

Our approach to underwriting and risk management emphasizes discipline and profitability rather than premium volume or market share. We seek to limit our overall exposure to risk by limiting the amount of reinsurance we write by geographic zone, peril and type of program or contract. Our risk management practices include evaluating the quality of the ceding company in connection with our review of a program proposal and using contract terms, diversification criteria, probability analysis and analysis of comparable historical loss experience. We estimate the impact of catastrophic events using information from ceding companies, reinsurance contract information, expected loss ratios, our historical loss ratios, industry loss data and catastrophe modeling software to evaluate our exposure to losses from individual contracts and in the aggregate.

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Ceding Company Selection and Underwriting Evaluation

Before entering into a reinsurance contract, we consider the quality of the ceding company, including the experience and reputation of its management, its capital, its risk management and underwriting strategy and practices and its claims settlement practices and procedures. In addition, we seek to obtain information on the nature of the perils to be covered and, in the case of natural or man-made catastrophe exposures, aggregate information as to the location or locations of the risks covered under the reinsurance contract. We request information on the ceding company's loss history for the perils proposed to be covered, together with relevant underwriting considerations, which would impact our exposures. If the program meets all these initial underwriting criteria, we then evaluate the proposal's risk/reward profile to assess the adequacy of the proposed pricing and its potential impact on our overall return on capital.

Loss Limits

Reinsurance contracts generally contain limits that restrict the amount that we may be required to pay in the event of a loss. These limits may apply on a per risk, per occurrence, or aggregate basis. Contracts with per risk limits include a limit on our liability for each underlying insured for each occurrence. If multiple underlying insureds are affected by a single event, our total limit of liability, without any other mitigating contractual terms, would be the sum of the per risk limits for all the underlying insureds affected by the event up to the occurrence or aggregate limits. Per occurrence limits restrict our liability to a certain amount for each event, regardless of the number of underlying insureds involved. If multiple events occur in a single reinsurance policy period, our total limit of liability, without any other mitigating contractual terms, would be the sum of the occurrence limits for all events within the policy term. Aggregate limits provide us with a maximum amount for which we are liable, in total, for all underlying risks and all occurrences combined within the coverage period.

Our contracts typically contain a per risk limit or an occurrence limit and may contain both. Some of our contracts contain an aggregate limit. Property and marine reinsurance contracts with natural catastrophe exposure generally contain occurrence limits. In addition, our high layer property and marine reinsurance contracts generally contain aggregate limits. Casualty reinsurance contracts generally contain either a per risk or an occurrence limit. Casualty clash contracts generally contain an aggregate limit. Few of our other casualty contracts contain an aggregate limit.

Loss Modeling and Monitoring

For catastrophe coverages exposed to natural perils, we measure our exposure to aggregate catastrophic claims using catastrophe models that analyze the effect of wind speed and earthquakes on the exposed property values within our portfolio. We seek to limit the amount of capital that we expect to lose from a severe catastrophic event; however, there can be no assurance that we will successfully limit actual losses from such a catastrophic event.

We use sophisticated modeling techniques to measure and estimate loss exposure under both simulated and actual loss scenarios. We also use these models to assess the impact of both single and multiple events. We evaluate the commercial catastrophe exposure models that form the basis for our own proprietary pricing models. These computer-based loss modeling systems primarily utilize direct exposure information obtained from our clients and data compiled by A.M. Best to assess each client's potential for catastrophe losses. We believe that loss modeling is an important part of the underwriting process for catastrophe exposure pricing.

We maintain a database of our exposure in each geographic zone and estimate our probable maximum loss for each zone and for each peril (e.g. earthquakes and hurricanes) to which that zone is subject based on catastrophe models and underwriting assessments. We also use catastrophe loss modeling to review exposures from events that cross country borders, such as wind events that may affect the Caribbean and Florida or the United Kingdom and continental Europe. Our largest exposures are in the United States for hurricane and earthquake, in Japan for earthquake, and in Europe for flood and wind.

In respect of our property catastrophe exposure, we seek to limit our estimated probable maximum loss to a specific level for severe catastrophic events. We currently expect to limit the probable maximum pre-tax loss to no more than 22.5% of total capital for a severe catastrophic event in any geographic zone that could be expected to occur once in every 250 years, although we may change this threshold at any time. The estimated probable maximum loss for a catastrophic event in any geographic zone arising from a 1-in-250 year event was approximately $220.0 million, or 11.0% of total capital, and $229.0 million, or 10.7% of total capital, as of January 1, 2014 and January 1, 2013, respectively.

We also monitor our exposures to accumulating risks for natural perils impacting workers compensation coverage and man-made perils that affect coverage such as umbrella liability, directors' and officers' liability, surety, trade credit and terrorism.

Diversification

We seek to maintain a diversified book of business by writing business across product lines.

We write a diversified book of property and marine business and seek to further diversify our property catastrophe exposure across geographic zones and type of peril around the world in order to manage the concentration of risk. We attempt to limit our coverage for risks located in a particular zone to a predetermined level. Currently, our largest property catastrophe exposures in the United States are in Florida and the northeast for hurricane and in California and along the New Madrid fault zone for earthquake. Internationally our largest property catastrophe exposures are in Japan for earthquake and in Europe for flood and wind.

We seek to diversify our casualty exposure by writing casualty business throughout the United States and internationally. In addition, we seek to diversify our casualty exposure by writing casualty reinsurance across a broad range of product lines.

Retrocessional Reinsurance and Derivative Instruments

We buy retrocessional reinsurance, which is insurance for our own account, to reduce liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity. Our decisions with respect to purchasing retrocessional coverage take into account both the potential coverage and market conditions such as pricing, terms, conditions and availability of such coverage, with the aim of securing cost-effective protection. We may purchase industry loss warranty reinsurance, which provides retrocessional coverage when insurance industry losses for a defined event exceed a certain level. We expect that the type and level of retrocessional coverage we purchase will vary over time, reflecting our view of the changing dynamics of both the underlying exposure and the reinsurance markets. There can be no assurance that retrocessional coverage will be available on terms we find acceptable.

Retrocessional agreements do not relieve us from our obligations to the insurers and reinsurers from whom we assume business. The failure of retrocessionaires to honor their obligations would result in losses to us. Consequently, we consider the financial strength of retrocessionaires when determining whether to purchase retrocessional coverage from them. We generally obtain retrocessional coverage from companies rated “A-” or better by A.M. Best unless the retrocessionaire’s obligations are collateralized. We routinely monitor the financial performance and rating status of any material retrocessionaires.

We may also use derivative instruments to reduce our exposure to catastrophe losses as an alternative to traditional retrocession. We either trade derivatives on recognized exchanges or require collateral to enhance the financial security of the derivative counterparty. We may also use derivative instruments to reduce our exposure to other types of underwriting exposures, such as on our crop portfolio.

Claims Administration

Our claims personnel administer claims arising from our reinsurance contracts, including validating and monitoring claims, posting case reserves and approving payments. Authority for establishing reserves and payment of claims is based upon the level and experience of claims personnel.

Our claims personnel, or consultants engaged by us, conduct periodic audits of specific claims and the overall claims procedures of our ceding companies at their offices. We rely on our ability to effectively monitor the claims handling and claims reserving practices of ceding companies in order to help establish the reinsurance premium for reinsurance contracts and to estimate our liability for unpaid losses and loss adjustment expenses. Moreover, prior to accepting or renewing certain risks, our underwriters may request that our claims personnel conduct pre-underwriting claims audits of ceding companies.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and loss adjustment expenses ("LAE") are estimates of future amounts required to pay losses and LAE for claims under our assumed reinsurance contracts that have occurred at or before the balance sheet date. Unpaid losses and LAE are estimated based upon information received from ceding companies regarding our liability for unpaid losses and LAE, adjusted for our estimates of losses and LAE for which ceding company reports have not been received, our historical experience for unreported claims and industry experience for unreported claims. Unpaid losses and LAE include the cost of claims that were reported, but not yet paid, and estimates of the cost of claims incurred but not yet reported ("IBNR"). In addition, we estimate our unallocated loss adjustment expense ("ULAE") reserves based on our administrative costs of managing claims.

Unpaid losses and LAE on our consolidated balance sheets represent our best estimates, at a given point in time, of our liability to pay losses and LAE for events that have occurred on or before the balance sheet date. We do not establish liabilities for unpaid losses and LAE until the occurrence of an event that may give rise to a loss.

Estimates of losses and LAE are established after extensive consultation with individual underwriters, actuarial review of loss development patterns and comparison with industry and our own loss information. These estimates are based on predictions of future developments and trends, including predictions of claim severity and frequency. Consequently, estimates of ultimate losses and LAE, and our unpaid liability for losses and LAE, may differ materially from our initial estimates. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates – Unpaid Losses and LAE", in this Form 10-K.

Reconciliation of Claims Reserves

The following table sets forth the changes in our liability for unpaid losses and LAE for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Net unpaid losses and LAE as of January 1,	$1,957,685	$2,385,659	$2,208,466
Net incurred losses and LAE related to:			
Current year	328,136	395,661	905,595
Prior years	(160,690)	(212,001)	(100,158)
Net incurred losses and LAE	167,446	183,660	805,437
Net paid losses and LAE related to:			
Current year	58,958	95,808	155,534
Prior years	386,408	524,423	477,755
Net paid losses and LAE	445,366	620,231	633,289
Net effects of foreign currency exchange rate changes	(9,594)	8,597	5,045
Net unpaid losses and LAE as of December 31,	1,670,171	1,957,685	2,385,659
Reinsurance recoverable on unpaid losses and LAE	1,194	3,597	3,955
Gross unpaid losses and LAE as of December 31,	$1,671,365	$1,961,282	$2,389,614

We report changes in estimates of prior years' unpaid losses and LAE, referred to as net favorable or unfavorable loss development, in our consolidated statements of operations in the period in which we make the change.

The following table sets forth the components of net incurred losses and LAE related to prior years for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Net favorable loss development	$(183,293)	$(235,543)	$(112,984)
Increase in losses attributable to changes in premium estimates	22,603	23,542	10,857
Change in unallocated loss adjustment expense reserves	-	-	1,969
Net incurred losses and LAE - prior years	$(160,690)	$(212,001)	$(100,158)

Net favorable loss development was primarily the result of favorable adjustments in ultimate loss ratios. Prior years' incurred losses and LAE included losses associated with changes in premium estimates and the patterns of their earnings. The effect on net income from the increase in losses attributable to changes in premium estimates, after considering corresponding changes in premium estimates and acquisition expenses, was not significant.

The following table sets forth the net favorable loss development by operating segment for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Property and Marine	$(71,269)	$(45,664)	$(41,435)

Casualty	(103,165)	(182,014)	(59,420)
Finite Risk	(8,859)	(7,865)	(12,129)
Net favorable loss development	$(183,293)	$(235,543)	$(112,984)

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The Property and Marine segment net favorable loss development included net favorable loss development related to major catastrophe events of $41.1 million, $12.7 million and $19.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. For the years ended December 31, 2013, 2012 and 2011, the net favorable loss development related to major catastrophe events resulted primarily from events that occurred during the two most recent underwriting years. Property and marine net favorable loss development, excluding major catastrophes, for the years ended December 31, 2013 and 2012 was primarily attributable to the property per risk and catastrophe excess-of-loss (non-major events) classes. The net favorable loss development, excluding major catastrophes, for the year ended December 31, 2011 was primarily attributable to the property per risk excess-of-loss and proportional classes, partially offset by net unfavorable loss development in the catastrophe excess-of-loss (non-major events) class.

The Casualty segment net favorable loss development included $98.2 million, $165.8 million and $52.7 million attributable to the long-tailed casualty classes for years ended December 31, 2013, 2012 and 2011, respectively. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2013 was attributable to the 2011 and prior underwriting years of the umbrella, claims made and international casualty classes. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2012 was attributable to the 2009 and prior underwriting years of the claims made, umbrella, casualty occurrence and international casualty classes. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2011 was attributable to the 2007 and prior underwriting years of the claims made, umbrella and casualty occurrence classes, partially offset by net unfavorable loss development in the international casualty class in the 2010 and 2008 underwriting years.

The Finite Risk segment net favorable loss development was offset by additional profit commissions of $7.1 million, $8.1 million and $8.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The net favorable loss development for the years ended December 31, 2013, 2012 and 2011 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios and reduce estimated ultimate losses.

Loss Reserve Development

The table below shows the loss reserve development from December 31, 2003 through December 31, 2013.

The top line of the table shows the liability for unpaid losses and LAE, net of unpaid retrocessional reinsurance recoverable, at the balance sheet date for each of the indicated years. This represents our estimate of our gross and net liability for losses and LAE arising in the current year and all prior years that are unpaid at the balance sheet date, including our estimate of IBNR.

We re-estimate the liability to reflect additional information regarding claims incurred prior to the end of each succeeding year. Changes in our estimate of our liability for unpaid losses and LAE recorded at the end of the prior year are reflected in the consolidated statement of operations of the year during which the liabilities are re-estimated and result in a redundancy or deficiency of our unpaid losses and LAE. A cumulative redundancy or deficiency reflects the cumulative difference between the original estimate of our liability for unpaid losses and LAE and the current re-estimated liability.

The table also shows the cumulative amounts paid as of successive years with respect to that liability. Unpaid losses and LAE denominated in foreign currencies are restated at the foreign exchange rates in effect as of December 31, 2013 and the resulting cumulative foreign exchange effect is shown as an adjustment to the cumulative redundancy. At the bottom of the table is a reconciliation of the gross reserve for claims and claim expenses to the net reserve for claims and claim expenses, the gross re-estimated liability to the net re-estimated liability for claims and claim expenses, and the cumulative redundancy on gross reserves.

The table does not present accident year or underwriting year development data nor does it include any corresponding adjustments that may accompany loss redundancies or deficiencies such as premium or commission adjustments. Conditions and trends that have affected the development of liabilities in the past may not necessarily exist in the future. Therefore, it would not be appropriate to extrapolate future deficiencies or redundancies based on the following table.

Development of Loss and LAE Reserves
($ in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
Net unpaid losses and LAE as of December 31,	$731,918	$1,379,227	$2,268,655	$2,326,227	$2,342,185	$2,452,045	$2,335,008	$2,208,466
Net unpaid losses and LAE re-estimated as of:								
One year later	649,902	1,306,708	2,215,635	2,235,849	2,182,249	2,351,083	2,177,178	2,108,308
Two years later	604,891	1,277,627	2,149,153	2,129,932	2,076,330	2,217,451	2,075,876	1,915,000
Three years later	603,293	1,254,213	2,072,604	2,032,074	1,931,064	2,124,700	1,895,039	1,831,634
Four years later	601,719	1,210,091	1,999,484	1,924,117	1,848,172	1,972,937	1,836,005	
Five years later	589,028	1,170,602	1,934,784	1,868,036	1,739,881	1,934,738		
Six years later	586,747	1,131,404	1,900,762	1,803,652	1,706,956			
Seven years later	571,473	1,112,460	1,858,502	1,784,579				
Eight years later	565,208	1,090,007	1,850,103					
Nine years later	554,843	1,092,033						
Ten years later	557,360							
Net cumulative redundancy	174,558	287,194	418,552	541,648	635,229	517,307	499,003	376,832
Adjustment for foreign currency exchange	8,866	(3,230)	15,575	(2,790)	(13,658)	7,239	(3,446)	6,220
Cumulative redundancy excluding foreign currency exchange	183,424	283,964	434,127	538,858	621,571	524,546	495,557	383,052
Net cumulative paid losses and LAE as of:								
One year later	205,889	388,700	624,006	577,739	433,961	539,514	497,968	477,758
Two years later	265,376	557,226	1,065,607	873,487	725,689	877,863	778,838	733,112
Three years later	320,399	696,809	1,285,151	1,096,071	952,980	1,112,639	959,568	910,210
Four years later	373,081	799,763	1,440,075	1,265,463	1,102,726	1,257,328	1,102,646	
Five years later	416,902	869,188	1,550,747	1,364,615	1,197,478	1,372,534		
Six years later	456,040	912,442	1,612,831	1,426,978	1,280,461			
Seven years later	476,506	944,286	1,647,319	1,487,092				
Eight years later	492,013	956,971	1,684,065					
Nine years later	495,389	971,848						
Ten years later	500,041							
Gross liability-end of year	736,934	1,380,955	2,323,990	2,368,482	2,361,038	2,463,506	2,349,336	2,217,378
Reinsurance recoverable on unpaid losses and	5,016	1,728	55,335	42,255	18,853	11,461	14,328	8,912

LAE								
Net liability-end of year	$731,918	$1,379,227	$2,268,655	$2,326,227	$2,342,185	$2,452,045	$2,335,008	$2,208,466
Gross liability-re-estimated	$562,339	$1,095,228	$1,912,658	$1,840,381	$1,726,000	$1,949,400	$1,854,802	$1,845,126
Gross cumulative redundancy	$174,595	$285,727	$411,332	$528,102	$635,038	$514,107	$494,534	$372,252

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Investments

As of December 31, 2013, our investments and cash and cash equivalents totaled $3.5 billion, consisting of $2.0 billion of fixed maturity securities, $66.7 million of short-term investments and $1.5 billion of cash and cash equivalents. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition”, in this Form 10-K for additional discussion and disclosures on our investments and cash and cash equivalents.

The primary objective of our investment strategy is to generate investment income by maintaining a portfolio that consists primarily of diversified, high quality, predominantly investment grade fixed maturity securities. We may invest in common and preferred stocks and securities denominated in currencies other than the U.S. dollar. In addition, we may use financial futures and options and foreign currency exchange contracts as part of a hedging strategy. From time to time, we may make investments of a strategic or opportunistic nature. We evaluate the expected rate of return of various investment classes over the current risk-free rate of return when determining investment allocations. We also manage the duration of our investment portfolio while considering the duration of our reinsurance and other contractual liabilities.

Our investment guidelines contain limits on the portion of our investment portfolio that may be invested in various investment classes and in the securities of any single issue or issuer, with the exception of U.S. Government securities or securities explicitly guaranteed by the U.S. Government. We review our investment guidelines periodically and from time to time may adjust our guidelines.

Our investments are subject to market risks. The principal risks that influence the fair value of our investment portfolio are interest rate risk, credit risk, liquidity risk and foreign currency exchange rate risk. See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk”, in this Form 10-K.

The investment valuation process requires significant judgment and involves analyzing factors specific to each security. When determining the fair value of a security we generally obtain prices from several sources and establish a hierarchy based on the reliability of information. The determination of whether unrealized losses represent temporary changes in fair value or were the result of other-than-temporary impairments also involves significant judgment. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates - Valuation of Investments”, in this Form 10-K.

The following table summarizes the fair value and net unrealized gains or losses of our investments and cash and cash equivalents as of December 31, 2013 and 2012 ($ in thousands):

	2013		2012	
	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
Fixed maturity available-for-sale securities:				
U.S. Government	$4,765	$204	$4,944	$312
U.S. Government agencies	51,122	(725)	-	-
Municipal bonds	1,269,247	48,378	1,209,934	129,661
Non-U.S. governments	40,514	541	50,977	999
Corporate bonds	227,235	3,140	300,908	20,927
Commercial mortgage-backed securities	77,491	4,850	135,526	8,378
Residential mortgage-backed securities	169,965	266	221,622	(709)
Asset-backed securities	17,531	1,328	17,774	568

Total fixed maturity available-for-sale securities	1,857,870	57,982	1,941,685	160,136
Fixed maturity trading securities:				
Non-U.S. governments	103,395	n/a	112,813	n/a
Total fixed maturity trading securities	103,395	n/a	112,813	n/a
Short-term investments:				
Available-for-sale	-	-	49,186	(161)
Trading	66,679	n/a	123,615	n/a
Total short-term investments	66,679	-	172,801	(161)
Total investments	2,027,944	57,982	2,227,299	159,975
Cash and cash equivalents	1,464,418	-	1,720,395	-
Total investments and cash and cash equivalents	$3,492,362	$57,982	$3,947,694	$159,975

As of December 31, 2013, our cash and cash equivalents were primarily invested in U.S. government treasury bills or non-U.S. government securities. The remainder of our cash and cash equivalents were held in diversified money market funds or held at financial institutions as demand deposits or time deposits.

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As of December 31, 2013 and 2012, our investable assets were $3.5 billion and $4.0 billion, respectively, and had a weighted average credit rating of Aa2 and Aa1, respectively, primarily measured by Moody’s Investors Service (“Moody’s”). Investable assets include investments, cash and cash equivalents, accrued investment income and net balances due to and from brokers. If a particular security did not have a Moody's rating, then a rating from S&P was generally converted to a Moody's equivalent rating.

The following table summarizes the fair values of our fixed maturity securities and short-term investments by credit quality as of December 31, 2013 and 2012 ($ in thousands):

	2013		2012	
Credit Quality	Fair Value	% of Total	Fair Value	% of Total
Aaa	$ 628,265	31.0 %	$ 776,738	34.9 %
Aa	806,282	39.8 %	831,190	37.3 %
A	359,803	17.7 %	340,612	15.3 %
Baa	200,437	9.9 %	231,950	10.4 %
Below investment grade	33,157	1.6 %	46,809	2.1 %
Total	$ 2,027,944	100.0 %	$ 2,227,299	100.0 %

As of December 31, 2013, there were approximately $10.7 million and $4.4 million of municipal bonds for which ratings of “Aa” and “A”, respectively, included the benefit of guarantees from third-party insurers that would otherwise be rated as “A” and “Baa”, respectively, without the existence of such guarantees.

We consider the estimated duration of our reinsurance and other contractual liabilities when establishing the target duration of our investment portfolio. Our investable assets had a weighted average duration of 2.6 years at both December 31, 2013 and 2012.

Competition

The property and casualty reinsurance industry is highly competitive. Some of our competitors are large financial institutions that have reinsurance operations, while others are specialty reinsurance companies. Many of our competitors have greater financial, marketing and management resources than we do. We compete with reinsurers worldwide on the basis of many factors, including premium charges and other terms and conditions offered, services provided, ratings assigned by independent rating agencies, speed of claims payment, perceived financial strength and experience and reputation of the reinsurer in the line of reinsurance to be underwritten.

Our principal competitors vary by type of business. Bermuda-based reinsurers are significant competitors on property catastrophe business. Lloyd’s of London syndicates are significant competitors on marine business. On international business, large European reinsurers are significant competitors. U.S.-based broker market reinsurers are significant competitors on U.S. casualty business. Our competitors include Allied World Assurance Company Holdings, AG, Arch Capital Group Ltd., Argo Group International Holdings, Ltd., Aspen Insurance Holdings Limited, Axis Capital Holdings Limited, Endurance Specialty Holdings Ltd., Everest Re Group, Ltd., Greenlight Capital Re, Ltd., Maiden Holdings, Ltd., Montpelier Re Holdings Ltd., Munich Re Group, PartnerRe Ltd., RenaissanceRe Holdings Ltd., Swiss Re Ltd, Third Point Reinsurance Ltd., Transatlantic Reinsurance Company, Validus Holdings, Ltd and XL Group plc.

Competition in recent years has increased as a result of non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

Financial Strength Ratings

Insurer financial strength ratings are current opinions of rating agencies of the financial strength of an insurance organization with respect to its ability to meet obligations under its insurance policies and contracts. Financial strength ratings are used by ceding companies and reinsurance intermediaries to aid in assessing the financial strength and quality of reinsurers, and thus are an important factor in evaluating and establishing their competitive positions. A.M. Best and S&P are generally considered to be significant rating agencies for the evaluation of insurance and reinsurance companies. A.M. Best and S&P ratings are based on a quantitative and qualitative evaluation of performance with respect to capitalization, operating results, business position, financial flexibility, liquidity and enterprise risk management.

As of December 31, 2013, we had a financial strength rating of “A” (Excellent) from A.M. Best with a stable outlook for each of our reinsurance subsidiaries. This rating is the third highest of sixteen rating levels. According to A.M. Best, a rating of “A” indicates A.M. Best’s opinion that a company has an excellent ability to meet its ongoing obligations to policyholders. As of December 31, 2013, we had a financial strength rating of “A-” (Strong) from S&P with a stable outlook for each of our reinsurance subsidiaries. This rating is the seventh highest of twenty-two levels. According to S&P, a rating of “A-” indicates S&P’s opinion that an insurer has strong capacity to meet financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher-rated categories. These ratings are subject to periodic review by A.M. Best and S&P and may be revised downward or revoked at the sole discretion of A.M. Best or S&P. A.M. Best and S&P may increase their scrutiny of rated companies, revise their rating standards or take other action that could lead to changes in our ratings. If A.M. Best or S&P revise their rating standards associated with our current rating, our rating may be downgraded or we may need to raise additional capital to maintain our rating. Financial strength ratings are not directed toward the protection of investors in Platinum Holdings or its subsidiaries or affiliates.

Employees

As of December 31, 2013, we employed 124 people.

Regulation

The business of reinsurance is regulated in most countries and all states in the United States, although the degree and type of regulation varies significantly from one jurisdiction to another. Reinsurers are generally subject to less regulation than primary insurers. Reinsurers licensed in Bermuda and the United States are regulated and must comply with financial supervision standards comparable to those governing primary insurers. Platinum Bermuda is domiciled in Bermuda and Platinum US is domiciled in Maryland.

Although principally regulated by the regulatory authorities of their respective jurisdictions, our reinsurance subsidiaries may also be subject to regulation in the jurisdictions of their ceding companies. Regulators in many jurisdictions, most notably for us in the United States and the European Union, are proposing and implementing wide-ranging regulatory reforms and are far from a final and harmonized set of regulations.

Bermuda has recently introduced regulation with respect to insurance groups. These new regulations primarily relate to group reporting, group solvency and supervision (including enhanced capital requirements) and group governance.

Bermuda Regulation

Platinum Bermuda and Platinum Holdings are incorporated in Bermuda. The Insurance Act 1978 of Bermuda and related regulations (the “Insurance Act”) provide that no person may carry on any insurance business in or from within

Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (the "Authority") which is responsible for the day-to-day supervision of insurers. The Insurance Act also grants the Authority power to supervise, investigate and intervene in the affairs of insurance companies. Under the Insurance Act, insurance business includes reinsurance business. Platinum Bermuda is registered as a Class 4 general business insurer in Bermuda and is regulated as such under the Insurance Act.

An insurer's registration may be canceled by the Authority on grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act or if, in the opinion of the Authority, the insurer has not been carrying on business in accordance with sound insurance principles. The Insurance Act also imposes solvency and liquidity standards and auditing and reporting requirements on Bermuda insurance companies. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below.

Code of Conduct. Platinum Bermuda is required to comply with the Insurance Code of Conduct of the Authority ("Code of Conduct"), which establishes duties and standards insurers must comply with to ensure sound corporate governance, risk management and internal controls. The Authority takes failure to comply with the Code of Conduct into account in determining whether an insurer is conducting its business in a sound and prudent manner as prescribed by the Insurance Act and could result in the Authority exercising its powers of intervention (see "The Authority's Powers of Intervention and Obtaining Information" below). Compliance with the Code of Conduct is also a factor in calculating the operational risk charge applicable in accordance with an insurer's Bermuda Solvency Capital Requirement ("BSCR") model.

Annual Financial Statements and Annual Statutory Financial Return. Platinum Bermuda is required to file financial statements prepared in accordance with generally accepted accounting principles ("GAAP financial statements") and statutory financial statements with the Authority on an annual basis. Platinum Bermuda is also required to file a statutory financial return with the Authority on an annual basis. The statutory financial return for a Class 4 general business insurer includes a general business solvency certificate, a minimum solvency margin calculation, particulars of ceded reinsurance balances, and an opinion of the loss reserve specialist.

Approved Independent Auditor and Approved Loss Reserve Specialist. Platinum Bermuda must appoint an independent auditor approved by the Authority to annually audit and report on Platinum Bermuda's GAAP financial statements, statutory financial statements and the statutory financial return. Platinum Bermuda is also required to submit an opinion of its approved loss reserve specialist with its statutory financial return in respect of its loss and LAE provisions. The loss reserve specialist, who is normally a qualified actuary, must be approved by the Authority.

Annual Capital and Solvency Return, Capital Requirements and Eligible Capital Requirements. Platinum Bermuda is also required to file a capital and solvency return with the Authority on an annual basis. The capital and solvency return includes the insurer's BSCR model, commercial insurer's solvency self-assessment, a catastrophe risk return, a schedule of loss triangles or reconciliation of net loss reserves and a schedule of eligible capital.

Platinum Bermuda is required to maintain available statutory capital and surplus at least equal to its enhanced capital requirement ("ECR") which is calculated using the BSCR model. The BSCR model is a standardized risk-based capital model that provides a method for determining an insurer's capital requirements by taking into account eight categories of risk. The Authority has also established a target capital level equal to 120% of an insurance company's ECR. Failure to maintain statutory capital and surplus at least equal to the target capital level could result in increased regulatory oversight by the Authority.

The eligible capital rules require Platinum Bermuda to allocate its capital into three defined tiers based upon qualifying criteria and stipulates the maximum and minimum amounts of eligible capital in each tier that may be used to satisfy its minimum solvency margin and its ECR.

Minimum Solvency Margin and Liquidity Ratio. Platinum Bermuda is required to maintain a minimum solvency margin, calculated based upon its statutory financial statements, equal to the greater of (A) $100 million, (B) 50% of net premiums written and (C) 15% of net aggregate losses and LAE provisions and other insurance reserves not including unearned premium reserves. Beginning January 1, 2014, the minimum solvency margin is also subject to a minimum of 25% of the ECR. Platinum Bermuda is also required to maintain a minimum liquidity ratio such that the value of its relevant assets should not be less than 75% of the amount of its relevant liabilities.

Principal Representative and Principal Office. Platinum Bermuda is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. The principal representative must notify the Authority if there is a likelihood of the insurer becoming insolvent or that a certain reportable event (as such term is defined under the Insurance Act) has occurred. If there has been a significant loss that is reasonably likely to cause the insurer to fail to comply with its ECR, the principal representative must also furnish the Authority with a capital and solvency return reflecting an ECR prepared using post-loss data.

Restrictions on Dividends and Distributions. Platinum Bermuda is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its total statutory capital and surplus as shown on its previous fiscal year's statutory balance sheet unless it files an affidavit with the Authority stating that it will continue to meet its minimum solvency margin and minimum liquidity ratio. Platinum Bermuda must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous fiscal year's statutory financial statements.

The Insurance Act mandates certain actions and filings with the Authority if Platinum Bermuda fails to meet and maintain its ECR or minimum solvency margin. Platinum Bermuda is prohibited from declaring or paying a dividend if it is in breach of its ECR, minimum solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause such breach. If Platinum Bermuda fails to meet its minimum solvency margin or minimum liquidity ratio on the last day of any fiscal year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the Authority.

Group Supervision and Designated Insurer. The Authority is the group supervisor of the Company and has designated Platinum Bermuda as the designated insurer. As designated insurer, Platinum Bermuda is required to facilitate compliance by the Company with the insurance solvency and supervision rules (together, “Group Rules”). As group supervisor, the Authority performs a number of supervisory functions including: (i) coordinating the gathering and dissemination of information for other authorities; (ii) carrying out a supervisory review and assessment of the insurance group; (iii) carrying out an assessment of the insurance group’s compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (iv) planning and coordinating, through regular meetings with other authorities, supervisory activities in respect of the insurance group; (v) coordinating any enforcement action that may need to be taken against the insurance group or any of its members; and (vi) coordinating meetings of colleges of supervisors in order to facilitate the carrying out of these functions.

The requirements of the Group Rules discussed below are fully effective except for the requirement to file the opinion of an approved actuary which will be effective for the year ending December 31, 2014.

Responsibilities and Governance. The Group Rules require the board of directors of Platinum Holdings to establish and effectively implement corporate governance policies and procedures which must be periodically reviewed to ensure they continue to support the overall organizational strategy of the Company.

Annual Financial Statements, Annual Statutory Financial Return and Quarterly Financial Returns. The Company must file consolidated financial statements prepared under generally accepted accounting principles (“Group GAAP financial statements”) and statutory financial statements with the Authority on an annual basis. The Company is also required to prepare an annual statutory financial return that includes, among other things, an insurance business solvency certificate, particulars of ceded reinsurance balances, a reconciliation from the Group GAAP financial statements to the statutory financial statements, and particulars of members of the Company. In addition, the Company must file quarterly financial returns comprised of the quarterly unaudited Group GAAP financial statements and particulars of certain intra-group transactions and risk concentrations.

Approved Independent Auditor and Approved Actuary. The Company must ensure an independent auditor is appointed and approved by the Authority who will annually audit and report on the Group GAAP financial statements. The Company must also ensure that an approved actuary is appointed to provide an opinion in respect of its loss and loss expense provisions as reported in its statutory financial statements.

Annual Capital and Solvency Return, Capital and Solvency Requirements and Eligible Capital Requirements. The Company is also required to file a capital and solvency return with the Authority on an annual basis. The capital and solvency return includes the BSCR model, the solvency self-assessment, a catastrophe risk return, a schedule of eligible capital, and particulars of members of the Company.

The Company is required to maintain available statutory capital and surplus in an amount that is at least equal to its enhanced capital requirement (“Group ECR”) calculated using the BSCR model. The Authority has adopted a phase-in approach whereby the Group ECR is set at 50% of the amount calculated using the BSCR model as of December 31, 2013, and will increase in 10% increments until it reaches 100% for the year ending December 31, 2018. The Authority has also established a target capital level equal to 120% of the Group ECR.

The Company is required to maintain a minimum solvency margin equal to the aggregate minimum solvency margin of each qualifying member of the group (the “Group MSM”). A member is a qualifying member of the insurance group if it is subject to solvency requirements in the jurisdiction in which it is registered.

The Group Rules require the Company to allocate its capital into three defined tiers based upon qualifying criteria and stipulates the maximum and minimum amounts of eligible capital in each tier that may be used to satisfy its Group

MSM and its Group ECR.

Designated Insurer to Report Certain Events. If Platinum Bermuda, as the designated insurer, believes that the Company or any member of the Company may become insolvent or that certain reportable events (as such term is defined under the Group Rules) have occurred or may occur, it must notify the Authority. If there has been a significant loss that is reasonably likely to cause the insurance group to be unable to comply with its Group ECR, the designated insurer must furnish the Authority with a group capital and solvency return reflecting a Group ECR prepared using post-loss data, unaudited interim statutory financial statements, and a declaration of group solvency.

Other Restrictions on Dividends and Distributions. The Company and Platinum Bermuda must comply with the provisions of the Companies Act 1981 regulating the payment of dividends and making distributions from contributed surplus. A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company’s assets would thereby be less than its liabilities.

Change of Controllers and Officers. The Authority maintains supervision over the controllers of all registered insurers in Bermuda. A controller includes: (i) the managing director of Platinum Bermuda or Platinum Holdings; (ii) the chief executive of Platinum Bermuda or Platinum Holdings; (iii) a 10%, 20%, 33% or 50% shareholder controller (as defined below) of Platinum Bermuda or Platinum Holdings; and (iv) any person in accordance with whose directions or instructions the directors of Platinum Bermuda or Platinum Holdings are accustomed to act.

Any person who becomes a 10%, 20%, 33% or 50% shareholder controller of Platinum Bermuda or Platinum Holdings shall, within 45 days, notify the Authority in writing that he has become such a controller. The definition of shareholder controller is set out in the Insurance Act but generally refers to: (i) a person who holds 10% or more of the shares carrying rights to vote at a shareholders' meeting of the registered insurer or its parent company; or (ii) a person who is entitled to exercise 10% or more of the voting power at any shareholders' meeting of such registered insurer or its parent company; or (iii) a person who is able to exercise significant influence over the management of the registered insurer or its parent company by virtue of its shareholding or its entitlement to exercise, or control the exercise of, the voting power at any shareholders' meeting.

Material Changes. Platinum Bermuda is required to notify the Authority of its intention to effect a material change within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following changes are material: (i) the transfer or acquisition of insurance business being part of a scheme falling under section 25 of the Insurance Act or section 99 of the Companies Act; (ii) the amalgamation with or acquisition of another firm; (iii) engaging in unrelated business that is retail business; (iv) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer; (v) outsourcing all or substantially all of the company's actuarial, risk management and internal audit functions; (vi) outsourcing all or a material part of an insurer's underwriting activity; (vii) the transfer other than by way of reinsurance of all or substantially all of a line of business; and (viii) the expansion into a material new line of business. Furthermore, Platinum Bermuda, as the designated insurer, shall be required to notify the Authority within 30 days if any member of the Company effects any material change as defined in clauses (ii) through (viii) above.

The Authority's Powers of Intervention and Obtaining Information. The Authority may require a registered person or a designated insurer to provide such information or documentation as the Authority may reasonably require with respect to matters that are likely to be material to the performance of its supervisory functions under the Insurance Act. In addition, it may require such person's auditor, underwriter, accountant or any other person with relevant professional skill to prepare a report on any aspect pertaining thereto.

If the Authority deems it necessary to protect the interests of the policyholders or potential policyholders of an insurer or insurance group, it may investigate and report on the nature, conduct or state of the insurer's or the insurance group's business, or any aspect thereof, or the ownership or control of the insurer or insurance group. The Authority has the power to assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda if it is satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities and that such cooperation is in the public interest.

Exempted Companies Restrictions. Platinum Bermuda and Platinum Holdings are registered as "exempted companies" and as such are exempt from certain Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. However, exempted companies may not participate in certain business transactions, including: (i) the acquisition or holding of land in Bermuda except that required for their business and held by way of lease or tenancy for terms of not more than 50 years or, with the consent of the Minister of Finance, land which is used to provide accommodation or recreational facilities for officers and employees of the Company for a term not exceeding 21 years; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000 without the consent of the Minister of Finance; (iii) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or securities issued by Bermuda public authorities; or (iv) the carrying on of business of any kind in Bermuda, except in furtherance of business carried on outside Bermuda or under license granted by the Minister of Finance. Generally, it is not permitted without a special license granted by the Minister of Finance to insure Bermuda domestic risks or risks of persons of, in or based in Bermuda although the reinsurance of risks undertaken by any company incorporated in Bermuda and authorized to engage in insurance and reinsurance business is permitted.

Tax Exemptions. As well as having no restrictions on the degree of foreign ownership, Platinum Bermuda and Platinum Holdings are not currently subject to taxes on income or capital gains and they 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 and Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 31, 2035.

Exchange Controls. Although Platinum Bermuda and Platinum Holdings are organized, registered and domiciled in Bermuda, they are classified as non-residents of Bermuda for exchange control purposes by the Authority. Pursuant to their non-resident status, Platinum Holdings and Platinum Bermuda may hold any currency (other than Bermuda dollars) and convert that currency into any other currency (other than Bermuda dollars) without restriction. Platinum Holdings and Platinum Bermuda are permitted to hold Bermuda dollars to the extent necessary to pay their expenses in Bermuda.

U.S. Regulation

Platinum US is organized, licensed and domiciled in the State of Maryland, as a property and casualty insurer, and is licensed, authorized or accredited to write reinsurance in all 50 states of the United States and the District of Columbia. Although Platinum US is regulated by state insurance regulators and applicable state insurance laws in each state where it is licensed, authorized or accredited, the principal insurance regulatory authority of Platinum US is the Maryland Insurance Administration.

The rates, forms, terms and conditions of our reinsurance agreements generally are not subject to regulation by any state insurance regulator in the United States. This contrasts with primary insurance where the policy forms and premium rates are generally regulated by state insurance regulators.

State insurance regulators have broad administrative powers with respect to various aspects of the reinsurance business, including licensing to transact business, admittance of assets, establishing reserve requirements and solvency standards, and regulating investments and dividends.

Annual Financial Statements. State insurance laws and regulations require Platinum US to file statutory basis financial statements with insurance regulators in each state where it is licensed, authorized or accredited to do business. The operations of Platinum US are subject to examination by those state insurance regulators at any time. Platinum US prepares and files statutory basis financial statements in accordance with accounting practices prescribed or permitted by these insurance regulators. State insurance regulators conduct periodic examinations of the books and records of insurance companies domiciled in their states as well as perform market conduct examinations of insurance companies doing business in their states. State insurance regulators generally conduct their various examinations at least once every three to five years. Examinations are generally carried out in cooperation with the insurance regulators of other states under guidelines promulgated by the National Association of Insurance Commissioners (“NAIC”). Platinum US’ most recently completed financial examination by the Maryland Insurance Administration was as of December 31, 2008.

Credit for Reinsurance Ceded. The ability of a primary insurer to take credit for the reinsurance purchased from reinsurance companies is a significant component of reinsurance regulation. Typically, a primary insurer will only enter into a reinsurance agreement if it can obtain credit against its reserves on its statutory basis financial statements for the reinsurance ceded to the reinsurer. With respect to U.S. domiciled reinsurers that reinsure U.S. insurers, credit is usually granted when the reinsurer is licensed or accredited in the state where the primary insurer is domiciled. States also generally permit primary insurers to take credit for reinsurance if the reinsurer: (i) is domiciled in a state with a credit for reinsurance law that is substantially similar to the credit for reinsurance law in the primary insurer’s state of domicile; and (ii) meets certain financial requirements. Credit for reinsurance purchased from a reinsurer that does not meet the foregoing conditions is generally allowed to the extent that such reinsurer secures its obligations with qualified collateral.

Platinum Bermuda has provided, and may in the future provide, reinsurance to Platinum US in the normal course of business. Platinum Bermuda is not licensed, accredited or approved in any state in the United States and, consequently, Platinum Bermuda must collateralize its obligations to Platinum US in order for Platinum US to obtain credit against its reserves on its statutory basis financial statements.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), which became effective on July 21, 2011, provides that only the state in which a primary insurer is domiciled may regulate the financial statement credit for reinsurance taken by that primary insurer; other states are no longer able to require additional collateral from unauthorized reinsurers or otherwise impose their own credit for reinsurance laws on primary insurers that are only licensed in such other states.

In November 2011, the NAIC adopted amendments to its Credit for Reinsurance Model Law and Regulation (the "NAIC Credit for Reinsurance Model Law") to implement reinsurance collateral reform. Under the amended NAIC Credit for Reinsurance Model Law, collateral requirements may be reduced from 100% for reinsurers meeting certain criteria as to financial strength and reliability that are domiciled in jurisdictions that are found to have strong systems of domestic insurance regulation. Once a state legislature enacts the amendments to the NAIC Credit for Reinsurance Model Law and the standards become operative in that state, such reinsurers will be eligible to apply for "certified reinsurer" status and reinsurers that become so certified will be permitted to post collateral at reduced levels in that state. The new collateral levels will apply on a prospective basis only. Although the NAIC has made the amended NAIC Credit for Reinsurance Model Law an accreditation standard, and the changes permitting reduced collateral are not mandatory, any state has the option of retaining a 100% collateralization requirement if it chooses to do so. During its Expedited Review Process, the NAIC has designated Bermuda as a Conditional Qualifying Jurisdiction as of January 1, 2014 with respect to certain classes of insurers, including Class 4 insurers such as Platinum Bermuda. Such designation will be in effect for a one-year period during which time the NAIC expects to complete its full review process. Platinum Bermuda is certified to post reduced collateral in Florida and New York under predecessor statutes.

Capital and Solvency. The NAIC uses a risk-based capital ("RBC") model to monitor and regulate the solvency of licensed life, health, and property and casualty insurance and reinsurance companies. Maryland has adopted the NAIC's model law. The RBC calculation is used to measure an insurer's capital adequacy with respect to: the risk characteristics of the insurer's premiums written and unpaid losses and LAE, rate of growth and quality of assets, among other measures. Depending on the results of the RBC calculation, insurers may be subject to varying degrees of regulatory action depending upon the level of their capital inadequacy.

In September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act, which will require insurers to maintain a framework for identifying, assessing, monitoring, managing and reporting on the "material and relevant risks" associated with the insurer's (or insurance group's) current business plans. Under the ORSA Model Act, an insurer must undertake an internal risk management review no less often than annually (but also at any time when there are significant changes to the risk profile of the insurer or its insurance group) in accordance with the NAIC's ORSA Guidance Manual, and prepare a summary report ("ORSA Report") assessing the adequacy of the insurer's risk management and capital in light of its current and future business plans. The ORSA Report will be filed with a company's lead regulator and be available to other domiciliary regulators within the holding company system. The ORSA Model Act must be adopted by the individual states for the new requirements to apply, and specifically in Maryland for the changes to apply to Platinum US. It is not clear when Maryland or other states will adopt the ORSA Model Act; however, the NAIC is seeking to make the ORSA Model Act part of its accreditation standards for state solvency regulation, which will motivate states to adopt it prior to its proposed 2015 implementation date.

Restrictions on Dividends and Distributions. Under Maryland insurance law, Platinum US must notify the Maryland Insurance Commissioner (the "Commissioner") within five business days after the declaration of any dividend or distribution, other than an extraordinary dividend or extraordinary distribution, and notify the Commissioner at least 10 days prior to the payment or distribution thereof. The Commissioner has the right to prevent payment of such a dividend or such a distribution if the Commissioner determines, in the Commissioner's discretion, that after the payment thereof, the policyholders' surplus of Platinum US would be inadequate or could cause Platinum US to be in a hazardous financial condition. Platinum US must give at least 30 days prior notice to the Commissioner before paying an extraordinary dividend or making an extraordinary distribution from other than earned surplus. Extraordinary dividends and extraordinary distributions are dividends or distributions which, together with any other dividends and distributions paid during the immediately preceding twelve-month period, would exceed the lesser of:

(1) 10% of the insurer's statutory policyholders' surplus (as determined under statutory accounting principles) as of December 31 of the prior year; or

(2) the insurer's net investment income excluding realized capital gains (as determined under statutory accounting principles) for the twelve-month period ending on December 31 of the prior year and pro rata distributions of any class of the insurer's securities, plus any amounts of net investment income (subject to the foregoing exclusions) in the three calendar years prior to the preceding year which have not been distributed.

Insurance Holding Company Laws. Platinum Holdings and Platinum Regency as the indirect parent companies of Platinum US, and Platinum Finance as the direct parent company of Platinum US, are subject to the insurance holding company laws of Maryland. These laws generally require an authorized insurer that is a member of a holding company system to register with the Maryland Insurance Administration and to furnish annually financial and other information about the operations of companies within the holding company system. Generally, all transactions between Platinum US and another company in the holding company system, including sales, loans, reinsurance agreements and service agreements, must be fair and reasonable and, if material or of a specified category, require prior notice and approval or non-disapproval by the Commissioner.

The insurance laws of Maryland prohibit any person from acquiring control of Platinum Holdings, Platinum Regency, Platinum Finance or Platinum US unless that person has filed a notification with specified information with the Commissioner and has obtained the Commissioner's prior approval. Under the Maryland statutes, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Platinum Holdings without the prior approval of the Commissioner will be in violation of this law and may be subject to injunctive action requiring the disposition or seizure of those securities by the Commissioner or prohibiting the voting of those securities and to other actions that may be taken by the Commissioner. In addition, many U.S. state insurance laws require prior notification to state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing business in that state. While these pre-notification statutes do not authorize the state insurance regulators to disapprove the acquisition of control, they authorize regulatory action in the affected state if particular conditions exist, such as undue market concentration. In addition, any transactions that would constitute an acquisition of control of Platinum Holdings, Platinum Regency or Platinum Finance may require prior notification in those states that have adopted pre-acquisition notification laws. These laws may discourage potential acquisition proposals and may delay, deter or prevent an acquisition of control of Platinum Holdings (in particular through an unsolicited transaction), even if the shareholders of Platinum Holdings might consider such transaction to be desirable.

In December 2010, the NAIC adopted amendments to the Insurance Holding Company System Regulatory Model Act and Regulation (the "Amended Holding Company Model Act"). The Amended Holding Company Model Act introduces the concept of "enterprise risk" within an insurance holding company system. The Amended Holding Company Model Act imposes more extensive informational requirements on parents and other affiliates of licensed insurers or reinsurers with the purpose of protecting the licensed companies from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to the licensed companies. The Amended Holding Company Model Act must be adopted by the individual states for the new requirements to apply. Maryland adopted the Amended Holding Company Model Act effective January 1, 2014. Platinum Holdings' first enterprise risk report will be due by July 1, 2015.

Federal Oversight. The U.S. federal government generally does not directly regulate the insurance industry except for certain areas of the market, such as insurance for crop, flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. In addition, legislation has been introduced from time to time in recent years that, if enacted, could result in the federal government assuming a more direct role in the regulation of the reinsurance industry, including federal licensing in addition to, or in lieu of, state licensing and reinsurance for natural catastrophes. We are unable to predict whether any legislation will be enacted or any regulations will be adopted, or the effect these developments could have on our business, financial condition or results of operations.

The Dodd-Frank Act created the Federal Insurance Office (the "FIO") within the Department of Treasury headed by a Director appointed by the Treasury Secretary. Under the Dodd-Frank Act, the Treasury Secretary and U.S. Trade Representative are jointly authorized to enter into certain agreements with foreign governments relating to prudential supervision of the business of insurance or reinsurance. In implementing such agreements, the FIO has the authority to preempt state law if it is determined that the state law is inconsistent with the international agreement and treats a non-U.S. insurer or reinsurer less favorably than a U.S. insurer or reinsurer. The FIO's implementation authority over international agreements could potentially result in the preemption of contrary state law, and this authority might be used to affect reinsurance collateral requirements, to the potential benefit of Platinum Bermuda. It is unknown whether and when any such changes will occur.

The FIO is designed principally to exercise a monitoring and information gathering role, rather than a regulatory role. In that capacity, the FIO has been charged with providing reports to the U.S. Congress on (i) modernization of U.S. insurance regulation and possible federal involvement in supervision of insurance group holding companies (provided in December 2013), (ii) state regulators' ability to access reinsurance information (provided in November 2013), and (iii) the global reinsurance market. Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the United States, including insurance group holding companies.

Other Regulatory. Government involvement in the insurance and reinsurance markets, both in the United States and worldwide, continues to evolve. For example, in 2007, Florida enacted legislation that, among other things, increased the access of primary Florida insurers to the Florida Hurricane Catastrophe Fund ("FHCF"). The purpose of the FHCF is to maintain insurance capacity in Florida by providing below market rate reinsurance to insurers for a portion of their catastrophic hurricane losses. The legislation may have the effect of reducing the role of the private reinsurance market in Florida-based risks. The Florida legislation and any similar state or U.S. federal legislation could have a material adverse impact on our business, financial condition or results of operations.

Ireland Regulation

Platinum Regency is incorporated in Ireland. As a holding company, Platinum Regency is not subject to Irish insurance regulation. Irish law prohibits Platinum Regency from declaring a dividend to its shareholders unless it has "profits available for distribution". The determination of whether a company has profits available for distribution is based on its accumulated profits, not previously distributed or capitalized, less its accumulated realized losses, not previously used as a reduction from capital.

European Union Regulation

The European Union ("EU") is introducing a new regime for the regulation of the insurance and reinsurance sector known as "Solvency II". Solvency II is a risk-based regulatory regime which seeks to promote financial stability, enhance transparency and facilitate harmonization among insurance and reinsurance companies within the EU. Solvency II is currently due to be transposed into national law by EU Member States on March 31, 2015 and will apply to firms on January 1, 2016. Given the delay in adopting the so-called Omnibus II Directive (a directive intended to amend in part the existing solvency regime), the European Insurance and Occupational Pensions Authority ("EIOPA") has published guidelines on the interim measures national supervisors should be taking before Solvency II comes into force, with such measures to be implemented through phasing-in provisions as of January, 1 2014.

Solvency II employs a risk-based approach to setting capital requirements for insurers and reinsurers. One aspect of Solvency II concerns the treatment of reinsurance obtained by EU insurers from reinsurers headquartered in a country outside the EU, including Bermuda and the United States, where our reinsurance subsidiaries are headquartered. The issue is whether such reinsurance can be taken into account by the EU insurers for capital purposes in the same way as reinsurance obtained from EU reinsurers, or whether the non-EU reinsurers must instead maintain certain minimum credit ratings or provide collateral to the EU insurers. The Solvency II directive proposes that where the non-EU jurisdiction is found to have a regulatory regime "equivalent" to that of Solvency II (in terms of policyholder and beneficiary protection with respect to reinsurance), reinsurance contracts with non-EU reinsurers shall be treated in the same way as reinsurance contracts with EU reinsurers. At present, it is expected that Bermuda (along with Japan and Switzerland) will be Solvency II equivalent for this purpose but that the United States will not be. However, the European Commission is yet to confirm these positions. To the extent that non-EU countries are not deemed Solvency II equivalent at the time the new solvency regime comes into force, transitional arrangements are expected under the Omnibus II Directive whereby, subject to satisfying certain criteria, non-equivalent regimes will be allowed an extended time period to implement a regime satisfying the Solvency II equivalence criteria.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, are available free of charge on our Internet website at www.platinumre.com as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission (“SEC”). We also post on our website the charters of our Audit, Compensation, Governance and Executive Committees, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and any amendments or waivers thereto, and any other corporate governance materials required to be posted by SEC or New York Stock Exchange (“NYSE”) regulations. These documents are also available in print to any shareholder requesting a copy from our corporate secretary at our principal executive offices. Information contained on the Platinum Holdings website is not part of this Form 10-K.

Item 1A.Risk Factors

Numerous factors could cause our actual results to differ materially from those in the forward-looking statements set forth in this Form 10-K and in other documents that we file with the SEC. Those factors include the following:

Risks Related to Our Business

The occurrence of severe catastrophic events could have a material adverse effect on our financial condition or results of operations.

We underwrite property and casualty reinsurance and have large aggregate exposures to natural and man-made disasters and, consequently, we expect that our loss experience generally will include infrequent events of great severity. The frequency and severity of catastrophe losses are inherently difficult to predict, therefore, the occurrence of losses from a severe catastrophe or series of catastrophes could have a material adverse effect on our ability to write new business and on our results of operations and financial condition, possibly to the extent of eliminating our shareholders' equity. Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses in recent years and, although we seek to limit our overall exposure to risk by limiting the amount of reinsurance we write by geographic zone and type of peril, we expect that those factors will increase the severity of catastrophe losses in the future. Global climate change may increase the frequency and severity of losses from hurricanes, tornadoes, windstorms, hailstorms, freezes, floods and other weather-related disasters.

If the loss limitation methods and loss and pricing models we employ are not effective, our financial condition or results of operations could be materially adversely affected.

Our property and casualty reinsurance contracts cover unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other natural or man-made disasters. Underwriting requires significant judgment, involving assumptions about matters that are inherently difficult to predict and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. Reinsurance contracts generally contain limits that restrict the amount that we may be required to pay in the event of a loss. Our contracts typically contain a per risk limit or an occurrence limit and may contain both. Some of our contracts contain an aggregate limit. Property and marine reinsurance contracts with natural catastrophe exposure generally contain occurrence limits. In addition, our high layer property and marine reinsurance contracts generally contain aggregate limits. Casualty reinsurance contracts generally contain either a per risk or an occurrence limit. Casualty clash contracts generally contain an aggregate limit. Few of our other casualty contracts contain an aggregate limit. We seek to manage our risk by limiting our estimated probable maximum loss from a catastrophic event in any geographic zone that could be expected to occur once in every 250 years to a specified percentage of total capital. One or more catastrophic or other events could result in claims that substantially exceed our expectations and could have a material adverse effect on our results of operations and financial condition, possibly to the extent of eliminating our shareholders' equity.

We believe that the computer-based loss and pricing models we use to assess each ceding company's potential for catastrophe losses are an important part of the underwriting process for catastrophe exposure pricing. However, these models depend on the quality of the information obtained from our ceding companies and the independent data we obtain from third parties and may prove inadequate for determining the pricing for certain catastrophe exposures. Our models may not accurately predict changes in weather patterns related to climate change or the impact of these changes. If climate change or other factors cause more severe or frequent weather-related disasters than we anticipate, our losses may exceed our expectations, which could have a material adverse effect on our financial condition and results of operations. Our models include assumptions with respect to the frequency and severity of various sources of loss, including but not limited to damage vulnerability, location of fault lines, demand surge, liquefaction and tsunami. If such factors for actual events differ from our assumptions, our losses may exceed our expectations, which could have a material adverse effect on our financial condition and results of operations.

For our property and casualty reinsurance underwriting, we depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess the risks they underwrite, which may lead us to inaccurately assess the risks we assume.

Because we participate in property and casualty reinsurance markets, the success of our underwriting efforts depends, in part, upon the policies, procedures and expertise of the ceding companies making the original underwriting decisions. As is common among reinsurers, we do not separately evaluate each of the individual risks assumed under reinsurance treaties. We face the risk that these ceding companies may fail to accurately assess the risks that they assume initially, which, in turn, may lead us to inaccurately assess the risks we assume. If we fail to establish and receive appropriate premium rates or fail to contractually limit our exposure to such risks, we could face significant losses on these contracts.

If we are required to increase our liabilities for losses and LAE, our operating results may be adversely affected.

We establish liabilities for losses and LAE that we are or will be liable to pay for reinsured claims for events that have occurred on or before the balance sheet date. At any time, these liabilities may prove to be inadequate to cover our actual losses and LAE. To the extent these liabilities are determined to be insufficient to cover actual losses or LAE, we will have to increase these liabilities and incur a charge to our earnings, which could have a material adverse effect on our financial condition and results of operations. In accordance with laws, regulations and accounting principles generally accepted in the United States of America (“U.S. GAAP”), we do not establish liabilities until an event occurs which may give rise to a loss. Once such an event occurs, liabilities are established based upon estimates of the total losses incurred by the ceding companies and an estimate of the portion of such loss we have reinsured.

The liabilities established on our consolidated balance sheet do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of losses. We do not separately evaluate each of the individual insurance or reinsurance contracts assumed under our treaties and we are largely dependent on the original underwriting decisions made by ceding companies. All of our liability estimates are based on actuarial and statistical projections at a given time, facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of the liabilities that we have established.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. Various provisions of our contracts, such as limitations or exclusions from coverage or choice of forum, may be difficult to enforce in the manner we intend, due to, among other things, disputes relating to coverage and choice of legal forum. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until some time after we have issued reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our reinsurance contracts may not be known for many years after a contract is issued. The effects of unforeseen developments or substantial government intervention could adversely impact our ability to achieve our goals. An example of this is the Patient Protection and Affordable Care Act of 2010. Examples of emerging coverage and claims issues include larger settlements and jury awards against professionals and corporate directors and officers covered by professional liability and directors’ and officers’ liability insurance and whether the substantial losses from hurricanes were the result of storm surge, which is sometimes covered by insurance, or flood, which generally is not covered.

A downgrade in our financial strength ratings could adversely affect our ability to write new business.

Financial strength ratings are used by ceding companies and reinsurance intermediaries to assess the financial strength and quality of reinsurers. In addition, a ceding company's own rating may be adversely affected by a downgrade in the rating of its reinsurer. Therefore, a downgrade of our financial strength rating may dissuade a ceding company from reinsuring with us and may influence a ceding company to reinsure with a competitor that has a higher rating.

As of December 31, 2013, we had a financial strength rating of "A" (Excellent) from A.M. Best with a stable outlook for each of our reinsurance subsidiaries. This rating is the third highest of sixteen rating levels. According to A.M. Best, a rating of "A" indicates A.M. Best's opinion that a company has an excellent ability to meet its ongoing obligations to policyholders. As of December 31, 2013, we had a financial strength rating of "A-" (Strong) from S&P with a stable outlook for each of our reinsurance subsidiaries. This rating is the seventh highest of twenty-two levels. According to S&P, a rating of "A-" indicates S&P's opinion that an insurer has strong capacity to meet financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher-rated categories. These ratings are subject to periodic review by A.M. Best and S&P and may be revised downward or revoked at the sole discretion of A.M. Best or S&P. A.M. Best and S&P may increase their scrutiny of rated companies, revise their rating standards or take other action that could lead to changes in our ratings. If A.M. Best or S&P revise their rating standards associated with our current rating, our rating may be downgraded or we may need to raise additional capital to maintain our rating. Financial strength ratings are not directed toward the protection of investors in Platinum Holdings or its subsidiaries or affiliates.

Our reinsurance contracts commonly contain terms that would allow a ceding company to cancel the contract or require us to collateralize all or part of our obligations if our financial strength rating was downgraded below a certain rating level. Whether a client would exercise a cancellation right would depend on, among other factors, the reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Any such cancellation or additional collateral requirements could have an adverse effect on our business.

Losses from operations may deplete our capital base and create a need to obtain additional capital that may not be readily available in the capital markets or may only be available on unfavorable terms.

Losses from operations, including severe catastrophic events, could cause a material decline in our shareholders' equity. We are dependent on our financial strength and ratings, as evaluated by independent rating agencies, to underwrite reinsurance. A material decline in our existing capital below a level necessary to maintain our ratings may require us to raise additional capital through private financings or the capital markets. Certain of our contracts provide that a cedant may cancel the contract if there is a decline in our equity below specified levels. To the extent that our existing capital is insufficient to fund our future operating requirements, we may need to raise additional funds through financings or limit our growth. Any equity or debt financing, if available at all, may be on terms that are unfavorable to us or our shareholders. Equity financings could result in dilution to our shareholders. We may issue securities that have rights, preferences and privileges that are senior to those of our outstanding securities. If we are not able to obtain adequate capital, our business, results of operations, financial condition and financial strength and credit ratings could be adversely affected.

We have exposure to credit loss from counterparties in the normal course of business.

Reinsurance premiums receivable and funds held by ceding companies are subject to credit risk. We have established standards for ceding companies and, in most cases, have a contractual right of offset thereby allowing us to settle claims net of any such reinsurance premiums receivable and funds held.

We may from time to time have credit exposure with respect to retrocessionaires, certain derivative counterparties and counterparties to reinsurance deposit assets. We consider the financial strength of our retrocessionaires when determining whether to purchase coverage from them. We generally obtain retrocessional coverage from companies rated "A-" or better by A.M. Best unless the retrocessionaire's obligations are collateralized. Our retrocessionaires and counterparties to our derivative contracts and reinsurance deposit assets may be affected by economic events which could adversely affect their ability to meet their obligations to us.

We may also collateralize our obligations under our various reinsurance contracts by delivering letters of credit to the ceding company, pledging assets for the benefit of the ceding company or permitting the ceding company to withhold funds that would otherwise be delivered to us under the reinsurance contract. We have entered into reinsurance contracts with several ceding companies that require us to provide varying levels of collateral for our obligations under certain circumstances, including when our obligations to these ceding companies exceed negotiated amounts. These amounts may vary depending on our rating from A.M. Best, S&P or other rating agencies and the level of statutory equity of our reinsurance subsidiaries. The amount of collateral we are required to provide typically represents a portion of the obligations we may owe the ceding company, often including estimates of unpaid losses made by the ceding company. Since we may be required to provide collateral based on the ceding company's estimate, we may be obligated to provide collateral that exceeds our estimates of the ultimate liability to the ceding company. It is also unclear what, if any, the impact would be in the event of the liquidation of a ceding company with which we have a collateral arrangement.

The availability and cost of security arrangements for reinsurance transactions may materially impact our ability to provide reinsurance.

Our reinsurance subsidiaries are frequently required to provide collateral to its ceding companies for unpaid liabilities in a form acceptable to applicable state insurance regulators. Typically, this type of collateral takes the form of letters of credit issued by a bank, the pledging of assets or trust accounts, or funds withheld by ceding companies.

If our credit facilities are not sufficient or if our lenders fail to perform or if we are unable to renew our credit facilities or to arrange for other types of security on commercially acceptable terms, our reinsurance companies' ability to provide reinsurance to clients may be severely limited. For more details on our credit facilities, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity", in this Form 10-K.

The property and casualty reinsurance business is historically cyclical, and we expect to experience periods with excess underwriting capacity and unfavorable pricing.

Historically, property and casualty reinsurers have experienced significant fluctuations in operating results. Demand for reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic and market conditions, all of which affect ceding companies' decisions as to the amount or portion of risk that they retain for their own accounts and consequently reinsurance premium rates. The supply of reinsurance is related to prevailing prices, the levels of insured losses and levels of industry surplus which, in turn, may fluctuate in response to changes in rates of return on investments being earned in the reinsurance industry and general economic and market conditions. As a result, the property and casualty reinsurance business historically has been cyclical, characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity have permitted favorable pricing. We can expect to experience the effects of such cyclicality.

The cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, including what management believes to be a trend of courts to grant increasingly larger awards for certain damages, natural disasters (such as catastrophic hurricanes, windstorms, tornadoes, earthquakes and floods), acts of terrorism, fluctuations in interest rates, changes in the investment environment that affect market prices of and income and returns on investments and inflationary pressures that may tend to affect the size of losses experienced by primary insurers. Periods of severe inflation or deflation or prolonged periods of recession may adversely impact our results of operations or financial condition. Unfavorable market conditions may affect our ability to write reinsurance at rates that we consider appropriate relative to the risk assumed. If we cannot write property and casualty reinsurance at appropriate rates, our business would be significantly and adversely affected.

Increased competition could adversely affect our profitability.

The property and casualty reinsurance industry is highly competitive. Some of our competitors are large financial institutions that have reinsurance operations, while others are specialty reinsurance companies. Hedge funds, investment banks, pension funds and other capital markets participants continue to show interest in entering the reinsurance market, through the formation of new risk-bearing entities, the financing of such new entities, or otherwise.

Many of our competitors have greater financial, marketing and management resources than we do. We compete with reinsurers worldwide on the basis of many factors, including premium charges and other terms and conditions offered, services provided, ratings assigned by independent rating agencies, speed of claims payment, claims experience, perceived financial strength and experience and reputation of the reinsurer in the line of reinsurance to be underwritten. We may not be successful in competing with others on any of these bases, and the intensity of competition in our industry may erode profitability and result in less favorable policy terms and conditions for insurance and reinsurance companies generally, including us.

Competition in recent years has increased as a result of non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

We could face losses from terrorism, political unrest and war.

We have exposure to losses resulting from acts of terrorism, political unrest and acts of war. It is difficult to predict the occurrence of these events or to estimate the amount of loss an occurrence will generate. Accordingly, it is possible that actual losses from such acts will exceed our probable maximum loss estimate and that these acts will have a material adverse effect on us.

We closely monitor the amount and types of coverage that we provide for terrorism risk under reinsurance treaties. If we think we can reasonably evaluate the risk of loss and charge an appropriate premium for such risk we will write some terrorism exposure on a stand-alone basis. We generally seek to exclude terrorism from non-terrorism treaties. If we cannot exclude terrorism, we will evaluate the risk of loss and attempt to charge an appropriate premium for such risk. Even in cases where we have deliberately sought to exclude coverage, we may not be able to completely eliminate our exposure to terrorist acts.

The Terrorism Risk Insurance Act of 2002 was amended and extended by the Terrorism Risk Insurance Extension Act of 2005 and amended and extended again by the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"). TRIPRA provides a federal backstop to all U.S. based property and casualty insurers for insurance related losses resulting from any act of terrorism on U.S. soil or against certain U.S. air carriers, vessels or foreign missions. We benefit from TRIPRA as this protection generally inures to our benefit under our reinsurance treaties where terrorism is not excluded. TRIPRA expires on December 31, 2014 and it is uncertain what impact this may have on us.

We are dependent on the business provided to us by reinsurance brokers and we may be exposed to liability for brokers' failure to make premium payments to us or claim payments to our clients.

We market substantially all of our reinsurance products through reinsurance brokers. The reinsurance brokerage industry generally, and our sources of business specifically, are concentrated. The loss of business relationships with any of our top brokers could have a material adverse effect on our business.

In accordance with industry practice, we frequently pay amounts in respect of claims under contracts to reinsurance brokers for payment to the ceding companies. In the event that a broker fails to make such a payment, we may remain liable to the ceding company for the payment. When ceding companies remit premiums to reinsurance brokers, such premiums may be deemed to have been paid to us and the ceding company may no longer be liable to us for those amounts whether or not we actually receive the funds. Consequently, we assume a degree of credit risk associated with our brokers during the premium and loss settlement process.

Retrocessional reinsurance protection may become unavailable to us on acceptable terms.

We may buy retrocessional reinsurance and use derivative instruments to reduce liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity. From time to time, market conditions may limit or prevent us from obtaining retrocessional reinsurance or it may be available only on terms that we find unacceptable. If we are unable or unwilling to obtain such protection on acceptable terms, our financial position and results of operations may be materially adversely affected, especially by catastrophic losses. Elimination of all or portions of our catastrophic loss protection could subject us to increased, and possibly material, exposure to losses or could cause us to underwrite less business.

Foreign currency exchange rate fluctuations may adversely affect our financial condition and results.

We routinely transact business in various currencies other than the U.S. dollar, our financial reporting currency. We may incur foreign currency exchange gains or losses as we ultimately settle claims required to be paid in foreign currencies. To the extent we do not seek to hedge our foreign currency risk or our hedges prove ineffective, the resulting impact of a movement in foreign currency exchange rate could materially adversely affect our financial condition and results of operations.

Our success will depend on our ability to maintain and enhance effective operating procedures and internal controls over financial reporting.

Our management does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Our disclosure controls and procedures and our internal controls over financial reporting were designed to provide reasonable assurances that their objectives would be met.

The preparation of our financial statements requires us to make many estimates and judgments.

The preparation of consolidated financial statements requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities (including reserves), shareholders’ equity, revenues and expenses, and related disclosures of contingent liabilities. On an ongoing basis, we evaluate our estimates, including those related to premiums written and earned, our unpaid losses and LAE, investment valuations, income taxes and those estimates used in our risk transfer analysis for reinsurance transactions. We base our estimates on historical experience, where possible, and on various other assumptions that we believe to be reasonable under the circumstances, which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our judgments and estimates may not reflect our actual results. We utilize actuarial models as well as historical insurance industry loss development patterns to establish our loss reserves. Over time, other common reserving methodologies have begun to be employed. Actual claims and claim expenses paid may deviate, perhaps materially, from the reserve estimates reflected in our financial statements. For more details on our estimates and judgments, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates”, in this Form 10-K.

The covenants in our debt and credit facilities limit our financial and operational flexibility, which could have an adverse effect on our financial condition.

We have incurred indebtedness, and may incur additional indebtedness in the future. Our indebtedness primarily consists of publicly traded notes and credit facilities consisting of letter of credit and revolving credit facilities. For more details on our indebtedness, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Liquidity”, in this Form 10-K.

Our credit facilities contain covenants that limit our ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. The credit facilities also require us to maintain specific financial ratios. If we fail to comply with these covenants or meet these financial ratios, the lenders under our credit facilities could declare a default and demand immediate repayment of all amounts owed to them, cancel their commitments to lend or issue letters of credit, or both, and require us to pledge additional or a different type of collateral.

We could be adversely affected by the loss of one or more key executives, by an inability to retain or replace qualified senior management or by an inability to renew the Bermuda work permits of any of our key executives or other key personnel.

Our success depends on our ability to retain the services of key executives and to attract and retain additional qualified personnel in the future. Under Bermuda law, non-Bermudians (other than spouses of Bermudians) may not engage in any gainful occupation in Bermuda without the specific permission of the appropriate governmental authority. None of our executive officers is a Bermudian, and all such officers employed in Bermuda, including our Chief Executive Officer, Chief Financial Officer and the Chief Executive Officer of Platinum Bermuda, are employed pursuant to work permits granted by Bermuda authorities. These permits expire at various times during the next several years. The loss of the services of our key executives or the inability to hire and retain other highly qualified personnel in the future, including as a result of our inability to renew the Bermudian work permits of such individuals, could adversely affect our business plans and strategies or cause us to lose clients.

Technology breaches or failures, including those resulting from a malicious cyber-attack on us or our business partners and service providers, could disrupt or otherwise negatively impact our business.

We rely on information technology systems to process, transmit, store and protect the electronic information, financial data and proprietary models that are critical to our business. Furthermore, a significant portion of the communications between our employees and our business, banking and investment partners depends on information technology and electronic information exchange. Like all companies, our information technology systems are vulnerable to data breaches, interruptions or failures due to events that may be beyond our control, including, but not limited to, natural disasters, theft, terrorist attacks, computer viruses, hackers and general technology failures.

We believe that we have established and implemented appropriate security measures, controls and procedures to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed or stored in such systems, and we periodically evaluate and test the adequacy of such systems, controls and procedures. In addition, we have established a business continuity plan which is designed to ensure that we are able to maintain all aspects of our key business processes functioning in the midst of and following certain disruptive events, including any disruptions to or breaches of our information technology systems. Our business continuity plan is routinely reviewed and evaluated for adequacy. Despite these safeguards, disruptions to and breaches of our information technology systems are possible and may negatively impact our business.

In addition, we could be subject to liability if external parties were able to penetrate our network security or otherwise misappropriate confidential information.

It is possible that insurance policies we have in place with third parties would not entirely protect us in the event that we experienced a breach, interruption or widespread failure of our information technology systems. Furthermore, we have not secured insurance coverage designed to specifically protect us from an economic loss resulting from such events.

Although we have never experienced any known or threatened cases involving unauthorized access to our information technology systems or unauthorized appropriation of the data contained within such systems, we have no assurance that such technology breaches will not occur in the future.

Risks Related to Our Investments

Our investment performance may adversely affect our results of operations, financial position and ability to conduct business.

Our operating results depend in part on the performance of our investment portfolio. Our investments are subject to market-wide risks and fluctuations. In addition, we are subject to risks inherent in particular securities or types of securities, such as the ability of issuers to repay their debt. Adverse developments in the financial markets, such as disruptions, uncertainty or volatility in the capital and credit markets, may result in realized and unrealized capital losses that could have a material adverse effect on our results of operations, financial position and ability to conduct business, and may also limit our access to capital required to operate our business. Severe disruptions in the public debt and equity markets, including, among other things, widening of credit spreads, lack of liquidity and bankruptcies, may result in significant realized and unrealized losses in our investment portfolio. Depending on market conditions, we could incur additional realized and unrealized losses on our investment portfolio in future periods, which could have a material adverse effect on our results of operations, financial condition and ability to conduct business.

Changes in market interest rates could have a material adverse effect on our investment portfolio, investment income and results of operations and financial condition.

Our principal invested assets are fixed maturity securities. Increasing market interest rates reduce the value of our fixed maturity securities, and we may realize a loss if we sell fixed maturity securities whose value has fallen below their amortized cost prior to maturity. Declining market interest rates can have the effect of reducing our investment income, as we invest proceeds from positive cash flows from operations and reinvest proceeds from maturing and called investments in new lower-yielding investments. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. We may use derivative instruments to reduce potential material adverse effects of interest rate changes on our investment portfolio. Any measures we take that are intended to manage the risks of operating in a changing interest rate environment may not effectively mitigate such interest rate sensitivity. Accordingly, changes in interest rates could have a material adverse effect on our investment portfolio, investment income and results of operations and financial condition.

Concentration in any particular industry, asset class or geographic region may adversely affect our investment portfolio.

Concentration of our investment portfolio in any particular industry, asset class or geographic region may have a material adverse effect on our investment portfolio, financial condition and results of operations. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular industry, asset class or geographic region may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated rather than diversified at certain periods of time. Further, the ability to sell such investments may be limited if other market participants are seeking to sell similar investments at the same time.

Risks Related to Taxation

The imposition of U.S. corporate income tax on Platinum Holdings and its non-U.S. subsidiaries could adversely affect our results of operations.

We believe that Platinum Holdings, Platinum Bermuda and Platinum Regency each operate in such a manner that none of these companies should be subject to U.S. corporate income tax because they are not engaged in a trade or business in the United States. Nevertheless, because definitive identification of activities that constitute being engaged in a trade or business in the United States has not been established by the tax authorities, the U.S. Internal Revenue Service (the “IRS”) may successfully assert that any of these companies is engaged in a trade or business in the United States, or, if applicable, engaged in a trade or business in the United States through a permanent establishment. If any of these companies were characterized as being so engaged, such company would be subject to U.S. tax at regular corporate rates on its income that is effectively connected (“ECI”) with its U.S. trade or business, plus an additional 30% “branch profits” tax on its dividend equivalent amount (generally ECI with certain adjustments) deemed withdrawn from the United States. Any such tax could materially adversely affect our results of operations.

U.S. Persons who hold our shares will be subject to adverse U.S. federal income tax consequences if we are considered to be a passive foreign investment company for U.S. federal income tax purposes.

The term “U.S. Person” means: (i) an individual citizen or resident of the United States; (ii) a partnership or corporation, created or organized in or under the laws of the United States, or organized under the laws of any State thereof (including the District of Columbia); (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; (iv) a trust if either a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust, or the trust has a valid election in effect to be treated as a U.S. Person for U.S. federal income tax purposes; or (v) any other person or entity that is treated for U.S. federal income tax purposes as if it were one of the foregoing.

If Platinum Holdings is considered a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, a U.S. Person who owns directly or, in some cases, indirectly (e.g., through a non-U.S. partnership) any of our shares will be subject to adverse U.S. federal income tax consequences including subjecting the investor to a greater tax liability than might otherwise apply and subjecting the investor to tax on amounts in advance of when tax would otherwise be imposed. In addition, if we were considered a PFIC, upon the death of any U.S. individual owning shares, such individual's heirs or estate would not be entitled to a “step-up” in the basis of the shares that might otherwise be available under U.S. federal income tax laws. Although there is an exception for purposes of the PFIC rules for non-U.S. insurance companies predominantly engaged in the active conduct of an insurance business, there are currently no regulations regarding the application of the PFIC provisions to an insurance company and there is no other guidance to explain what constitutes the “active conduct of an insurance business for U.S. federal income tax purposes.” New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We believe we should not be characterized as a PFIC; however, we cannot assure an investor that we will not be characterized as a PFIC for U.S. federal income tax purposes. If we are considered a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. federal income taxation.

Under certain circumstances, a U.S. person may be required to pay taxes on its pro rata share of the related person insurance income of Platinum Bermuda.

If (i) U.S. Persons are treated as owning 25% or more of our shares; (ii) the related person insurance income ("RPII") of Platinum Bermuda were to equal or exceed 20% of the gross insurance income of Platinum Bermuda in any taxable year; and (iii) direct or indirect insureds (and persons related to such insureds) own (or are treated as owning) 20% or more of the voting power or value of the shares of Platinum Bermuda, a U.S. Person who owns our shares directly, or indirectly through non-U.S. entities, on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes the shareholder's pro rata share of the RPII of Platinum Bermuda for the entire taxable year, determined as if such RPII were distributed proportionately to such U.S. Persons at that date regardless of whether such income is distributed. RPII generally represents premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of our shares or any person related to such holder. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization generally will be treated as unrelated business taxable income. The amount of RPII earned by Platinum Bermuda will depend on a number of factors, including the geographic distribution of the business of Platinum Bermuda and the identity of persons directly or indirectly insured or reinsured by Platinum Bermuda. Some of the factors which determine the extent of RPII in any period may be beyond the control of Platinum Bermuda. Although we expect that either (i) the gross RPII of Platinum Bermuda will not exceed 20% of its gross insurance income for the taxable year or (ii) direct or indirect insureds (and persons related to those insureds) will not own directly or indirectly through entities 20% or more of the voting power or value of our shares for the foreseeable future, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

U.S. Persons who dispose of our shares may be subject to U.S. federal income taxation at the rates applicable to dividends on all or a portion of their gains, if any.

The RPII rules provide that if a U.S. Person disposes of shares in a non-U.S. insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as a dividend to the extent of the shareholder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the shareholder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a shareholder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the shareholder. These RPII rules should not apply to dispositions of our shares because Platinum Holdings will not be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury Department in the form of final regulations. Regulations interpreting the RPII provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), exist only in proposed form. It is not certain whether these proposed regulations will be adopted in their present form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts, or otherwise, might have retroactive effect.

Holders of 10% or more of our shares may be subject to U.S. income taxation under the "controlled foreign corporation" rules.

A U.S. Person that is a "10% U.S. Shareholder" of a non-U.S. corporation (defined as a U.S. Person who owns or is treated as owning at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation) that is a controlled foreign corporation ("CFC") for an uninterrupted period of 30 days or more during a taxable year, that owns shares in the CFC directly, or indirectly through non-U.S. entities, on the last day of the CFC's taxable year, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income", even if the subpart F income is not distributed. "Subpart F income" of a non-U.S. insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income). A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the Code (i.e., "constructively")) more than 50% of the total combined voting power of all classes of stock of that foreign corporation, or the total value of all stock of that foreign corporation.

For purposes of taking into account insurance income, a CFC also includes a non-U.S. insurance company in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned directly, indirectly through non-U.S. entities or constructively by 10% U.S. Shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration for the reinsurance or the issuing of insurance or annuity contracts (other than certain insurance or reinsurance related to same country risks written by certain insurance companies not applicable here) exceeds 75% of the gross amount of all premiums or other consideration in respect of all risks.

We believe that because of the anticipated dispersion of our share ownership, and provisions in our organizational documents that limit voting power, no U.S. Person should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total voting power of all classes of our shares. However, the IRS could successfully challenge the effectiveness of these provisions in our organizational documents. Accordingly, no assurance can be given that a U.S. Person who owns our shares will not be characterized as a 10% U.S. Shareholder.

Changes in U.S. federal income tax law could materially adversely affect an investment in our shares.

Legislation was introduced in the U.S. Congress intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation was introduced in Congress to limit the deductibility of reinsurance premiums paid by U.S. companies to non-U.S. affiliates. A similar provision was included as part of the federal budget proposed by the President of the United States for 2014. It is possible that this or similar legislation could be introduced in and enacted by the current Congress or future Congresses that could have a material adverse impact on us or our shareholders. In addition, existing interpretations of U.S. federal income tax law could change, also resulting in a material adverse impact on us or our shareholders.

We may become subject to taxes in Bermuda.

We have received a standard assurance from the Minister of Finance, under Bermuda's Exempted Undertakings Tax Protection Act 1966, as amended, 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 and Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 31, 2035. Consequently, if our Bermuda tax exemption is not extended past March 31, 2035, we may be subject to certain Bermuda taxes after that date.

The imposition by other jurisdictions of income, premium or other taxes on Platinum Holdings or its subsidiaries could adversely affect our business.

We do not believe that Platinum Holdings and its subsidiaries are subject to income taxes in jurisdictions other than in the United States and Ireland. If jurisdictions other than the United States and Ireland impose income taxes on us, or change or impose new withholding, premium or other taxes upon us, it could materially adversely affect our business and results of operations.

Risks Related to Laws and Regulations

The regulatory system under which we operate and potential changes thereto could significantly and adversely affect our business.

The business of reinsurance is regulated in most countries, although the degree and type of regulation varies significantly from one jurisdiction to another. Reinsurers are generally subject to less direct regulation than primary insurers. Reinsurers licensed in Bermuda and the United States are regulated and must comply with financial supervision standards comparable to those governing primary insurers. For additional discussion of the regulatory requirements to which Platinum Holdings and its subsidiaries are subject, see Item 1 “Business – Regulation”, in this Form 10-K. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could materially adversely affect our financial condition and results of operations. In addition, these statutes and regulations may, in effect, restrict the ability of our subsidiaries to write new business or, as indicated below, restrict the ability of Platinum Holdings to pay dividends to its shareholders and of our subsidiaries to pay dividends to Platinum Holdings.

In recent years, the Bermuda and some U.S. state legislatures have considered or enacted laws that may alter or increase authority to regulate insurance companies and insurance holding companies. Moreover, the Bermuda and some U.S. state governments, the NAIC and state insurance regulators regularly re-examine existing laws and regulations and interpretations of existing laws and develop new laws. The new interpretations or laws may be more restrictive or may result in higher costs to us than current statutory requirements. In addition, the U.S. federal government has undertaken initiatives or considered legislation in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. The Dodd-Frank Act, which became effective on July 21, 2011, has changed the regulation of reinsurance in the United States, as described below.

The EU is introducing a new regime for the regulation of the insurance and reinsurance sector known as “Solvency II”. Solvency II is currently due to be transposed into national law by EU Member States on March 31, 2015 and will apply to firms on January 1, 2016. Given the delay in adopting the so-called Omnibus II Directive (a directive intended to amend in part the existing solvency regime), EIOPA has published guidelines on the interim measures national supervisors should be taking before Solvency II comes into force, with such measures to be implemented through phasing-in provisions as of January 1, 2014. The Solvency II directive proposes that reinsurance contracts obtained by EU insurers from reinsurers headquartered in a country outside the EU be treated in the same way as reinsurance contracts obtained from EU reinsurers, provided that the non-EU country is found to have a regulatory regime “equivalent” to that of Solvency II in terms of policyholder and beneficiary protection. Our reinsurance subsidiaries are headquartered in Bermuda and the United States, which are non-EU countries. At present, it is expected that Bermuda will be Solvency II equivalent but that the United States may not be. However the European Commission is yet to confirm the position. If the regulatory regimes of Bermuda and the United States are assessed not to be equivalent to that of Solvency II and if our reinsurance subsidiaries fall below a certain minimum credit rating, EU insurers may be prevented from recognizing the reinsurance provided to them by our reinsurance subsidiaries for the purpose of meeting their capital requirements unless we provide collateral for our obligations to EU insurers. This could have a material adverse impact on our ability to conduct our business. To the extent that non-EU countries are not deemed Solvency II equivalent at the time the new solvency regime comes into force, transitional arrangements are expected under the Omnibus II Directive whereby subject to satisfying certain criteria, non-equivalent regimes will be allowed an extended time period to implement a regime satisfying the Solvency II equivalence criteria.

The insurance and reinsurance regulatory framework has become subject to increased scrutiny in many jurisdictions, including the U.S. federal and various state jurisdictions. In the past, there have been congressional and other proposals in the United States regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the United States. For example, if Platinum Bermuda were to become subject to any insurance laws and regulations of the United States or any U.S. state, which are generally more restrictive than those applicable to it in Bermuda, Platinum Bermuda might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing specified types of policies or contracts. Complying with those laws could have a material adverse effect on our ability to conduct our business.

Regulatory regimes and changes to accounting rules may adversely impact financial results irrespective of business operations.

Accounting standards and regulatory changes may require modifications to our accounting policies, both prospectively and for prior periods and such changes could have an adverse impact on our financial results. In particular, the SEC is considering a plan to first allow and then require companies to file financial statements in accordance with International Financial Reporting Standards rather than U.S. GAAP. Such changes, if ultimately adopted, could have a significant impact on our financial reporting, impacting key matters such as our loss reserving policies and premium and expense recognition. Also, both the Financial Accounting Standards Board and the International Accounting Standards Board are considering adopting accounting standards for all reinsurance and insurance contracts that are considered to be more closely related to fair value than the current measurement basis. We are currently evaluating how these initiatives will impact us, including with respect to our loss reserving policy and the effect it might have on recognizing premium revenue and policy acquisition costs. Required modification of our existing policies, either with respect to these issues or other issues in the future, could have an impact on our results of operations and financial condition, including changing the timing of the recognition of underwriting income, increasing the volatility of our reported earnings and changing our overall financial statement presentation.

The Dodd-Frank Act may adversely impact our business.

The Dodd-Frank Act became effective on July 21, 2011. In addition to introducing sweeping reform of the U.S. financial services industry, the Dodd-Frank Act has changed the regulation of reinsurance in the United States. The Dodd-Frank Act also created the FIO which is designed principally to exercise a monitoring and information gathering role.

The Dodd-Frank Act prohibits a state from denying credit for reinsurance if the state of domicile of the insurer purchasing the reinsurance recognizes credit for reinsurance. At present, it appears the changes specific to reinsurance in the Dodd-Frank Act will not have a material adverse effect on non-U.S. reinsurers such as Platinum Bermuda, however, there is still significant uncertainty as to how these and other provisions of the Dodd-Frank Act will be implemented in practice.

Non-compliance with laws, regulations and taxation regarding transactions with international counter-parties may adversely affect our business.

As we provide reinsurance on a worldwide basis, we are subject to an expanding legal, regulatory and tax environment intended to help detect and prevent anti-trust activity, terrorist financing, fraud, tax avoidance and other illicit activity. These requirements include regulations promulgated and administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control, The Foreign Corrupt Practices Act of 1977, the Iran Freedom and Counter-Proliferation Act of 2012 and the Foreign Account Tax Compliance Act. These and other programs prohibit or restrict dealings with certain countries, their governments and, in certain circumstances, their nationals and may require detailed reporting to various administrative parties. We have developed and implemented policies, procedures, systems and internal controls that are designed to comply with the various requirements. Non-compliance with any of these regulations could have a material adverse effect on our ability to conduct our business.

Platinum Holdings is a holding company and, consequently, its cash flow is dependent on dividends, interest and other permissible payments from its subsidiaries.

Platinum Holdings is a holding company that conducts no reinsurance operations of its own. All operations are conducted by its wholly owned reinsurance subsidiaries, Platinum Bermuda and Platinum US. As a holding company, Platinum Holdings' sources of cash flow consists primarily of dividends, interest and other permissible payments from its subsidiaries. The making of such payments is limited by applicable law, as set forth in Item 1, "Business - Regulation" in this Form 10-K. Platinum Holdings depends on such payments for general corporate purposes, for its capital management activities and payment of any dividends to its common shareholders. For more details on our cash flows, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition - Liquidity," in this Form 10-K.

A shareholder of our Company may have greater difficulty in protecting its interests than would a shareholder of a U.S. corporation.

The Companies Act differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. These differences include the manner in which directors must disclose transactions in which they have an interest, the rights of shareholders to bring class action and derivative lawsuits and the scope of indemnification available to directors and officers.

In addition, a substantial portion of our assets and certain of our officers and directors are or may be located in jurisdictions outside the United States. It may be difficult for investors to effect service of process within the United States on our directors and officers who reside outside the United States or to enforce against us or our directors and officers judgments of U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws.

There are limitations on the ownership, transfer and voting rights of our common shares.

Under our Amended and Restated Bye-laws, our directors are required to decline to issue, repurchase, or register any transfer of shares if they determine in their sole discretion that such action may result in a person owning, directly or beneficially, and in some cases indirectly through non-U.S. entities or constructively, 10% or more of the voting power of all our issued shares. The directors also may refuse to issue, repurchase or register any transfer of shares if they determine in their sole discretion that such action may result in a non-de minimis adverse tax, legal or regulatory consequence.

In addition, our Amended and Restated Bye-laws generally provide that any person owning, directly or beneficially, and in some cases indirectly through non-U.S. entities or constructively, shares carrying 9.5% or more of the total voting rights attached to all of our outstanding shares, will have the voting rights attached to such shares reduced so that it may not exercise 9.5% or more of such total voting rights of the shares. Because of the attribution provisions of the Code and the rules of the SEC regarding determination of beneficial ownership, this requirement may have the effect of reducing the voting rights of a shareholder whether or not such shareholder directly holds 9.5% or more of our shares while other shareholders may have their voting rights increased. Further, the directors have the authority to require from any shareholder certain information for the purpose of determining whether that shareholder's voting rights are to be reduced. Failure to respond to such a notice, or submitting incomplete or inaccurate information, gives the directors discretion to disregard all votes attached to that shareholder's shares.

The Authority maintains supervision over the controllers of all registered insurers in Bermuda. Where the shares of the shareholder of a registered insurer, or the shares of its parent company, are traded on a recognized stock exchange, and such person becomes a 10%, 20%, 33% or 50% shareholder controller of the insurer, that person shall, within 45 days, notify the Authority in writing that he has become such a controller.

The Authority may file a notice of objection to any person who has become a controller of any description where it appears that such person is not, or is no longer, a fit and proper person to be a controller of the registered insurer. Before issuing a notice of objection, the Authority is required to serve upon the person concerned a preliminary written notice stating the Authority’s intention to issue formal notice of objection. Upon receipt of the preliminary written notice, the person served may, within 28 days, file written representations with the Authority which shall be taken into account by the Authority in making their final determination. Any person who continues to be a controller of any description after having received a notice of objection shall be guilty of an offense and shall be liable on summary conviction to a fine of $25,000 (and a continuing fine of $500 per day for each day that the offense is continuing) or, if convicted on indictment, to a fine of $100,000 and/or 2 years in prison.

The insurance laws of Maryland, the domiciliary state of Platinum US, prohibit any person from acquiring control of us or of Platinum US unless that person has filed a notification with specified information with the Commissioner and has obtained the Commissioner's prior approval. Under the Maryland statutes, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Platinum Holdings without the prior approval of the Commissioner will be in violation of this law and may be subject to injunctive action requiring the disposition or seizure of those securities by the Commissioner or prohibiting the voting of those securities and to other actions determined by the Commissioner. In addition, many U.S. state insurance laws require prior notification of state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing business in that state. While these pre-notification statutes do not authorize the state insurance regulators to disapprove the acquisition of control, they authorize regulatory action in the affected state if particular conditions exist, such as undue market concentration. In addition, any transactions that would constitute an acquisition of control of us or Platinum US may require prior notification in those states that have adopted pre-acquisition notification laws.

Consent under the Exchange Control Act 1972 of Bermuda (and its related regulations) has been obtained from the Authority for the issue and transfer of the common shares between non-residents of Bermuda for exchange control purposes, provided our shares remain listed on an appointed stock exchange, which includes the NYSE.

The foregoing provisions of our Amended and Restated Bye-laws and legal and regulatory restrictions will have the effect of rendering more difficult or discouraging unsolicited takeover bids from third parties or the removal of incumbent management.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Platinum Holdings and Platinum Bermuda lease office space in Pembroke, Bermuda, where our principal executive office is located. Platinum US and Platinum Administrative Services, Inc. lease office space in New York, New York. In addition, Platinum US leases office space in Chicago, Illinois and Platinum Administrative Services, Inc. leases office space in Stamford, Connecticut. We renew and enter into new leases in the ordinary course of business and anticipate no difficulty in extending our leases or obtaining comparable office facilities in suitable locations. We consider our facilities to be adequate for our current needs.

Item 3. Legal Proceedings

In the normal course of business, we may become involved in various claims and legal proceedings. We are not currently aware of any pending or threatened material litigation or arbitration other than in the ordinary course of our reinsurance business. Estimated losses related to claims arising in the normal course of our reinsurance business, including the anticipated outcome of any pending arbitration or litigation, are included in unpaid losses and LAE in our consolidated balance sheets.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company’s common shares are listed on the NYSE under the symbol “PTP”.

On February 10, 2014, the last reported sale price for our common shares on the NYSE was $55.77 per share. The following table shows the high and low per share trading prices of our common shares during each quarter, as reported on the NYSE for the periods indicated:

	Price Range of Common Shares	
	High	Low
Year		
2013:		
Fourth Quarter	$ 63.60	$ 57.84
Third Quarter	61.06	56.63
Second Quarter	59.50	54.06
First Quarter	$ 56.34	$ 46.24
2012:		

Fourth Quarter	$ 47.40	$ 40.89
Third Quarter	43.08	37.58
Second Quarter	38.43	34.97
First Quarter	$ 37.64	$ 32.94

Number of Holders of Common Shares

As of January 31, 2014, there were approximately 49 holders of record of our common shares. This figure does not represent the actual number of beneficial owners of our common shares because shares are frequently held in “street name” by a broker, bank or other nominee for the benefit of beneficial owners who may vote the shares.

Dividends

During the years ended December 31, 2013 and 2012, we paid quarterly cash dividends of $0.08 per common share. Our Board of Directors has declared a dividend for the first quarter of 2014 of $0.08 per common share, payable on March 31, 2014 to shareholders of record at the close of business on March 3, 2014. The declaration and payment of common share dividends is at the discretion of the Board of Directors and depends upon our results of operations and cash flows, the financial positions and capital requirements of the Company and its subsidiaries, general business conditions, legal, tax and regulatory restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

The laws of the various jurisdictions in which Platinum Holdings and our subsidiaries are organized restrict the ability of Platinum Holdings to pay dividends to its shareholders and of our subsidiaries to pay dividends to Platinum Holdings. See Item 1, “Business – Regulation” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition - Liquidity”, in this Form 10-K for additional information on dividend restrictions.

Purchases of Equity Securities by Us

The following table summarizes our purchases of our common shares during the three months ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
October 1, 2013 – October 31, 2013	-	$-	-	$171,468,351
November 1, 2013 – November 30, 2013	-	-	-	171,468,351
December 1, 2013 – December 31, 2013	8,923	59.27	8,923	170,939,450
Total	8,923	$59.27	8,923	$170,939,450

(1) Including commissions.

(2) Our Board of Directors established a program authorizing the repurchase of our common shares. Since the program was established, our Board of Directors has approved increases in the repurchase program from time to time, most recently on July 24, 2013, to result in authority as of such date to repurchase up to a total of $250.0 million of our common shares.

Performance Graph

The following performance graph compares cumulative total return on our common shares with the cumulative total return on the S&P 500 Composite Stock Price Index (the “S&P 500 Index”) and the S&P 500 Property & Casualty Industry Insurance Group Stock Price Index (the “S&P 500 Property & Casualty Insurance Index”), for the period that commenced December 31, 2008 and ended on December 31, 2013. The performance graph shows the value as of December 31 of each calendar year of $100 invested on December 31, 2008 in our common shares, the S&P 500 Index, and the S&P 500 Property & Casualty Insurance Index as measured by the last sale price on the last trading day of each such period.

Total Return to Shareholders
Comparison of Cumulative Five Year Total Return

* Index value as of December 31, 2008 – $100.00

The foregoing performance graph shall not be deemed to be “soliciting material” or “filed” with the SEC or incorporated by reference in any previous or future document filed by the Company with the SEC under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates such performance graph by reference in any such document.

Item 6. Selected Financial Data

The following table sets forth certain of our selected financial data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009. Our data as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 were derived from our consolidated financial statements beginning on page F-1 of this Form 10-K. Our data as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 were derived from our audited consolidated financial statements not included in this Form 10-K. The selected financial data should be read in conjunction with our consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2013 beginning on page F-1 of this Form 10-K, and the related “Management's Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 39 of this Form 10-K.

Five-Year Summary of Selected Financial Data
(in thousands, except per share amounts)

	As of and for the Years Ended December 31,				
	2013	2012	2011	2010	2009
Statement of Operations Data:					
Net premiums written	$567,121	$565,000	$651,514	$760,589	$897,834
Net premiums earned	553,413	566,496	689,452	779,994	937,336
Net investment income	72,046	99,947	125,863	134,385	163,941
Net realized gains on investments	23,920	88,754	3,934	107,791	78,630
Net impairment losses on investments	(2,033)	(3,031)	(22,370)	(36,610)	(17,603)
Net losses and LAE	167,446	183,660	805,437	467,420	478,342
Underwriting expenses	179,253	170,619	180,741	203,705	240,806
Net income (loss)	$223,278	$327,228	$(224,064)	$215,498	$383,291
Basic earnings (loss) per common share	$7.46	$9.67	$(6.04)	$5.14	$7.71
Diluted earnings (loss) per common share	7.35	9.60	(6.04)	4.78	7.33
Dividends declared per common share	$0.32	$0.32	$0.32	$0.32	$0.32
Balance Sheet Data:					
Total investments and cash and cash equivalents	$3,492,362	$3,947,694	$4,170,044	$4,212,498	$4,369,649
Premiums receivable	138,454	128,517	159,387	162,682	269,912
Total assets	3,923,885	4,333,303	4,551,611	4,614,313	5,021,578
Unpaid losses and LAE	1,671,365	1,961,282	2,389,614	2,217,378	2,349,336
Unearned premiums	126,300	113,960	121,164	154,975	180,609
Debt obligations	250,000	250,000	250,000	250,000	250,000
Shareholders' equity	$1,746,707	$1,894,534	$1,690,859	$1,895,455	$2,077,731
Common shares outstanding	28,143	32,722	35,526	37,758	45,943
Common shares outstanding - diluted	28,889	34,091	36,471	40,639	51,643
Book value per common share	$62.07	$57.90	$47.59	$50.20	$45.22
Fully converted book value per common share	$60.64	$56.39	$46.88	$47.48	$41.58
Return on equity	12.9%	20.2%	(12.1%)	11.2%	22.4%

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Reconciliation of Non-GAAP Financial Measures

In presenting the Company's results in the table above as well as in Item 1, “Business” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K, management has included financial measures that are not calculated under standards and rules that comprise U.S. GAAP. Such measures, including underwriting income or loss and related underwriting ratios, book value per common share and fully converted book value per common share, are referred to as non-GAAP measures. These non-GAAP measures may be defined or calculated differently by other companies. Management believes these measures allow for a more complete understanding of the underlying business. In addition, return on equity is used as a financial performance measure in determining compensation, as discussed in items incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual General Meeting of Shareholders (our “Proxy Statement”). These measures are used to monitor our results and should not be viewed as a substitute for those determined in accordance with U.S. GAAP. Reconciliations of such measures to the most comparable U.S. GAAP figures are included below or are included elsewhere within this Form 10-K in accordance with Regulation G.

Underwriting Income (Loss) and Ratios

The Company believes that underwriting income or loss and ratios allow for a more complete understanding of the profitability of our reinsurance operations and operating segments. Underwriting income or loss consists of net premiums earned less net losses and LAE and net underwriting expenses. Net underwriting expenses include net acquisition expenses and operating costs related to underwriting. Underwriting income or loss excludes revenues and expenses related to net investment income, net realized gains or losses on investments, net impairment losses on investments, corporate expenses not allocated to underwriting operations, interest expense, net foreign currency exchange gains or losses, net changes in fair value of derivatives and other income and expense.

Underwriting ratios are calculated for net losses and LAE, net acquisition expense and net underwriting expense. The ratios are calculated by dividing the related expense by net premiums earned. The combined ratio is the sum of the net losses and LAE, net acquisition expense and net underwriting expense ratios.

Segment underwriting income or loss is reconciled to the U.S. GAAP measure of income or loss before income taxes in Note 11 to the “Consolidated Financial Statements” in this Form 10-K.

Book Value and Fully Converted Book Value per Common Share

Book value per common share represents total shareholders’ equity divided by the number of common shares outstanding. Management uses growth in book value per common share as an indicator of the value provided to common shareholders and believes that, over time, book value per common share is a key driver of share price. The most significant influences on our book value per common share are net income or loss, other comprehensive income or loss and share repurchase activities.

Fully converted book value per common share represents total shareholders’ equity, adjusted for the assumed proceeds from the exercise of share options, divided by the number of common shares outstanding, adjusted for the assumed exercise or vesting of all outstanding share options and restricted share units.

The following summary sets forth the calculation of book value and fully converted book value per common share for the years ended December 31, 2013 and 2012 ($ and amounts in thousands, except per share amounts):

	2013	2012
Market price per share at year end	$61.28	$46.00
Shareholders' equity	$1,746,707	$1,894,534
Add: Proceeds from exercise of share options	4,994	27,688
Shareholders' equity - diluted	$1,751,701	$1,922,222
Basic common shares outstanding	28,143	32,722
Add: Common share options	148	833
Add: Restricted share units	598	536
Diluted common shares outstanding	28,889	34,091
Book value per common share		
Book value per common share	$62.07	$57.90
Fully converted book value per common share	$60.64	$56.39

Return on Equity

Return on equity represents net income available to common shareholders divided by the beginning shareholders' equity for the year, adjusted for material capital transactions during the year. Management uses return on equity as a financial performance measure in determining incentive compensation as set forth in the Proxy Statement.

The following table sets forth the calculation of return on equity for the years ended December 31, 2013, 2012 and 2011, respectively ($ in thousands):

	2013	2012	2011
Net income	$223,278	$327,228	$(224,064)
Shareholders' equity, beginning of the year	1,894,534	1,690,859	1,895,455
Weighted average adjustments for material capital transactions:			
Share repurchases	(181,685)	(68,818)	(40,103)
Other	12,521	1,551	943
Adjusted shareholders' equity, beginning of the year	$1,725,370	$1,623,592	$1,856,295
Return on equity	12.9%	20.2%	(12.1%)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto included in this Form 10-K. This Form 10-K contains forward-looking statements that involve risks and uncertainties. Please see the "Note on Forward-Looking Statements" on page 1 of this Form 10-K. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. Management has included certain schedules containing financial measures that are not calculated under standards and rules that comprise U.S. GAAP. See Item 6, "Selected Financial Data" in this Form 10-K for additional information.

Overview

As of December 31, 2013, our capital resources of $2.0 billion consisted of $1.7 billion of common shareholders' equity and $250.0 million of debt obligations. As of December 31, 2012, our capital resources of $2.1 billion consisted of $1.9 billion of common shareholders' equity and $250.0 million of debt obligations. As of December 31, 2013 and 2012, our investable assets were $3.5 billion and $4.0 billion, respectively.

Our net income was $223.3 million and $327.2 million for the years ended December 31, 2013 and December 31, 2012, respectively, and our net loss was $224.1 million for the year ended December 31, 2011. Our net premiums written were $567.1 million, $565.0 million and $651.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Return on equity was 12.9%, 20.2% and (12.1%) for the years ended December 31, 2013, 2012 and 2011, respectively. Book value per share grew to $62.07 as of December 31, 2013, an increase of 7.2% from $57.90 as of December 31, 2012.

General Economic Conditions

Periods of moderate economic growth or recession tend not to adversely affect our operations. Periods of moderate inflation or deflation also tend not to adversely affect our operations. However, periods of severe inflation or deflation or prolonged periods of recession may adversely impact our results of operations or financial condition. Management considers the potential impact of economic trends in the estimation process for establishing unpaid losses and LAE and in determining our investment strategies.

Reinsurance Industry Conditions and Trends

Historically, property and casualty reinsurers have experienced significant fluctuations in operating results. Demand for reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic and market conditions, all of which affect ceding companies' decisions as to the amount or portion of risk that they retain for their own accounts and consequently reinsurance premium rates. The supply of reinsurance is related to prevailing prices, the levels of insured losses and levels of industry surplus which, in turn, may fluctuate in response to changes in rates of return on investments being earned in the reinsurance industry and general economic and market conditions. As a result, the property and casualty reinsurance business historically has been cyclical, characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity have permitted favorable pricing.

The cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, including what management believes to be a trend of courts to grant increasingly larger awards for certain damages, natural disasters (such as catastrophic hurricanes, windstorms, tornadoes, earthquakes and floods), acts of terrorism, fluctuations in interest rates, changes in the investment environment that affect market prices of and income and returns on investments and inflationary pressures that may tend to affect the size of losses experienced by primary insurers. Unfavorable market conditions may affect our ability to write reinsurance at rates that we consider appropriate relative to the risk assumed. These factors influence the total supply of underwriting capacity in the market which tends to drive the cyclical nature of the business.

Over the last several years, we have seen a significant increase in overall reinsurance industry capacity resulting from strong financial results and the influx of new competitors.

Our property reinsurance business can be very volatile in periods when there are few catastrophic events or when catastrophes are frequent or severe and there are large losses. Our casualty reinsurance business is typically less volatile; however, there tends to be a greater time lag between the occurrence, reporting and payment of casualty reinsurance claims, requiring a longer-term perspective on the part of management for this aspect of our business.

In 2012 and 2013, the reinsurance industry financial results have reflected lower than average global natural and man-made catastrophes and continuing prior years' favorable development. In addition, losses and LAE on many lines of business continued to be lower than their long-term averages. These financial results have bolstered reinsurers' already strong balance sheets. Additionally, new capital from non-traditional sources has grown significantly. Combining the additional supply with flat or reduced demand from buyers of reinsurance has resulted in substantial risk-adjusted rate reductions in some property catastrophe lines as at January 1, 2014 and smaller but still significant reductions in other property and marine and casualty lines of business.

Terms and conditions have been relaxed in favor of the buyers of reinsurance, with ceding commissions in many cases significantly exceeding the buyers' costs to produce this business. The alteration to terms and conditions also potentially alters the behavior of ceding companies as they can write underlying business that may have been previously unprofitable.

Competition in recent years has increased as a result of non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

Current Outlook

As noted above, property and casualty reinsurance business is a cyclical business. Presently, we appear to be in a phase of the cycle characterized by excess underwriting capacity. Below average insured losses from major catastrophes and an influx of capacity during 2013 had a destabilizing effect on rates for reinsurance business written in the second half of 2013 and at January 1, 2014. Ample capacity exists for all lines of business, pressuring rates down and expanding terms and conditions. In many lines of business we are approaching the minimum level of premium we would expect in order for such business to provide appropriate returns. We may write less premium in 2014 than we currently anticipate if there is a pervasive decrease in pricing and continued expansion of terms and conditions.

In the Property and Marine segment, we believe that property catastrophe exposed reinsurance rates for peak zones and perils will remain under pressure for the balance of the year. We currently anticipate that the portfolio of business we write in our Property and Marine segment during 2014 will be similar to our current in-force book of business. Our Property and Marine segment will continue to represent a large proportion of our overall book of business, which could result in significant volatility in our results of operations.

In the Casualty segment, we expect casualty insurance and reinsurance capacity to remain abundant for the rest of 2014. If this is the case, the potential for improvement in the risk adjusted total return we are able to achieve on this business will be limited. We believe the casualty market is presently such that reinsurance rate adequacy is expected to produce returns at or below the cost of capital, yet competition for this business remains strong. Under these conditions many treaties do not meet our pricing standards. Unless these conditions change, we expect that the total return available from the casualty business will not improve materially. Accordingly, we expect to write a similar sized portfolio during 2014 in our Casualty segment as compared with our current in-force book of business.

In the Finite Risk segment, we expect only minor activity for 2014, reflecting a continued lack of demand for finite risk covers, and we will continue focusing our efforts on our other lines of business.

The impact on our investment portfolio from the recent rise in interest rates was mitigated by our prior efforts to reduce our portfolio duration. When interest rates and spreads are at attractive levels, we expect to continue deploying cash into high quality fixed income securities. Additionally, we may begin considering riskier assets.

Absent a major event in the insurance or capital markets, we expect continued pressure on reinsurance rate adequacy. We will continue with our strategy of responding to changes in market conditions and of underwriting for profitability, not market share.

Based on our current reserve position, our net in-force portfolio of reinsurance business, and our asset portfolio we believe that we are strongly capitalized with a comfortable capital cushion above the rating agency targets for a company with our ratings. If the business performs as we anticipate, our capital cushion would grow over time. Under those conditions we would have the financial flexibility to expand our underwriting, hold riskier assets, or buy back shares. Our decision-making will be guided by the pricing we observe in the various markets.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that are inherently subjective in nature that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. Actual results may differ materially from these estimates. The critical accounting estimates used in the preparation of our consolidated financial statements include premiums written and earned, unpaid losses and LAE, valuation of investments and income taxes. In addition, estimates are used in our risk transfer analysis for assumed and ceded reinsurance transactions.

Premiums Written and Earned

Overview

Assumed reinsurance premiums earned are recognized as revenues in the consolidated statements of operations, net of any ceded premiums for retrocessional coverage purchased. Both assumed and ceded premiums written are earned generally on a basis proportionate with the coverage period. On the consolidated balance sheets, unearned premiums represent premiums written not yet recognized as revenue and prepaid reinsurance premiums represent ceded premiums written not yet earned.

Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period. Consequently, premiums written and receivable include amounts reported by the ceding companies, supplemented by our estimates of premiums that are written but not reported. The estimation of written premiums may be affected by early cancellation, election of contract provisions for cut-off and return of unearned premiums or other contract disruptions. The time lag involved in the process of reporting premiums is shorter than the lag in reporting losses. Premiums are generally reported to us in full within two years from the inception of the contract.

In addition to estimating premiums written, we estimate the earned portion of premiums written. The amounts we recorded on the consolidated balance sheets as estimated premiums receivable and unearned premiums are based on estimated written and earned premiums, respectively, and are subject to judgment and uncertainty. Any adjustments to written and earned premiums, and the related losses and acquisition expenses, are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. These adjustments could be material and could significantly impact earnings in the period they are recorded although the potential net impact of changes in premiums earned on our results of operations is reduced by the accrual of losses and acquisition expenses related to such premiums.

When estimating premiums written and earned premiums, we segregate the business into classes by reinsurance subsidiary, by type of coverage and by type of contract (resulting in approximately 65 classes). Within each class, business is further segregated by the year in which the contract incepted (the “Underwriting Year”), starting with 2002, our first year of operations. Classes that are similar in both the nature of their business and estimation process may be grouped for purposes of estimating premiums. Estimates are made for each class or group of classes and Underwriting Year. Premiums are estimated based on ceding company estimates and our own judgment after considering factors such as: (1) the ceding company’s historical premium versus projected premium, (2) the ceding company’s history of providing accurate estimates, (3) anticipated changes in the marketplace and the ceding company’s competitive position therein, (4) reported premiums to date and (5) the anticipated impact of proposed underwriting changes. Estimates of ultimate premium are made by our underwriters for each contract and Underwriting Year. Management aggregates these estimates by class and Underwriting Year and reviews them with our underwriters and actuaries and selects an ultimate premium estimate. Estimates of premiums written and earned are based on the selected ultimate premium estimate, the terms and conditions of the reinsurance contracts and the remaining exposure from the underlying policies. We evaluate the appropriateness of these estimates in light of the actual premium reported by the ceding companies, information obtained during audits and other information received from ceding companies.

Uncertainty of Estimates

The following table sets forth our estimated and reported premiums receivable and unearned premiums as of December 31, 2013 and 2012, respectively ($ in thousands):

	2013	2012
Estimated premiums receivable	$117,937	$108,083
Reported premiums receivable	20,517	20,434
Reinsurance premiums receivable	$138,454	$128,517
Unearned premiums	$126,300	$113,960

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As of December 31, 2013, the selected estimates of premiums receivable and unearned premiums were lower than the initial estimates made by our underwriters by $3.1 million or 2.2% and by $0.9 million or 0.7%, respectively. We believe that we reasonably could have made a decrease of between $0 and $3.1 million for premiums receivable and between $0 and $0.9 million for unearned premiums. As of December 31, 2012, the selected estimates of premiums receivable and unearned premiums were lower than the initial estimates made by our underwriters by $6.1 million or 4.7% and by $2.4 million or 2.1%, respectively. We believe that we reasonably could have made a decrease of between $0 and $6.1 million for premiums receivable and between $0 and $2.4 million for unearned premiums. Key factors that affect premium estimates of our underwriters and management include: (1) the competition in many classes of business that make it difficult for ceding companies to achieve their premium targets, and (2) the lack of a historical track record for some ceding companies writing new programs.

Certain of our reinsurance contracts include provisions that adjust premiums and/or reinstate reinsurance coverage limits based upon the loss experience under the contracts. We take these provisions into account when determining our estimates of premiums written and earned. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment of losses by the reinsurer. These premiums relate to and are earned over the future coverage period and the remaining exposure from the underlying policies. Any unearned premiums existing at the time of the reinstatement are earned immediately in proportion to the contract loss limits utilized. Additional premiums are premiums that are triggered by losses and are earned immediately. Premiums written and earned include estimates of reinstatement premiums and additional premiums based on reinsurance contract provisions and loss experience and rely on the estimates of unpaid losses and LAE.

We may record an allowance for uncollectible premiums if we believe an allowance is appropriate in light of our historical experience, the general profile of our ceding companies and our ability to contractually offset premiums receivable against losses and LAE and commission amounts payable to the same parties.

During the years ended December 31, 2013, 2012 and 2011, we recorded net written premiums of $567.1 million, $565.0 million and $651.5 million. In those years, we recorded increases in prior year net written premiums of $47.1 million, $44.8 million and $23.9 million, respectively. Substantially all of the change in prior year net premiums written relates to the two most recent underwriting years and were primarily the result of updated premiums reported by our ceding companies. During the years ended December 31, 2013, 2012 and 2011, we recorded increases in prior year net premiums earned of $30.6 million, $30.4 million and $15.3 million, respectively. The effect on net income from the increase in estimates of prior years' net premiums earned, after considering corresponding changes in losses and acquisition expenses attributable to those changes in premiums, was not significant. We do not believe that the increases in prior year premium estimates in 2013, 2012 and 2011 are indicative of prospective net premium adjustments in future years because conditions and trends that affected prior years' premium estimates may not exist in the future.

Unpaid Losses and LAE

Overview

Unpaid losses and LAE are estimates of future amounts required to pay losses and LAE for claims under our assumed reinsurance contracts that have occurred at or before the balance sheet date. Unpaid losses and LAE are estimated based upon information received from ceding companies regarding our liability for unpaid losses and LAE, supplemented by our estimates of losses and LAE for which ceding company reports have not been received, our historical experience for unreported claims and industry experience for unreported claims. Unpaid losses and LAE include estimates of the cost of claims that were reported, but not yet paid, and IBNR. In addition, we estimate our ULAE reserves based on our administrative costs of managing claims.

Our actuaries prepare estimates of our ultimate liability for unpaid losses and LAE based on various actuarial methods including the loss ratio method, the Bornhuetter-Ferguson method and the chain ladder method, each of which is discussed below. We believe that the quantitative actuarial methods used to estimate our liabilities are enhanced by management's professional judgment. We review the actuarial estimates of our liability and determine our best estimate of the liabilities to record as unpaid losses and LAE in our consolidated financial statements. We use the same processes and procedures for estimating unpaid losses and LAE for annual and interim periods.

We do not establish liabilities for unpaid losses and LAE until the occurrence of an event that may give rise to a loss. If an event has occurred that we believe will lead to significant losses to us but has not resulted in reported losses before the balance sheet date, we will generally estimate the impact of the event and consider it when estimating our liability for unpaid losses and LAE. When an event of significant magnitude occurs, such as a property catastrophe event that affects many of our ceding companies, we may establish liabilities specific to such an event. Estimated ultimate losses related to a catastrophe event may be based on our estimated exposure to an industry loss and may rely on the use of catastrophe modeling software.

We receive information from ceding companies regarding our liability for unpaid losses and LAE. This information varies but typically includes information regarding the ceding company's paid losses and case reserves and may include a ceding company's estimate of IBNR. We may increase or decrease case reserves based on receipt of additional information from the ceding companies. Adjustments that we make to reported case reserves are generally referred to as "additional case reserves."

Unpaid losses and LAE represent management's best estimate at a given point in time and are subject to the effects of trends in loss severity and frequency. Provisions for economic inflation and changes in the social and legal environment are also considered in the loss estimation process. These estimates are reviewed regularly and adjusted as loss experience develops or new information becomes available, such as rate changes in the policies underlying our reinsurance contracts or in the mix of business by reserving class. Any adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. It is possible that the ultimate liability may differ materially from such estimates.

As of December 31, 2013 and 2012, the liabilities recorded on our consolidated balance sheets for unpaid losses and LAE were $1.7 billion and $2.0 billion, respectively. These amounts exclude any amounts we may recover from our retrocessionaires under coverage we purchased for such losses. We record estimates of amounts we expect to recover from retrocessionaires as assets on the consolidated balance sheets. The following table sets forth our case reserves, additional case reserves and IBNR by segment as of December 31, 2013 and 2012 ($ in thousands):

	Property and Marine (1)	Casualty	Finite Risk	Total
December 31, 2013				
Case reserves	$205,432	$392,767	$25,117	$623,316
Additional case reserves	36,808	23,306	-	60,114
IBNR	116,714	828,101	43,120	987,935
Total unpaid losses and LAE	$358,954	$1,244,174	$68,237	$1,671,365
December 31, 2012				
Case reserves	$329,926	$388,262	$27,394	$745,582
Additional case reserves	28,272	23,557	2,182	54,011
IBNR	202,860	924,452	34,377	1,161,689
Total unpaid losses and LAE	$561,058	$1,336,271	$63,953	$1,961,282

(1) Includes $223.6 million and $403.3 million of reserves related to major catastrophes as of December 31, 2013 and 2012, respectively.

Since we rely on information regarding paid losses, case reserves and sometimes IBNR provided by ceding companies in estimating our ultimate liability for unpaid losses and LAE, we perform certain procedures in order to help determine the completeness and accuracy of such information. Periodically, management assesses the reporting activities of these ceding companies on the basis of qualitative and quantitative criteria. These procedures include conferring with ceding companies or brokers on claims matters. Our claims personnel, or consultants engaged by us, may also conduct periodic audits of our ceding companies to: (1) review and establish the validity of specific claims, (2) determine that case reserves established by the ceding company are reasonable, (3) determine there is consistency in claim reporting from period to period, and (4) assess the overall claims practices and procedures of the ceding company. We also monitor the claims handling and reserving practices of ceding companies in order to help establish the reinsurance premium for reinsurance contracts with such ceding companies.

Reserves - Excluding Major Catastrophes

Reserves, excluding major catastrophes, were $1.4 billion as of December 31, 2013, representing 87% of our unpaid losses and LAE. When estimating unpaid losses and LAE, we segregate the business into classes by reinsurance subsidiary, by type of coverage and by type of contract (resulting in approximately 65 classes). Within each class, the business is further segregated by Underwriting Year, starting with 2002, our first year of operations.

Our actuaries calculate multiple point estimates of our liability for losses and LAE using a variety of actuarial methods for many, but not all, of our classes for each Underwriting Year. We do not believe that these multiple point estimates are or should be considered a range. Our actuaries consider each class and determine the most appropriate point estimate for each Underwriting Year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data, (2) the credibility of the selected loss development pattern, (3) the stability of the loss development patterns and (4) the observed loss development of other underwriting years for the same class. Our actuaries also consider other relevant factors, including: (1) historical ultimate loss ratios, (2) the presence of individual large losses and (3) known occurrences that have not yet resulted in reported losses.

We believe that a review of individual contract information improves the loss estimates for some classes of business. Our actuaries make their determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. These estimates are aggregated for review by management and, after approval, are the basis for our liability for unpaid losses and LAE.

Initial Loss Estimates

Generally, estimates of ultimate losses that are not related to a specific event are initially determined based on the loss ratio method applied to each Underwriting Year and to each class of business. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during our pricing process and (2) our historical loss ratios and combined ratios adjusted for rate change and trend. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions, (2) changes in the business underwritten, (3) changes in timing of the emergence of claims and (4) other factors that may influence ultimate loss ratios and losses.

Changes in Loss Estimates

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from initial expected loss ratio also requires judgment. We generally make adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. While we continue with this approach, in the fourth quarter of 2012 we began reflecting favorable variances in reported losses in our selection of ultimate loss ratios at an earlier point in the loss development pattern than we had in the past. For further discussion, see "Independent Actuarial Review" below.

Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The loss development pattern is a key input to these techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses, a loss development pattern and the initial expected loss ratio to determine an estimate of ultimate losses. We believe this technique is most appropriate when there are few reported claims and a relatively less stable loss development pattern. The chain ladder technique utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. We believe this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern.

While we commenced operations in 2002, the business we write is sufficiently similar to the historical reinsurance business of our predecessor, the former reinsurance segment of The St. Paul Companies, Inc., such that we review the historical loss experience of this business when we estimate our own loss development patterns. Loss development patterns can span more than a decade. Therefore, this data is a valuable supplement to our own and industry data.

Loss development patterns are determined utilizing actuarial analysis, including management's judgment, and are based on historical patterns of paid losses and reporting of case reserves to us, as well as industry loss development patterns. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in our selected loss development patterns as appropriate. For property and health classes, these patterns indicate that a substantial portion of the ultimate losses are reported within two to three years after the contract is effective. Casualty loss development patterns can vary from three years to over twenty years depending on the type of business.

In property and marine classes, the loss development patterns are primarily based on our historical reported loss data. For all classes, historical data by effective date and business type is used to determine loss development patterns that reflect each year's reinsurance contract inception date distribution and the distribution of underlying business written on a losses occurring basis versus on a risk attaching basis. Loss development patterns are analyzed for various reinsurance sub-classes and an overall pattern for each Underwriting Year is determined by the mix of business within that Underwriting Year.

In casualty classes, the loss development patterns are primarily based on our historical reported loss data and that of our predecessor, and for the North American casualty classes they are supplemented by industry data from the Reinsurance Association of America ("RAA") and Insurance Services Offices, Inc. Due to the long loss development pattern in general liability, various sources are used to estimate the end of the loss development pattern referred to as the "tail". To estimate the tail, we supplement our historical data, and the data available from our predecessor, with industry data, generally from the RAA, and data received from external actuarial firms. Loss development patterns are analyzed for various reinsurance sub-classes and an overall pattern for each Underwriting Year is determined by the mix of business within that Underwriting Year.

We analyze historical loss development patterns and may adjust them for observed anomalies. For example, we observed that loss development patterns were much slower in Underwriting Years that were characterized by especially intense competition, known as the "soft market", particularly in the North American excess-of-loss claims made class. We believe this is due to multiple year policies written by ceding companies and the deterioration in underwriting standards during these periods. In determining our loss development patterns for certain classes, we may exclude certain historical data from the soft market years. However, one of the risks of excluding some of the data from those years is that we could be obscuring trends in loss development patterns. Our actuaries consider this when determining the credibility of indications that use these patterns. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

Reserves - Major Catastrophes

Generally, an event causing more than $1 billion of insured property losses to the insurance industry, as estimated by Property Claims Services or other sophisticated independent loss estimate providers, or $10 million of property and/or marine losses to the Company is considered and tracked as a major catastrophe. Net losses from major catastrophes consist of gross losses and LAE, net of any retrocessional recoveries and reinstatement premiums earned. Unpaid losses and LAE related to major catastrophes were $223.6 million, which represented 13% of our total unpaid losses and LAE, as of December 31, 2013.

Our underwriters will typically prepare an initial estimate of our ultimate losses for a major catastrophe event on a contract-by-contract basis. This estimate is typically based on the Company's portfolio modeling, discussions with brokers and ceding companies, market share analysis and a review of the Company's in-force contracts, as well as claims information and analysis, if any, received from brokers and ceding companies. Our actuaries and underwriters will also consider a variety of factors, including: (1) the credibility of ceding company estimates, (2) whether the ceding company estimates include IBNR and (3) whether the ceding company information is current. After reviewing loss estimates and other information with our underwriters, our actuaries make an estimate of ultimate loss.

As losses from major catastrophes mature, our actuaries generally consider losses reported to us relative to loss development patterns from prior major catastrophe events. Our estimate of ultimate liability for losses and LAE related to a major catastrophe event will generally be based on these development patterns after approximately twelve months following the event. However, since loss development patterns may be inconsistent between events, for very large major catastrophes, such as the 2010 and 2011 earthquakes in New Zealand, we will generally review information on a contract-by-contract basis for a longer period. Estimates of ultimate losses for a major catastrophe event are typically well established within 12 to 24 months following the event, although ultimate losses from an earthquake may take longer to emerge. As an example, as of December 31, 2013, the paid and reported losses as a percentage of the current estimated ultimate loss were 86% and 99%, respectively, for the Tohoku earthquake of 2011. However, as of December 31, 2013, the paid and reported losses as a percentage of current estimated ultimate loss were only 67% and 96%, respectively, for the three New Zealand earthquakes of 2010 and 2011.

For additional information on major catastrophe events for which we have established specific reserves in 2013, 2012 and 2011 see the "Results of Operations" set forth below in this Form 10-K.

Uncertainty of Estimates

The ultimate liability for unpaid losses and LAE may vary materially from our current estimates for many reasons. Our estimates are inherently uncertain because they are affected by factors that are highly dependent on judgment. Significant factors that add uncertainty to our estimates of losses include: (1) our estimates are based on predictions of future developments and estimates of future trends in claim severity and frequency, (2) the reliance that we necessarily place on ceding companies for claims reporting, (3) the associated time lag in reporting losses, (4) the need to estimate an initial expected loss ratio before significant loss experience is reported, (5) the low frequency/high severity nature of some of our business and (6) the varying reserving practices among ceding companies.

Key Inputs in Our Loss Estimation Process

Our estimates are based on assumptions that historical loss development and trends are reasonably predictive of how losses will develop in the future when reported. New or updated information or loss data may impact our selection of ultimate loss ratios in subsequent periods. There are various elements of updated loss data and related information that may result in a materially different estimate of ultimate losses. The four most significant inputs to our loss estimation process are: (1) the initial expected loss ratio, (2) reported losses to date, (3) the loss development patterns and (4) earned premiums.

Initial Expected Loss Ratio

The initial expected loss ratios are key inputs to our loss estimation process and are derived from historical data and involve a high degree of judgment. The selection of the initial expected loss ratios also takes into account management's view of past, current and future factors that may influence expected ultimate losses. Because of the high degree of judgment required in establishing initial expected loss ratios, there is uncertainty in the resulting estimates.

Reported Losses to Date

The frequency and severity of reported losses relative to anticipated frequency and severity of losses is one of the most influential factors and is largely dependent on the loss experience of our ceding companies. Reported loss experience is a key input to our loss estimation process and, if loss experience reported in periods subsequent to estimating the ultimate losses are materially greater or less than anticipated, we may adjust the ultimate loss ratio accordingly. Adjustments to increase or decrease a prior year's ultimate loss ratio are generally referred to as unfavorable or favorable loss development.

Loss Development Patterns

The loss development patterns are also key inputs to our loss estimation process. Loss development patterns reflect the time lag between the occurrence and settlement of a loss. The time lag in reporting can be several years in some cases and may be attributed to a number of reasons, including the time it takes to investigate a claim, delays associated with the litigation process, and the deterioration, in connection with health related claims, in a claimant's physical condition many years after an accident occurs. As a predominantly broker market reinsurer for both excess-of-loss and proportional contracts, we are subject to potential additional time lags in the receipt of information as the primary insurer reports claims to the broker who in turn reports to us. As of December 31, 2013, we did not have any significant back-log related to our processing of assumed reinsurance information. All of the foregoing factors can impact the loss development patterns.

A key assumption of our estimates is that past loss development patterns are reasonably predictive of future loss development patterns. However, it may be difficult to identify differences in business reinsured from Underwriting Year to Underwriting Year and how such differences can affect loss development patterns. This difficulty adds to uncertainty in estimates that use these patterns.

In property classes, there can be additional uncertainty in loss estimation of large catastrophe events. With wind events, such as hurricanes, the damage assessment process may take more than a year. The cost of rebuilding may increase due to various factors including shortages for construction materials and labor. In the case of earthquakes, the damage assessment process may take several years to discover structural weaknesses not initially detected in buildings. The uncertainty inherent in loss estimation is particularly pronounced for casualty classes, such as umbrella liability, general and product liability, professional liability and automobile liability, where information, such as required medical treatment and costs for bodily injury claims, emerges over time. In the overall loss estimation process, provisions for economic inflation and changes in the social and legal environment are considered.

Earned Premiums

Changes in estimates of prior years' earned premiums can also affect prior years' ultimate losses. Our actuaries consider factors affecting all key inputs to actuarial techniques when determining the credibility of indications.

Independent Actuarial Review

We regularly engage internationally recognized independent actuarial firms to review our unpaid losses and LAE. Actuarial reviews were performed in 2006, 2009 and 2012 by independent actuarial firms. Each of these reviews provided a low and a high estimate of the Company's unpaid losses and LAE and indicated that the Company's loss reserves at the time of the review were within the low and high estimates indicated by the review. In 2012, the Company engaged the independent actuarial firm that had performed the 2006 review to perform an actuarial review of all reserving classes and engaged the independent actuarial firm that had performed the 2009 review to perform a separate review of certain North American casualty classes.

As part of the 2006, 2009 and 2012 reviews, the independent actuarial firms also provided shorter and longer loss development patterns by reserving class. The Company's actuarial staff applied these shorter and longer loss development patterns for certain of our North American casualty excess-of-loss classes to develop alternative indications of ultimate losses. We considered these alternative indications, along with the indications developed using loss development patterns determined by the Company's own actuaries, in the selection of ultimate loss ratios.

Generally, the loss development patterns provided by the independent actuarial firms were shorter than the patterns produced in the 2006 and 2009 reviews, indicating that losses were expected to be reported faster than previously estimated by the firms. The shorter patterns generally resulted in lower indicated loss ratios.

In the 2012 actuarial review, the Company's unpaid losses and LAE as of March 31, 2012 were at the high end of the range of reasonable estimates provided by the independent actuarial firm, mainly due to two factors: (1) the shorter loss development patterns used by the independent actuarial firm and (2) faster recognition of favorable reported loss experience by the independent actuarial firm in the selection of ultimate loss ratios. We incorporated these factors in developing alternative indications of ultimate losses, which, together with the favorable variance in reported losses, led to significant favorable development of our loss reserves for prior years.

We believe incorporating earlier recognition of favorable variances may result in more volatility in our reserve for unpaid losses and LAE than we have previously experienced.

Unpaid losses and LAE is an estimate that reflects many reasonable possible outcomes. In the following two sections, we discuss two types of uncertainty with respect to loss estimation. Under Variability of Outcomes, we discuss how estimates change over time as new information or loss data develops. Under Sensitivity of Estimates, we demonstrate that alternative reasonable estimates can be made with current information.

Variability of Outcomes

The liability for unpaid losses and LAE as of the balance sheet date represents management's best estimate of the ultimate liabilities as of that date. The actuarial techniques used by our actuaries in estimating our liabilities produces a central estimate of ultimate losses and LAE for each class and underwriting year. These techniques do not produce a range of reasonably possible outcomes. For some classes, the ultimate value of the liability for unpaid losses and LAE will not be known for decades. We expect that the ultimate value will differ from current estimates as losses are reported and paid and that difference could be material as reported losses reflect the actual emergence of factors that influence claim costs. We believe, however, that as a greater percentage of losses are reported, the likelihood of material changes to ultimate losses declines. Each quarter, we re-estimate ultimate losses and LAE and reflect updated information in those estimates.

During the years ended December 31, 2013, 2012 and 2011, we experienced net favorable loss development of $183.3 million, $235.5 million, and $113.0 million, respectively. The net favorable loss development was attributable primarily to a level of cumulative losses reported to us by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios and reduce estimated ultimate losses, as discussed further in Item 1, "Business – Unpaid Losses and Loss Adjustment Expenses", in this Form 10-K.

During 2013, 2012, and 2011, approximately $165.1 million, $151.9 million, and $107.4 million, respectively, of the net favorable loss development was attributable to lower reported loss experience than we expected. In addition, in the fourth quarter of 2012 we began reflecting favorable variances in reported losses in our selection of ultimate loss ratios at an earlier point in the loss development timeline than we had previously. This earlier recognition accounted for $57.6 million of the net favorable loss development for the year ended December 31, 2012. Conditions and trends that have affected development of reserves in the past may not necessarily occur in the future. The factors that may result in differences between our current estimates of loss liability and our ultimate loss liability are set forth above under "Uncertainty of Estimates" in this Form 10-K.

Sensitivity of Estimates

Initial expected loss ratios and loss development patterns are two key inputs to our loss estimation process. We exercise judgment in establishing key inputs at the beginning of an underwriting year and also as we modify the key inputs, as appropriate, throughout the loss development period. During the years ended December 31, 2013, 2012 and 2011, changes in the initial expected loss ratio and the loss development patterns resulted in net favorable loss development of $18.2 million, $26.0 million and $5.6 million, respectively.

We have selected the initial expected loss ratio and the loss development patterns for sensitivity analysis. Ultimate loss estimates for the North American casualty excess-of-loss classes of business, which generally have the longest loss development patterns, have a higher degree of uncertainty than other reserving classes. IBNR for these classes as of December 31, 2013 was $644.8 million, which was 66% of the total IBNR at that date. The estimates of unpaid losses and LAE related to North American casualty excess-of-loss classes of business have a higher degree of uncertainty and, consequently, reasonable alternatives to our selected initial expected loss ratios and loss development patterns could vary significantly.

For example, if we increased the initial expected loss ratio for these classes by 5% from 69% to 74%, we would increase the IBNR for these classes by $41.4 million, which represents approximately 4% of unpaid losses and LAE for these classes as of December 31, 2013, or if we increased the initial expected loss ratio for these classes by 10% from 69% to 79%, we would increase the IBNR for these classes by $81.7 million, which represents approximately 9% of unpaid losses and LAE for these classes as of December 31, 2013.

As another example of key assumption sensitivity, if we shortened the estimated loss development patterns related to North American casualty excess-of-loss classes by 5%, we would decrease the IBNR for these classes by $75.4 million, which represents approximately 8% of unpaid losses and LAE for these classes as of December 31, 2013, or if we shortened the loss development patterns by 10%, we would decrease the IBNR for these classes by $130.2 million, which is approximately 14% of unpaid losses and LAE for these classes as of December 31, 2013.

The sensitivity analysis illustrates how a reasonable alternative assumption could affect the current estimate of our ultimate loss liability. The sensitivity analysis is not intended to present a range of reasonable possible settlement values in the future. Over time, changes to the initial expected loss ratio and loss development patterns may vary by more than the sensitivity analysis above as new loss information and data emerges. Also, other inputs and judgments that impact unpaid losses and LAE may change. Actual settlement values could be materially different from the current estimates.

Valuation of Investments

As of December 31, 2013, our investments and cash and cash equivalents totaled $3.5 billion, consisting of $2.0 billion of fixed maturity securities, $66.7 million of short-term investments and $1.5 billion of cash and cash equivalents. Investments we own that we may not have the positive intent to hold until maturity are classified as available-for-sale and reported at fair value, with related net unrealized gains or losses excluded from net income or loss, and included in shareholders' equity as a component of accumulated other comprehensive income, net of deferred taxes. Investments we own and have the intent to sell prior to maturity, or securities for which we have elected the fair value option, are classified as trading securities. Trading securities are reported at fair value, with fair value adjustments included in net realized gains on investments and the related deferred income tax included in income tax expense or benefit in the consolidated statements of operations.

The valuation process for our financial assets and liabilities, comprised primarily of our investments, requires significant judgment and involves analyzing specific factors relating to each security. When determining the fair value of a security we generally obtain prices from several sources and establish a hierarchy based on the reliability of information. The determination of whether unrealized losses represent temporary changes in fair value or were the result of other than temporary impairments also involves judgment.

Fair Value

The accounting guidance related to fair value measurements addresses the recognition and disclosure of fair value measurements where those measurements are either required or permitted by the guidance. The fair values of our financial assets and liabilities addressed by this guidance 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 is comprised of 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 are based on prices obtained from index providers, independent pricing vendors or broker-dealers using observable inputs for financial assets and liabilities; and

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

The fair value of our fixed maturity securities and short-term investments is based on prices primarily obtained from index providers, pricing vendors, or broker-dealers using observable inputs. Index providers utilize external sources and pricing models to value index-eligible securities across numerous sectors and asset classes. Pricing vendors collect, edit, maintain, evaluate and model data on a large number of securities utilizing primarily market data and observable inputs. Broker-dealers value securities through proprietary trading desks primarily based on observable inputs. As of December 31, 2013, approximately 49% of the fair value of our fixed maturity securities was valued using prices obtained from index providers, 47% using prices obtained from pricing vendors and 4% using prices obtained from broker-dealers.

The number of prices we obtained per security varies based on the type of asset class and particular reporting period. Prices are generally obtained from multiple sources when a new security is purchased and a pricing source is assigned to the particular security. A hierarchy is maintained that prioritizes pricing sources based on availability and reliability of information, with preference generally given to prices provided by index providers and pricing vendors. Pricing sources may be assigned to a particular security based upon the provider's expertise. Generally, the initial pricing source selected is consistently used for each reporting period. We have not adjusted any prices that we have obtained from pricing sources. However, if we determine that a price appears unreasonable, we investigate and assess whether the price should be adjusted.

We receive pricing documentation that describes the methodologies used by various pricing sources. We validate the prices we obtain from third party pricing sources by performing price comparisons against multiple pricing sources, if available, periodically back-testing sales to the previously reported fair value, performing an in-depth review of specific securities when evaluating stale prices and large price movements, as well as performing other validation procedures. We also continuously monitor market data that relates to our investment portfolio and review pricing documentation that describes the methodologies used by various pricing sources.

Generally, pricing sources determine prices by maximizing the use of observable inputs to determine the fair value measurement. The inputs used by index providers may include, but are not limited to, benchmark yields, transactional data, broker-dealer quotes, security cash flows and structures, credit ratings, prepayment speeds, loss severities, credit risks and default rates. The inputs used by pricing vendors may include, but are not limited to, benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers and industry and economic events. The inputs used by broker-dealers may include, but are not limited to, trade data, bids or offers and other market data.

We believe that the estimated fair value of our investments is representative of the securities in our portfolio. However, our estimate of fair value of a particular security may differ materially from the amount that could be realized if the security was sold immediately. In addition, when financial markets experience a reduction in liquidity, we may obtain prices for a specific security that have a larger dispersion across price sources and our ability to conduct orderly investment transactions may be limited.

The fair value measurements of our investments classified as Level 3 were approximately 0.1% of our total investments as of December 31, 2013. Specifically, the fair value measurements of our non-agency residential mortgage-backed securities and sub-prime asset-backed securities classified as Level 3 used significant unobservable inputs that include prepayment rates, probability of default and loss severity in the event of default. The prices we obtained to determine these measurements were based upon unadjusted third party pricing sources.

For further discussion on fair values of investments see “Financial Condition – Liquidity – Sources of Liquidity” in this Form 10-K.

Other-Than-Temporary Impairments

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, changes in credit ratings, the collateral structure, the credit support that may be applicable, discussions with our investment managers and other public information.

In addition, we evaluate projected cash flows in order to determine if a credit impairment has occurred. 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 and (ii) the fair value of the security. We recognize the portion of OTTI related to a credit loss in net income or loss in the consolidated statements of operations and the portion of OTTI related to all other factors is recognized in accumulated other comprehensive income in the consolidated balance sheets.

We also consider our intent to sell available-for-sale securities and the likelihood that we will be required to sell these securities before an unrealized loss is recovered. Our intent to sell a security is based, in part, on adverse changes in the creditworthiness 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 a security, representing the difference between the security's amortized cost and its fair value, is recognized as a net impairment loss in the consolidated statements of operations at the time we determine our intent is to sell.

We believe that the gross unrealized losses in our fixed maturity available-for-sale securities portfolio of $11.8 million represent temporary declines in fair value. We believe that the unrealized losses are 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 being recorded in future periods. Conversely, economic conditions may improve more than expected and favorably increase the expected cash flows of our impaired securities, which would be earned through net investment income over the remaining life of the security.

For additional information on our investment portfolio including the credit quality and the net unrealized gain and loss of our investments as of December 31, 2013, see "Financial Condition – Liquidity – Sources of Liquidity" in this Form 10-K.

Income Taxes

We provide for income taxes for our operations in income tax paying jurisdictions. Our provision relies on estimates and interpretations of currently enacted tax laws. We recognize deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Such temporary differences are primarily due to tax basis discounts on unpaid losses and LAE and unearned premiums, deferred acquisition costs and investments. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. Any adjustments could be material and could significantly impact earnings in the period they are recorded.

Net deferred tax assets were $25.1 million and $22.8 million for the years ended December 31, 2013 and 2012, respectively. At each balance sheet date, we evaluate the recoverability of the net deferred tax assets, considering the timing of the reversal of deferred income and expense items as well as the likelihood that we will generate sufficient taxable income to realize the future tax benefits. We believe that it is more likely than not we will generate sufficient taxable income and realize the future tax benefits in order to recover the deferred assets and accordingly, no valuation allowance was established as of December 31, 2013 and 2012. See Note 8 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for additional information on income taxes.

Risk Transfer Analysis for Reinsurance Transactions

Reinsurance accounting is followed for assumed and ceded transactions when risk transfer requirements have been satisfied. Reinsurance contracts that do not transfer sufficient insurance risk are accounted for as deposits.

All of our assumed and ceded contracts are reviewed by our underwriters. Contracts that trigger certain criteria are subjected to a more detailed risk transfer analysis by management. Our risk transfer analysis evaluates significant assumptions related to the amount and timing of expected cash flows, as well as the interpretation of underlying contract terms, and involves management's judgment, experience, and interpretations. See Notes 1 and 3 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for additional information regarding our reinsurance deposit assets and liabilities.

Results of Operations

In discussing our Results of Operations, in addition to referring to certain non-GAAP financial measures as defined in Item 6, "Selected Financial Data", in this Form 10-K, we also refer to other financial measures such as net losses from major catastrophes and net favorable or unfavorable development.

Generally, an event causing more than $1 billion of property losses to the insurance industry or $10 million of property losses to the Company is considered and tracked as a major catastrophe. Net losses from major catastrophes consist of gross losses and LAE, net of any retrocessional recoveries and reinstatement premiums earned.

Net favorable or unfavorable development is the development of prior years' unpaid losses and LAE and the related impact of premiums and commissions. Net favorable or unfavorable loss development, the unpaid losses and LAE component of net favorable or unfavorable development, excludes the related impact of premiums and commissions.

Net income (loss) and diluted earnings (loss) per common share for the years ended December 31, 2013, 2012 and 2011 were as follows ($ and amounts in thousands, except diluted earnings (loss) per common share):

	2013	2012	2011
Underwriting income (loss)	$206,714	$212,217	$(296,726)
Net investment income	72,046	99,947	125,863
Net realized gains on investments	23,920	88,754	3,934
Net impairment losses on investments	(2,033)	(3,031)	(22,370)
Other revenues (expenses)	(42,642)	(45,663)	(37,898)
Income (loss) before income taxes	258,005	352,224	(227,197)
Income tax (expense) benefit	(34,727)	(24,996)	3,133
Net income (loss)	$223,278	$327,228	$(224,064)
Weighted average shares outstanding for diluted earnings (loss) per common share	30,334	33,981	36,901
Diluted earnings (loss) per common share	$7.35	$9.60	$(6.04)

2013 versus 2012: The change in net income and diluted earnings per common share for the year ended December 31, 2013 as compared with the year ended December 31, 2012 was primarily due to a decrease in net investment income and net realized gains on investments.

2012 versus 2011: The net income and diluted earnings per common share for the year ended December 31, 2012 as compared with the net loss and diluted loss per common share for the year ended December 31, 2011 was primarily due to an increase in the net underwriting result attributable to a significant decrease in net losses from current year major catastrophes and an increase in net favorable development. In addition, there was an increase in net realized gains on investments and a decrease in net impairment losses on investments, partially offset by a decrease in net investment income and higher income taxes. As the year ended December 31, 2011 resulted in a net loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation.

Underwriting Results

2013 versus 2012: Net underwriting income was $206.7 million and $212.2 million for the years ended December 31, 2013 and 2012, respectively. The change in the net underwriting result reflected a decrease in net favorable development, offset by a decrease in net losses from current year major catastrophes and underwriting income on our 2013 North American crop business as compared with an underwriting loss on our 2012 North American crop business.

Net favorable development was $173.2 million and $234.0 million for the years ended December 31, 2013 and 2012, respectively. Net losses from current year major catastrophes were $26.1 million and $68.9 million for the years ended December 31, 2013 and 2012, respectively.

The underwriting result related to our 2013 North American crop business improved to underwriting income of $4.1 million for the year ended December 31, 2013, from an underwriting loss on our 2012 North American crop business of $17.6 million for the year ended December 31, 2012.

2012 versus 2011: Net underwriting income was $212.2 million for the year ended December 31, 2012, which compares with net underwriting loss of $296.7 million for the year ended December 31, 2011. The change in the net underwriting result was due primarily to a significant decrease in net losses from current year major catastrophes and an increase in net favorable development.

Net losses from current year major catastrophes were $68.9 million and $510.0 million for the years ended December 31, 2012 and 2011, respectively. Net favorable development was $234.0 million and $104.4 million for the years ended December 31, 2012 and 2011, respectively.

The following discussion and analysis reviews our underwriting results by operating segment.

Property and Marine

The following table sets forth underwriting results, ratios and the change year over year for the Property and Marine segment for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	Increase (decrease)	2011	Increase (decrease)
Gross premiums written	$240,449	$260,818	$(20,369)	$380,464	$(119,646)
Ceded premiums written	10,942	4,636	6,306	35,782	(31,146)
Net premiums written	229,507	256,182	(26,675)	344,682	(88,500)
Net premiums earned	222,010	253,604	(31,594)	356,976	(103,372)
Net losses and LAE	34,421	132,580	(98,159)	628,062	(495,482)
Net acquisition expenses	38,342	34,342	4,000	49,348	(15,006)
Other underwriting expenses	30,898	31,140	(242)	27,622	3,518
Property and Marine segment underwriting income (loss)	$118,349	$55,542	$62,807	$(348,056)	$403,598
Underwriting ratios:					
Net loss and LAE	15.5 %	52.3 %	(36.8) points	175.9 %	(123.6) points
Net acquisition expense	17.3 %	13.5 %	3.8 points	13.8 %	(0.3) points
Other underwriting expense	13.9 %	12.3 %	1.6 points	7.7 %	4.6 points
Combined	46.7 %	78.1 %	(31.4) points	197.4 %	(119.3) points

2013 versus 2012: The Property and Marine segment underwriting result improved by $62.8 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012, primarily due to a decrease in net losses from current year major catastrophes, an increase in net favorable development and underwriting income on our 2013 North American crop business as compared with an underwriting loss on our 2012 North American crop business in 2012.

Net losses from current year major catastrophes were $26.1 million and $68.9 million for the years ended December 31, 2013 and 2012, respectively. Net losses from 2013 major catastrophes for the year ended December 31, 2013 were attributable to German hailstorms, floods in central and eastern Europe, primarily in Germany, and Property Claims Services ("PCS") Catastrophe 14, tornadoes in the U.S. Midwest, primarily in Oklahoma. Net losses from 2012 major catastrophes for the year ended December 31, 2012 were primarily attributable to Hurricane Sandy and PCS Catastrophes 66 and 67, tornado and hailstorm events, primarily in Kentucky and Tennessee.

Net favorable development was $67.5 million and $50.1 million for the years ended December 31, 2013 and 2012, respectively.

Underwriting income related to our 2013 North American crop business was $4.1 million for the year ended December 31, 2013, and the underwriting loss related to our 2012 North American crop business, as a result of the severe drought conditions in the United States, was $17.6 million for the year ended December 31, 2012.

2012 versus 2011: The Property and Marine segment underwriting result improved by $403.6 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011, primarily due to a decrease in net losses from current year major catastrophes. Net losses from current year major catastrophes were $68.9 million and $510.0 million for the years ended December 31, 2012 and 2011, respectively. Net losses from 2011 major catastrophes for the year ended December 31, 2011 were primarily attributable to the February and June earthquakes in New Zealand, the Tohoku earthquake in Japan, U.S. tornadoes and the floods in Thailand.

Net favorable development was $50.1 million and $40.5 million for the years ended December 31, 2012 and 2011, respectively.

Net Premiums Written and Earned

The Property and Marine segment generated 40.5%, 45.3% and 52.9% of our net premiums written for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 versus 2012: The Property and Marine segment gross premiums written decreased by $20.4 million, and by $12.0 million excluding reinstatement premiums written related to major catastrophes, for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The decrease in gross premiums written was primarily due to decreases in the crop and catastrophe classes partially offset by one large new contract in the North American property proportional class for the year ended December 31, 2013 as compared with 2012. The decrease in gross premiums written resulted from fewer opportunities that met our underwriting standards.

Ceded premiums written increased by $6.3 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The increase in ceded premiums written was due to an increase in our purchase of retrocessional coverage on catastrophe business.

Net premiums earned decreased by $31.6 million for the year ended December 31, 2013 as compared with 2012, primarily as a result of decreases in net premiums written in current and prior periods. Net premiums written and earned were also impacted by changes in the mix of business and the structure of the underlying reinsurance contracts.

2012 versus 2011: The Property and Marine segment gross premiums written decreased by $119.6 million, and by $99.0 million excluding reinstatement premiums written related to major catastrophes, for the year ended December 31, 2012 as compared with the year ended December 31, 2011. The decrease in gross premiums written was due to decreases across most classes of business, most significantly in the catastrophe and crop classes as compared with 2011, and resulted from fewer opportunities that met our underwriting standards and our desire to reduce our exposure to catastrophe events.

Ceded premiums written decreased by $31.1 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011. The decrease in ceded premiums written was due to a decrease in retrocessional reinsurance purchased for the year ended December 31, 2012 as compared with 2011.

Net premiums earned decreased by $103.4 million for the year ended December 31, 2012 as compared with 2011, primarily as a result of decreases in net premiums written in current and prior periods. Net premiums written and earned were also impacted by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net Losses and LAE

The Property and Marine segment net losses and LAE include current year major catastrophe losses, prior years' loss development and calendar year losses, excluding current year major catastrophes and prior years' loss development. The following table sets forth the components of net losses and LAE for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Current year major catastrophes	$(27,737)	$(78,901)	$(540,554)
Prior years' favorable (unfavorable) loss development	71,269	45,664	41,435
Calendar year losses, excluding current year major catastrophes and prior years' loss development	(77,953)	(99,343)	(128,943)
Net losses and LAE	$(34,421)	$(132,580)	$(628,062)

2013 versus 2012: Net losses and LAE decreased by $98.2 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The decrease in net losses and LAE was primarily due to a decrease in net losses from current year major catastrophes, an increase in net favorable loss development and an improvement in our underwriting result in our North American crop class.

2012 versus 2011: Net losses and LAE decreased by $495.5 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011. The improvement in net losses and LAE was primarily due to a decrease in net losses from current year major catastrophes of $461.7 million and a decrease in non-major catastrophe losses, partially offset by underwriting losses on our 2012 North American crop business as a result of the severe drought conditions in the United States.

Current Year Major Catastrophe Losses

The Property and Marine segment net losses from current year major catastrophes, with related premium adjustments, increased the net loss and LAE ratio by 12.5 points, 30.2 points and 149.1 points for the years ended December 31, 2013, 2012 and 2011, respectively.

The following table sets forth the components of pre-tax net losses from 2013 major catastrophes for the year ended December 31, 2013 ($ in thousands):

Major Catastrophe	Net Losses and LAE	Reinstatement Premiums Earned	Net Losses from Major Catastrophes
German hailstorms	$(15,511)	$ 73	$ (15,438)
Floods in central and eastern Europe	(10,275)	1,541	(8,734)
PCS Catastrophe 14	(1,951)	10	(1,941)
Total	$(27,737)	$ 1,624	$ (26,113)

The following table sets forth the components of pre-tax net losses from 2012 major catastrophes for the year ended December 31, 2012 ($ in thousands):

Major Catastrophe	Net Losses and LAE	Reinstatement Premiums Earned	Net Losses from Major Catastrophes
Hurricane Sandy	$(40,452)	$ 5,305	$ (35,147)
PCS Catastrophes 66 and 67	(20,084)	2,536	(17,548)
PCS Catastrophe 74	(9,442)	784	(8,658)
PCS Catastrophe 83	(7,223)	1,229	(5,994)
Hurricane Isaac	(1,700)	174	(1,526)
Total	$(78,901)	$ 10,028	$ (68,873)

Any favorable or unfavorable development related to these major catastrophes subsequent to December 31, 2012 is included in prior years' loss development, as described below, for the major catastrophe class of business.

The following table sets forth the components of pre-tax net losses from 2011 major catastrophes for the year ended December 31, 2011 ($ in thousands):

Major Catastrophe	Net Losses and LAE	Reinstatement Premiums Earned	Net Losses from Major Catastrophes
February New Zealand earthquake	$(221,786)	$ 13,255	$ (208,531)
Japan earthquake*	(147,488)	3,851	(143,637)
U.S. tornadoes	(47,289)	4,288	(43,001)
June New Zealand earthquake	(33,675)	-	(33,675)
Thailand floods	(29,694)	1,068	(28,626)
Australian floods	(18,488)	1,960	(16,528)
Cyclone Yasi	(14,353)	877	(13,476)
Hurricane Irene	(13,976)	1,935	(12,041)
Denmark floods	(13,805)	3,366	(10,439)
Total	$(540,554)	$ 30,600	$ (509,954)

* Net of $35.0 million of retrocessional recoveries.

Any favorable or unfavorable development related to these major catastrophes subsequent to December 31, 2011 is included in prior years' loss development, as described below, for the major catastrophe class of business.

Prior Years' Loss Development

2013 versus 2012: The Property and Marine segment net favorable loss development was $71.3 million and $45.7 million for the years ended December 31, 2013 and 2012, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratio by 31.3 points and 19.2 points for the years ended December 31, 2013 and 2012, respectively. Net favorable loss development for the years ended December 31, 2013 and 2012 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios.

2012 versus 2011: The Property and Marine segment net favorable loss development was $45.7 million and $41.4 million for the years ended December 31, 2012 and 2011, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratio by 19.2 points and 11.2 points for the years ended December 31, 2012 and 2011, respectively. Net favorable loss development for the years ended December 31, 2012 and 2011 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2013 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
Major catastrophes	$41,106	$(43)	$(4,426)	$ 36,637
Property per risk	9,187	79	508	9,774
Catastrophe excess-of-loss (non-major events)	8,438	106	(215)	8,329
Marine, aviation and satellite	4,676	164	300	5,140
Property proportional	4,402	(317)	-	4,085
Crop	3,460	51	-	3,511
Total	$71,269	$40	$(3,833)	$ 67,476

Net favorable development in the major catastrophes class arose primarily from Hurricane Sandy and the Tohoku earthquake, partially offset by net unfavorable development on a marine loss related to Hurricane Ike. Net favorable development in the property per risk class arose from most prior underwriting years, with the majority from the 2012 underwriting year. Net favorable development in the catastrophe excess-of-loss (non-major events) class arose primarily from the 2010 through 2012 underwriting years. Net favorable development in the marine, aviation and satellite class arose from most prior underwriting years. Net favorable development in the property proportional class arose primarily from the 2010 through 2012 underwriting years, partially offset by net unfavorable development from the 2007 and 2008 underwriting years. A change in the loss development patterns contributed $0.8 million to the net favorable development. Net favorable development in the crop class arose primarily from the 2012 underwriting year.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2012 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
Catastrophe excess-of-loss (non-major events)	$14,187	$258	$334	$ 14,779

Property per risk	11,321	44	1,638	13,003
Major catastrophes	12,671	(36)	(60)	12,575
Property proportional	5,381	(314)	-	5,067
Marine, aviation and satellite	964	(15)	2,239	3,188
Other	1,140	377	-	1,517
Total	$45,664	$314	$4,151	$ 50,129

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Net favorable development in the catastrophe excess-of-loss (non-major events) class arose primarily from the 2010 and 2011 underwriting years. Net favorable development in the property per risk class arose primarily from the 2007 through 2011 underwriting years. Net favorable development in the major catastrophes class arose primarily from the Tohoku earthquake. Net favorable development in the property proportional class arose primarily from the 2009 through 2011 underwriting years. Changes to loss development patterns contributed $0.4 million to the net favorable development. Net favorable development in the marine, aviation and satellite class arose primarily from the 2006 through 2008 underwriting years with changes to loss development patterns contributed $1.1 million to the net favorable development.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2011 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
Major catastrophes	$19,426	$(10)	$(1,035)	$ 18,381
Property per risk	15,987	328	34	16,349
Property proportional	7,769	160	-	7,929
Crop	1,947	(164)	-	1,783
Marine, aviation and satellite	822	(359)	570	1,033
Catastrophe excess-of-loss (non-major events)	(4,516)	(144)	(317)	(4,977)
Total	$41,435	$(189)	$(748)	$ 40,498

Net favorable development in the major catastrophes class arose primarily from the February 2010 earthquake in Chile, the September 2010 earthquake in New Zealand and the December 2010 floods in Australia. Net favorable development in the property per risk class arose from the 2007 through 2010 underwriting years. Net favorable development in the property proportional class arose primarily from the 2008 and 2009 underwriting years, with a change in the initial expected loss ratios contributing $0.7 million of the net favorable development. Net favorable development in the crop class arose primarily from North American business in the 2010 underwriting year. Net favorable development in the marine, aviation and satellite class arose primarily from the 2007 and 2008 underwriting years. This was partially offset by unfavorable development in the 2009 underwriting year primarily from the loss related to the explosion on the Deepwater Horizon oil rig. Net unfavorable development in the catastrophe excess-of-loss (non-major events) class arose primarily from an increase in loss advices from ceding companies related to fourth quarter 2010 events in Europe and Australia, partially offset by an improvement in North American and international business prior to 2010.

Calendar Year Losses - Excluding Current Year Major Catastrophes and Prior Years' Loss Development

2013 versus 2012: The Property and Marine segment calendar year losses, excluding current year major catastrophes and prior years' loss development, were $78.0 million and $99.3 million for the years ended December 31, 2013 and 2012, respectively. The calendar year loss ratios, excluding current year major catastrophes and prior years' loss development, were 34.8% and 41.6% for the years ended December 31, 2013 and 2012, respectively. The decrease in calendar year losses and the related loss ratios, excluding current year major catastrophes and prior years' loss development, resulted primarily from underwriting income in our North American crop business in 2013 as compared with an underwriting loss for the same period in 2012. Underwriting income related to our 2013 North American crop business was $4.1 million for the year ended December 31, 2013, and the underwriting loss related to our 2012 North American crop business was $17.6 million for the year ended December 31, 2012, as a result of the severe drought conditions in the United States. The calendar year losses and the related loss ratios, excluding current year major catastrophes, prior years' loss development and the underwriting result from our North American crop business, were

38.0% and 38.1% for the years ended December 31, 2013 and 2012, respectively. Calendar year losses and related loss ratios were also impacted by changes in the mix of business.

2012 versus 2011: The Property and Marine segment calendar year losses, excluding current year major catastrophes and prior years' loss development, were $99.3 million and $128.9 million for the years ended December 31, 2012 and 2011, respectively. The calendar year loss ratios, excluding current year major catastrophes and prior years' loss development, were 41.6% and 39.5% for the years ended December 31, 2012 and 2011, respectively. The increase in calendar year losses and the related loss ratios, excluding current year major catastrophes and prior years' loss development, resulted primarily from an increase in underwriting losses in our North American crop business in 2012 as a result of the severe drought conditions in the United States. Underwriting losses related to our 2012 North American crop business were $17.6 million for year ended December 31, 2012 compared with underwriting losses of $1.5 million on our 2011 North American crop business for the year ended December 31, 2011. The calendar year losses and the related loss ratios, excluding current year major catastrophes, prior years' loss development and the underwriting result from our North American crop business, were 38.1% and 45.9% for the years ended December 31, 2012 and 2011, respectively. The loss ratio was also impacted by improved results in the catastrophe excess-of-loss (non-major events) class in 2012 as compared with 2011. Calendar year losses and related loss ratios were also impacted by changes in the mix of business.

Net Acquisition Expenses

2013 versus 2012: The Property and Marine segment net acquisition expenses and related net acquisition expense ratios were $38.3 million and 17.3%, respectively, for the year ended December 31, 2013 and $34.3 million and 13.5%, respectively, for the year ended December 31, 2012. The increase in net acquisition expenses and the net acquisition expense ratio for the year ended December 31, 2013 as compared with 2012 was primarily due to one new contract in the property proportional class that has a higher acquisition expense ratio than the remainder of the segment. Net acquisition expenses and related net acquisition expense ratios were also impacted by other changes in the mix of business.

2012 versus 2011: The Property and Marine segment net acquisition expenses and related net acquisition expense ratios were $34.3 million and 13.5%, respectively, for the year ended December 31, 2012 and $49.3 million and 13.8%, respectively, for the year ended December 31, 2011. The decrease in net acquisition expenses was primarily due to the decrease in net premiums earned as compared with the same period in 2011. Net acquisition expenses and related net acquisition expense ratios were also impacted by changes in the mix of business.

Other Underwriting Expenses

2013 versus 2012: The Property and Marine segment underwriting expenses were $30.9 million and $31.1 million for the years ended December 31, 2013 and 2012, respectively. While operating expenses were comparable year over year, a decrease in our annual incentive plan compensation expense, which is based on our current year return on equity, was offset by an increase in our executive incentive plan compensation expense, which is based on our average annual return on equity over three years. The executive incentive plan is a share-based plan. See Note 12 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for further discussion of share incentive compensation.

2012 versus 2011: The Property and Marine segment other underwriting expenses were $31.1 million and $27.6 million for the years ended December 31, 2012 and 2011, respectively. The increase was primarily the result of an increase in performance-based compensation accruals in 2012 versus 2011.

Casualty

The following table sets forth underwriting results, ratios and the change year over year for the Casualty segment for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	Increase (decrease)	2011	Increase (decrease)
Net premiums written	$295,668	$287,112	$8,556	$296,989	$(9,877)
Net premiums earned	297,888	294,122	3,766	318,734	(24,612)
Net losses and LAE	115,888	43,763	72,125	178,650	(134,887)
Net acquisition expenses	71,648	68,987	2,661	72,738	(3,751)
Other underwriting expenses	23,149	22,937	212	19,002	3,935
Casualty segment underwriting income	$87,203	$158,435	$(71,232)	$48,344	$110,091
Underwriting ratios:					
Net loss and LAE	38.9 %	14.9 %	24.0 points	56.0 %	(41.1) points
Net acquisition expense	24.1 %	23.5 %	0.6 points	22.8 %	0.7 points
Other underwriting expense	7.8 %	7.8 %	- points	6.0 %	1.8 points

Combined	70.8	%	46.2	%	24.6 points	84.8	%	(38.6) points

2013 versus 2012: The Casualty segment underwriting income decreased by $71.2 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012, primarily due to a decrease in net favorable development. Net favorable development was $103.9 million and $184.1 million for the years ended December 31, 2013 and 2012, respectively.

2012 versus 2011: The Casualty segment underwriting income increased by $110.1 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011 as a result of an increase in net favorable development. Net favorable development was $184.1 million and $59.9 million for the years ended December 31, 2012 and 2011, respectively.

Net Premiums Written and Earned

The Casualty segment generated 52.1%, 50.8% and 45.6% of our net premiums written for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 versus 2012: The Casualty segment net premiums written increased by $8.6 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012. Net premiums written in the years ended December 31, 2013 and 2012 were impacted by increases to prior years' premium estimates of $32.7 million and $34.8 million, respectively. Excluding the impact of increases to prior years' premium estimates, net premiums written increased by $10.7 million, primarily due to more opportunities in the accident and health class, partially offset by a decrease in North American casualty excess-of-loss business due to fewer opportunities that met our underwriting standards.

Net premiums earned increased by $3.8 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012. Net premiums earned increased as a result of the increases in net premiums written in the current period. Net premiums written and earned were also impacted by changes in the mix of business and the structure of the underlying reinsurance contracts.

2012 versus 2011: The Casualty segment net premiums written decreased by $9.9 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011. Net premiums written in the years ended December 31, 2012 and 2011 were impacted by increases to prior years' premium estimates of $34.8 million and $21.5 million, respectively. Excluding the impact of increases to prior years' premium estimates, net premiums written decreased by $23.2 million primarily due to fewer opportunities that met our underwriting standards across most classes.

Net premiums earned decreased by $24.6 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011. Net premiums earned in the years ended December 31, 2012 and 2011 were impacted by increases to prior years' premium estimates of $23.0 million and $11.7 million, respectively. Excluding the impact of increases to prior years' premium estimates, net premiums earned decreased by $35.9 million. Net premiums earned decreased as a result of the decreases in net premiums written in current and prior periods. Net premiums written and earned were also impacted by changes in the mix of business and the structure of the underlying reinsurance contracts.

Net Losses and LAE

The Casualty segment net losses and LAE include prior years' loss development and calendar year losses, excluding prior years' loss development. The following table sets forth the components of net losses and LAE for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011

Prior years’ favorable (unfavorable) loss development	$103,165	$182,014	$59,420
Calendar year losses, excluding prior years’ loss development	(219,053)	(225,777)	(238,070)
Net losses and LAE	$(115,888)	$(43,763)	$(178,650)

2013 versus 2012: Net losses and LAE increased by $72.1 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012, primarily due to a decrease in net favorable loss development.

2012 versus 2011: Net losses and LAE decreased by $134.9 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011, primarily due to an increase in net favorable loss development.

Prior Years' Loss Development

2013 versus 2012: The Casualty segment net favorable loss development was $103.2 million and $182.0 million for the years ended December 31, 2013 and 2012, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratios by 34.6 points and 62.5 points for the years ended December 31, 2013 and 2012, respectively. Net favorable loss development for the years ended December 31, 2013 and 2012 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios. In addition, we regularly review and update our initial expected loss ratios and loss development patterns based on our loss experience and these updates resulted in net favorable loss development in several classes of business. For the year ended December 31, 2013, net favorable loss development of $15.7 million was attributable to these changes in loss development patterns and initial expected loss ratios. In the fourth quarter of 2012, we began reflecting favorable variances in reported losses in our selection of ultimate loss ratios at an earlier point in the loss development timeline than we had previously. This earlier recognition accounted for $56.0 million of the net favorable loss development for the year ended December 31, 2012. In addition, net favorable loss development of $24.4 million was attributable to changes in loss development patterns for several classes. The net loss and LAE ratios were also impacted by changes in the mix of business.

2012 versus 2011: The Casualty segment net favorable loss development was $182.0 million and $59.4 million for the years ended December 31, 2012 and 2011, respectively. Net favorable loss development and related premium adjustments decreased the net loss and LAE ratios by 62.5 points and 18.8 points for the years ended December 31, 2012 and 2011, respectively. Net favorable loss development for the years ended December 31, 2012 and 2011 were primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios. For the year ended December 31, 2011, net favorable development of $4.9 million related to changes in loss development patterns. The net loss and LAE ratios were also impacted by changes in the mix of business.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2013 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
North American claims made	$55,405	$47	$61	$ 55,513
North American umbrella	30,214	469	-	30,683
International casualty	10,491	(110)	(106)	10,275
North American clash	4,406	17	43	4,466
Accident and health	3,448	129	-	3,577
North American occurrence	(2,359)	581	258	(1,520)
Other	1,560	(297)	(315)	948
Total	$103,165	$836	$(59)	$ 103,942

Net favorable development in the North American claims made class arose primarily from the 2004 through 2012 underwriting years, partially offset by net unfavorable development from the 2003 underwriting year. A change in loss development patterns and initial expected loss ratio assumptions contributed $6.1 million to the net favorable development. Net favorable development in the North American umbrella class arose from the 2003 through 2011 underwriting years, partially offset by net unfavorable development from the 2007 underwriting year. A change in initial expected loss ratio assumptions contributed $9.1 million to the net favorable development. Net favorable development in the international casualty class arose from most prior underwriting years, partially offset by net unfavorable development from the 2002 underwriting year. Net favorable development in the North American clash class arose primarily from the 2004 through 2009 underwriting years. Net favorable development in the accident and health class arose primarily from the 2008 through 2012 underwriting years. Net unfavorable development in the North American occurrence class arose primarily from construction claims in the 2002 through 2005 and 2007 underwriting years, partially offset by net favorable development from the 2008 through 2012 underwriting years.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2012 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
North American claims made	$66,728	$46	$766	$ 67,540
North American umbrella	45,494	(369)	-	45,125
North American occurrence	25,988	(119)	53	25,922
International casualty	19,064	161	277	19,502
Financial lines	12,431	(370)	916	12,977
North American clash	8,577	(85)	439	8,931
Accident and health	3,743	414	-	4,157
Other	(11)	-	-	(11)
Total	$182,014	$(322)	$2,451	$ 184,143

Net favorable development in the North American claims made class arose primarily from the 2004 through 2009 underwriting years with changes in loss development patterns contributing $6.8 million. Net favorable development in the North American umbrella class arose primarily from the 2003 through 2009 underwriting years with changes in loss development patterns contributing $16.1 million to the net favorable development. Net favorable development in the North American occurrence class arose primarily from the 2002 through 2005 and 2007 through 2009 underwriting years, partially offset by net unfavorable development from the 2006, 2010 and 2011 underwriting years. Changes in loss development patterns contributed $5.8 million to the net unfavorable development. Net favorable development in the international casualty class arose primarily from the 2003 through 2007 and 2009 underwriting years. Changes in loss development patterns contributed $5.1 million to the net favorable development. This was partially offset by net unfavorable development in the 2008 underwriting year which was impacted by claims related to the credit crisis arising from the financial institutions business as well as liability arising from Australian wildfires. Net favorable development in the financial lines class arose primarily from the 2006 and 2011 underwriting years. Changes in loss development patterns contributed $1.4 million to the net favorable development. Net favorable development in the North American clash class arose primarily from the 2004 and 2008 underwriting years. Changes in loss development patterns contributed $0.6 million to the net favorable development. Net favorable development in the accident and health class arose from most prior underwriting years.

The following table sets forth the net favorable (unfavorable) development by class of business for the year ended December 31, 2011 ($ in thousands):

Class of Business	Net Losses and LAE	Net Acquisition Expenses	Net Premiums	Net Development
North American claims made	$34,503	$(2,227)	$58	$ 32,334
North American umbrella	12,049	304	-	12,353
North American occurrence excess-of-loss	10,859	222	210	11,291
Financial lines	9,348	(244)	(405)	8,699
Accident and health	(2,958)	1,591	-	(1,367)
International casualty	(4,981)	233	518	(4,230)
Other	600	(69)	281	812
Total	$59,420	$(190)	$662	$ 59,892

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Net favorable development in the North American claims made class arose primarily from the 2003 through 2007 underwriting years. Net favorable development in the North American umbrella class arose primarily from the 2003 through 2008 underwriting years. The net favorable development in the 2008 underwriting year resulted from improved loss experience in the current year after adverse experience led us to increase the selected loss ratio from the initial expected loss ratio in prior years. Net favorable development in the North American occurrence excess-of-loss class arose primarily from the 2002 through 2007 underwriting years, with a change in the loss development patterns contributing approximately $2.1 million of net favorable development. Net favorable development in the financial lines class arose primarily from North American surety business across most prior underwriting years, with a change in the loss development patterns resulting in approximately $1.5 million of net favorable development. Net unfavorable development in the accident and health class arose primarily from the 2004 through 2006 underwriting years, partially offset by favorable development on the 2008 underwriting year. Net unfavorable development in the international casualty class arose primarily from the 2008 and 2010 underwriting years arising from wildfires in Australia and energy related claims in the United States written under global covers. This was partially offset by favorable development from the 2005 and 2006 underwriting years. Changes in the loss development patterns in this class resulted in approximately $1.6 million of net favorable development.

Calendar Year Losses - Excluding Prior Years' Loss Development

2013 versus 2012: The Casualty segment calendar year losses, excluding prior years' loss development, were $219.1 million and $225.8 million for the years ended December 31, 2013 and 2012, respectively. The calendar year loss ratios, excluding prior years' loss development, were 73.5% and 77.4% for the years ended December 31, 2013 and 2012, respectively. The decrease in calendar year losses and the related loss ratios, excluding prior years' loss development, was primarily due to lower initial expected loss ratio estimates in the current year for several North American casualty classes as we lowered our estimates as a result of better than expected historical loss experience. Also, there was a lower loss ratio in the financial lines class in 2013 as compared with 2012. Calendar year losses and related loss ratios, excluding prior years' loss development, were also impacted by changes in the mix of business.

2012 versus 2011: The Casualty segment calendar year losses, excluding prior years' loss development, were $225.8 million and $238.1 million for the years ended December 31, 2012 and 2011, respectively. The calendar year loss ratios, excluding prior years' loss development, were 77.4% and 74.8% for the years ended December 31, 2012 and 2011, respectively. The increase in calendar year losses and the related loss ratios, excluding prior years' loss development, was impacted by an increase in the financial lines loss ratio as compared with 2011. Calendar year losses and related loss ratios, excluding prior years' loss development, were impacted by changes in the mix of business.

Net Acquisition Expenses

2013 versus 2012: The Casualty segment net acquisition expenses and related net acquisition expense ratios were $71.6 million and 24.1%, respectively, for the year ended December 31, 2013 and $69.0 million and 23.5%, respectively, for the year ended December 31, 2012. The increase in net acquisition expenses and the net acquisition expense ratio for the year ended December 31, 2013 as compared with 2012 was the result of changes in the mix of business.

2012 versus 2011: The Casualty segment net acquisition expenses and related net acquisition expense ratios were $69.0 million and 23.5%, respectively, for the year ended December 31, 2012 and $72.7 million and 22.8%, respectively, for the year ended December 31, 2011. Net acquisition expenses and related net acquisition expense ratios were impacted by changes in the mix of business.

Other Underwriting Expenses

2013 versus 2012: The Casualty segment other underwriting expenses were $23.1 million and $22.9 million for the years ended December 31, 2013 and 2012, respectively. While operating expenses were comparable year over year, a decrease in our annual incentive plan compensation expense, which is based on our current year return on equity, was offset by an increase in our executive incentive plan compensation expense, which is based on our average annual return on equity over three years.

2012 versus 2011: The Casualty segment other underwriting expenses were $22.9 million and $19.0 million for the years ended December 31, 2012 and 2011, respectively. The increase was primarily the result of an increase in performance-based compensation accruals in 2012 versus 2011.

Finite Risk

The following table sets forth underwriting results, ratios and the change year over year for the Finite Risk segment for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	Increase (decrease)	2011	Increase (decrease)
Net premiums written	$41,946	$21,706	$20,240	$9,843	$11,863
Net premiums earned	33,515	18,770	14,745	13,742	5,028
Net losses and LAE	17,137	7,317		(1,275)	
Net acquisition expenses	13,777	12,108		11,091	
Net losses, LAE and acquisition expenses	30,914	19,425	11,489	9,816	9,609
Other underwriting expenses	1,439	1,105	334	940	165
Finite Risk segment underwriting income (loss)	$1,162	$(1,760)	$2,922	$2,986	$(4,746)
Underwriting ratios:					
Net loss and LAE	51.1%	39.0%		(9.3%)	
Net acquisition expense	41.1%	64.5%		80.7%	
Net loss, LAE and acquisition expense	92.2%	103.5%	(11.3) points	71.4%	32.1 points
Other underwriting expense	4.3%	5.9%	(1.6) points	6.8%	(0.9) points
Combined	96.5%	109.4%	(12.9) points	78.2%	31.2 points

During the years ended December 31, 2013, 2012 and 2011, the in-force Finite Risk portfolio consisted of one contract and we expect minor activity in this segment in the foreseeable future due to the relatively low level of demand for finite risk products. Due to the inverse relationship between losses and commissions for this segment, we believe it is important to evaluate the overall combined ratio, rather than its component parts of net loss and LAE ratio and net acquisition expense ratio. Due to the small amount of premium volume in recent years, current year ratios may be significantly impacted by relatively small adjustments of prior years' reserves.

Net Premiums Written and Earned

The Finite Risk segment generated 7.4%, 3.9% and 1.5% of our net premiums written for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 versus 2012: Net premiums written increased by $20.2 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012. Net premiums written were impacted by increases to prior years' premium estimates of $9.2 million and $5.8 million for the years ended December 31, 2013 and 2012, respectively. Excluding the impact of increases to prior years' premium estimates, net premiums written increased by $16.9 million. The increases in both current and prior years' premium estimates relate to the one in-force contract.

Net premiums earned were also impacted by increases to prior years' premium of $4.6 million and $2.1 million for the years ended December 31, 2013 and 2012, respectively. Excluding the impact of increases to prior years' premium, net premiums earned increased by $12.2 million.

2012 versus 2011: Net premiums written increased by $11.9 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011. Net premiums written in the year ended December 31, 2012 were impacted by increases to prior years' premium estimates of $5.8 million compared to decreases to prior years' premiums estimates of $0.6 million for the year ended December 31, 2011. Excluding the impact of increases to prior years' premium estimates, net premiums written increased by $5.5 million. The changes in both current and prior years' premium estimates relate to the one in-force contract.

Net premiums earned in the year ended December 31, 2012 were also impacted by increases to prior years' premium of $2.1 million compared to decreases of $0.6 million for the year ended December 31, 2011. Excluding the impact of increases to prior years' premium, net premiums earned increased by $2.4 million.

Net Losses, LAE and Acquisition Expenses

2013 versus 2012: The Finite Risk segment net losses, LAE and acquisition expenses increased by $11.5 million for the year ended December 31, 2013 as compared with the year ended December 31, 2012, primarily due to an increase in net premiums earned. Net favorable development was $1.8 million for the year ended December 31, 2013 and net unfavorable development was $0.2 for the year ended December 31, 2012.

2012 versus 2011: The Finite Risk segment net losses, LAE and acquisition expenses increased by $9.6 million for the year ended December 31, 2012 as compared with the year ended December 31, 2011 primarily due to an increase in premiums earned. Also, net unfavorable development was $0.2 million for the year ended December 31, 2012 and net favorable development was $4.0 million for the year ended December 31, 2011. Net favorable development for the year ended December 31, 2011 was primarily related to contracts from the 2004 underwriting year offset by net unfavorable development related to a contract from the 2003 underwriting year. The net unfavorable development increased the net loss and LAE and acquisition expense ratio by 1.3 points for the year ended December 31, 2012 and the net favorable development decreased the net loss and LAE and acquisition expense ratio by 29.0 points for the year ended December 31, 2011. In addition, a change in underwriting conditions resulted in an increase in the net loss and LAE ratio for the year ended December 31, 2012.

Non-Underwriting Results

Net Investment Income

2013 versus 2012: Net investment income was $72.0 million and $99.9 million for the years ended December 31, 2013 and 2012, respectively. Net investment income decreased during the year ended December 31, 2013 as compared with 2012 primarily from a decrease in the average book yield for the portfolio of total investments and cash and cash equivalents from 2.6% to 2.0%. The change in the average book yield reflects purchases, sales, maturities and paydowns. We retained a high proportion of cash in our portfolio in order to manage the overall duration and provide ample liquidity. Contributing to the decrease in investment income was a reduction of approximately $324.6 million in the average book value of our investments and cash and cash equivalents for the year ended December 31, 2013 as compared with 2012, primarily due to share repurchases, dividend payments and negative operating cash flows.

2012 versus 2011: Net investment income was $99.9 million and $125.9 million for the years ended December 31, 2012 and 2011, respectively. Net investment income decreased during the year ended December 31, 2012 as compared with 2011 primarily from a decrease in the average book yield for the portfolio of total investments and cash and cash equivalents from 3.1% to 2.6%. Contributing to the decrease in investment income was a reduction of approximately $242.0 million in the average book value of our investments and cash and cash equivalents for the year ended December 31, 2012 as compared with 2011, primarily due to share repurchases, dividend payments and negative operating cash flows.

Net Realized Gains on Investments

2013 versus 2012: Net realized gains on investments were $23.9 million and $88.8 million for the years ended December 31, 2013 and 2012, respectively. Sales of investments resulted in net realized gains of $27.2 million for the year ended December 31, 2013 and included $18.3 million from the sale of municipal bonds, $6.1 million from the sale of corporate bonds and $2.5 million from the sale of commercial mortgage-backed securities ("CMBS"). Also included in net realized gains for the year ended December 31, 2013 was a net negative impact from fair value adjustments on trading securities of $3.3 million related to non-U.S government securities.

Sales of investments resulted in net realized gains of $90.1 million for the year ended December 31, 2012 and included $68.0 million from the sale of municipal bonds, $9.6 million from the sale of CMBS and $9.2 million from the sale of corporate bonds. Also included in net realized gains for the year ended December 31, 2012 was a net negative impact from fair value adjustments on trading securities of $1.3 million related to non-U.S government securities.

2012 versus 2011: Net realized gains on investments were $88.8 million and $3.9 million for the years ended December 31, 2012 and 2011, respectively. Sales of investments resulted in net realized gains of $1.4 million for the year ended December 31, 2011 primarily from U.S. Treasury Inflation-Protected Securities and corporate bonds partially offset by realized losses from U.S. Government securities. Also included in net realized gains for the year ended December 31, 2011 was a net positive impact from fair value adjustments on trading securities of $2.5 million related primarily to non-U.S government securities, partially offset by insurance-linked securities.

Net Impairment Losses on Investments

Net impairment losses reflect other-than-temporary impairments attributable to credit losses on impaired securities that relate exclusively to investments in securitized mortgages not guaranteed by U.S. government agencies.

2013 versus 2012: Net impairment losses on investments were $2.0 million and $3.0 million for the years ended December 31, 2013 and 2012, respectively. The net impairment losses recorded for the year ended December 31, 2013 included $1.4 million related to non-agency residential mortgage-backed securities ("RMBS") and $0.6 million related to sub-prime asset-backed securities ("ABS"). Substantially all net impairment losses recorded for the year ended December 31, 2012 related to non-agency RMBS.

2012 versus 2011: Net impairment losses on investments were $3.0 million and $22.4 million for the years ended December 31, 2012 and 2011, respectively. The net impairment losses recorded for the year ended December 31, 2011 reflected our revised assumptions regarding macroeconomic conditions in the United States, including the outlook for home prices, and included $19.0 million related to non-agency RMBS and $3.4 million related to sub-prime ABS.

Other Revenues and Expenses

The following table sets forth other revenues and expenses for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Other income (expense)	$3,477	$(239)	$645
Operating expenses not allocated to segments	(27,228)	(25,271)	(15,615)
Net foreign currency exchange (losses) gains	234	(1,055)	473
Net changes in fair value of derivatives	-	-	(4,329)
Interest expense	(19,125)	(19,098)	(19,072)
Other revenues (expenses)	$(42,642)	$(45,663)	$(37,898)

2013 versus 2012: Other income (expense) includes changes in the fair value and interest income on our reinsurance deposit assets of $3.6 million and $0.7 million for the years ended December 31, 2013 and 2012.

Operating expenses not allocated to underwriting segments were $27.2 million and $25.3 million for the years ended December 31, 2013 and 2012, respectively. The increase was due to an increase in our executive incentive plan compensation expense, which is based on our average annual return on equity over three years, partially offset by a decrease in our annual incentive plan compensation expense, which is based on our current year return on equity.

Interest expense was $19.1 million for both the years ended December 31, 2013 and 2012 and related to our $250.0 million of debt obligations

2012 versus 2011: Other income (expense) includes changes in the fair value and interest income on our reinsurance deposit assets of $0.7 million for the year ended December 31, 2012. We had no reinsurance deposit assets during the year ended December 31, 2011.

Operating expenses not allocated to underwriting segments were $25.3 million and $15.6 million for the years ended December 31, 2012 and 2011, respectively. The increase was primarily due to higher performance-based compensation accruals in 2012 compared with 2011.

There were no net changes in the fair value of derivatives for the years ended December 31, 2013 and 2012 as we did not hold any derivatives during this period. Net changes in the fair value of derivatives of $4.3 million for the year ended December 31, 2011 were primarily attributable to expenses of $2.5 million for a derivative agreement that was used to manage our exposure to certain underwriting risks until it expired on July 31, 2011 and expenses of $1.6 million related to put options on treasury futures that were purchased to temporarily protect our investment portfolio against a sudden increase in interest rates.

Interest expense was $19.1 million for both the years ended December 31, 2012 and 2011 and related to our $250.0 million of debt obligations.

Income Taxes

The income tax expense or benefit is primarily driven by the taxable income or loss generated by our U.S.-based subsidiaries. Our effective tax rate is primarily driven by the portion of taxable income or loss generated by our U.S.-based subsidiaries relative to the income or loss generated by our Bermuda-based operations, which are not subject to corporate income tax. Premiums earned by our U.S. and Bermuda-based subsidiaries generally do not bear a proportionate relationship to their respective pre-tax income for a variety of reasons, including the significant impact on pre-tax income of the different mixes of business underwritten by the particular subsidiary, the presence or absence of underwriting income or loss attributable to such business, and the investment results experienced by the particular subsidiary.

2013 versus 2012: Income tax expense was $34.7 million and $25.0 million for the years ended December 31, 2013 and 2012, respectively. Our effective tax rate was 13.5% and 7.1% for the years ended December 31, 2013 and 2012, respectively.

Pre-tax income was $151.3 million and $106.9 million in our Bermuda and U.S. companies, respectively, for the year ended December 31, 2013. Pre-tax income was $272.2 million and $80.3 million in our Bermuda and U.S. companies, respectively, for the year ended December 31, 2012.

2012 versus 2011: Income tax expense was $25.0 million and income tax benefit was $3.1 million for the years ended December 31, 2012 and 2011, respectively. Our effective tax rate was 7.1% and (1.4%) for the years ended December 31, 2012 and 2011, respectively.

Pre-tax loss was $235.6 million in our Bermuda companies and pre-tax income was $7.4 million in our U.S. companies, for the year ended December 31, 2011. In 2011, pre-tax loss in our Bermuda companies resulted primarily from losses related to major catastrophes.

See Note 8 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for further detail on our pre-tax income by jurisdiction as well as a reconciliation of expected income taxes to our actual income tax expense or benefit.

Financial Condition

Liquidity

Liquidity Requirements

Platinum Holdings is a holding company, the assets of which consist primarily of shares of its subsidiaries. Platinum Holdings' liquidity requirements, and those of Platinum Finance, include the payment of operating expenses, debt service obligations and income taxes. Our reinsurance subsidiaries' principal liquidity requirements are the payment of losses and LAE, commissions, brokerage, operating expenses, income taxes and dividends to Platinum Holdings and Platinum Finance. We consider the impact of dividends and other distributions from our reinsurance subsidiaries on their respective capital levels, which may impact the financial strength ratings assigned to our subsidiaries by A.M. Best and S&P.

Collateral Requirements of our Reinsurance Subsidiaries

Platinum Bermuda is not licensed, approved or accredited as a reinsurer in the United States and, therefore, under the terms of its contracts with U.S. ceding companies, it is required to provide collateral to its ceding companies for unpaid losses and LAE and unearned premiums in a form acceptable to state insurance regulators. Platinum Bermuda and Platinum US also provide reinsurance coverage in many international jurisdictions, several of which require us to provide collateral directly with regulators or ceding companies.

Platinum Bermuda and Platinum US also have reinsurance and other contracts that require them to provide collateral to ceding companies when certain levels of assumed liabilities are attained. Should certain events occur, such as a decline in our financial strength rating by A.M. Best or S&P below specified levels or a decline in statutory equity below specified amounts, the amount of collateral required may increase. Some reinsurance contracts also have special termination provisions that permit early termination should certain events occur.

Generally, our collateral requirements are satisfied as follows:

Letters of credit issued by financial institutions. See "Sources of Liquidity – Credit Facilities" below for additional information on our credit facilities, letters of credit issued and the collateral required by us under these facilities as at December 31, 2013;

Pledged assets or trust accounts. As of December 31, 2013, investments of $5.8 million were pledged to U.S. regulatory authorities and investments of $58.7 million and cash and cash equivalents of $12.6 million were pledged to collateralize obligations under various reinsurance contracts; and

Funds held by ceding companies.

Other Liquidity Requirements

Platinum Holdings fully and unconditionally guarantees the outstanding $250.0 million of debt obligations of Platinum Finance. Platinum Finance pays interest at a rate of 7.5% per annum on June 1 and December 1 of each year.

Platinum Holdings may also require cash to pay for share repurchases. See "Capital Resources - Share and Debt Repurchases" below for additional discussion of share repurchases.

Sources of Liquidity

Platinum Holdings and Platinum Finance's sources of liquidity include cash and cash equivalents, liquid investments, potential borrowings from our syndicated credit facility, the potential issuance of securities, and dividends and other distributions from subsidiaries. Our reinsurance subsidiaries' sources of liquidity consist primarily of cash and cash equivalents, inflows of premiums, investment income, proceeds from the sales, maturities and paydowns of investments, capital contributions from Platinum Holdings and Platinum Finance and potential borrowings from our syndicated credit facility.

As of December 31, 2013, we had consolidated cash and cash equivalents of $1.5 billion, including $88.4 million at Platinum Holdings and $230.8 million at Platinum Finance. We expect that Platinum Holdings' and Platinum Finance's liquidity needs for the next twelve months will be met by our cash and cash equivalents and available dividend capacity from our subsidiaries. We expect that our reinsurance subsidiaries' liquidity needs for the next twelve months will be met by our cash and cash equivalents, inflows of premiums, investment income and proceeds from the sales, maturities and paydowns of investments.

Cash Flows

The following table summarizes the cash provided by or used in our operating, investing and financing activities and the effect of foreign currency exchange rate changes on cash and cash equivalents for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Net cash used in operating activities	$(56,562)	$(165,337)	$(33,706)
Net cash provided by (used in) investing activities	98,536	1,219,400	(24,211)
Net cash used in financing activities	(288,352)	(121,912)	(153,093)
Effect of foreign currency exchange rate changes	(9,599)	(4,266)	15,643
Net increase (decrease) in cash and cash equivalents	(255,977)	927,885	(195,367)
Cash and cash equivalents at beginning of year	1,720,395	792,510	987,877
Cash and cash equivalents at end of year	$1,464,418	$1,720,395	$792,510

Operating Activities

Net cash used in operating activities in 2013, 2012 and 2011 was primarily due to the payment of losses and LAE and a reduction in premium volume in recent years. Our reinsurance subsidiaries generally have liquidity from underwriting activities as premiums are received in advance of the time losses are paid. The period of time from the occurrence of a claim through the settlement of the liability may extend many years into the future. However, due to the nature of our reinsurance operations, cash flows are affected by the amount and timing of actual claim payments that can vary based on many factors, including the severity of individual losses, changes in the legal environment, foreign exchange rates and general market conditions. As a result of a reduction in premium volume and expected payment of losses and LAE, including the payment of losses from major catastrophe activity in the last several years, we anticipate that our operating cash flows will be negative for at least the next twelve months.

Investing Activities

Net cash provided by investing activities in both 2013 and 2012 was primarily due to sales, maturities and paydowns of fixed maturity available-for-sale securities and short-term investments, partially offset by the acquisition of fixed maturity available-for-sale securities and short-term investments. In 2011, net cash used in investing activities was primarily due to an increase in the acquisition of short-term investments partially offset by sales and maturities of fixed maturity available-for-sale and short-term investments. We have increased our cash balance from investing activities to manage the overall duration of our portfolio and to provide ample liquidity.

Financing Activities

Net cash used in financing activities primarily related to repurchases of common shares of $303.3 million, $115.7 million and $94.7 million in 2013, 2012 and 2011, respectively. Net cash used in financing activities in 2011 also included the purchase of common share options totaling $47.9 million.

Investments

As part of our investment strategy, we seek to establish a level of cash and liquid short-term and intermediate-term securities which, including expected cash outflows from our operating activities and cash flows from our investments, we believe to be adequate to meet our foreseeable payment obligations. The ultimate amount and timing of claim payments could differ materially from our estimates and create significant variations in cash flows from operations between periods, which may require us to make payments from other sources of liquidity, such as sales of investments, borrowings from our syndicated credit facility or proceeds from capital market transactions. If we need to sell investments to meet liquidity requirements, the sale of such investments may be at a material gain or loss. Our investment portfolio consists primarily of diversified, high quality, predominantly investment grade fixed maturity securities.

Our investable assets consist of investments, cash and cash equivalents, accrued investment income and net balances due from brokers. Our investable assets credit quality is primarily measured by Moody's. If a particular security did not have a Moody's rating then a rating generally from S&P was converted to a Moody's equivalent rating. The following table sets forth our investment portfolio information as of December 31, 2013 and 2012:

	2013	2012
Investable Assets	$3.5 billion	$4.0 billion
Credit Quality	Aa2	Aa1
Book Yield	2.1%	2.1%
Duration	2.6 yrs	2.6 yrs

The change in the credit quality of our investable assets was primarily due to a $256.0 million decrease in our cash and cash equivalents.

The following table summarizes the fair value and unrealized gains or losses of our investments and cash and cash equivalents as of December 31, 2013 and 2012 ($ in thousands):

	2013		2012	
	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
Fixed maturity available-for-sale securities:				
U.S. Government	$4,765	$204	$4,944	$312
U.S. Government agencies	51,122	(725)	-	-
Municipal bonds	1,269,247	48,378	1,209,934	129,661
Non-U.S. governments	40,514	541	50,977	999
Corporate bonds	227,235	3,140	300,908	20,927
Commercial mortgage-backed securities	77,491	4,850	135,526	8,378
Residential mortgage-backed securities	169,965	266	221,622	(709)
Asset-backed securities	17,531	1,328	17,774	568
Total fixed maturity available-for-sale securities	1,857,870	57,982	1,941,685	160,136
Fixed maturity trading securities:				
Non-U.S. governments	103,395	n/a	112,813	n/a
Total fixed maturity trading securities	103,395	n/a	112,813	n/a
Short-term investments:				
Available-for-sale	-	-	49,186	(161)
Trading	66,679	n/a	123,615	n/a
Total short-term investments	66,679	-	172,801	(161)
Total investments	2,027,944	57,982	2,227,299	159,975
Cash and cash equivalents	1,464,418	-	1,720,395	-
Total investments and cash and cash equivalents	$3,492,362	$57,982	$3,947,694	$159,975

See Note 3 to the “Consolidated Financial Statements” in this Form 10-K for discussion of the fair value measurements of our financial assets and liabilities.

Non-U.S. Governments

Our non-U.S. government bond portfolio consists of securities issued by governments, provinces, agencies and supranationals.

The following table provides additional detail on the fair value and amortized cost of our portfolio of non-U.S. government fixed maturity available-for-sale securities, fixed maturity trading securities and short-term investments converted to U.S. dollars as of December 31, 2013 ($ in thousands):

	Fair Value				
Non-U.S. government portfolio	Basic Monetary Unit	Other Non-U.S. Dollar	U.S. Dollar	Total	Amortized Cost
Germany	$40,606	$-	$-	$40,606	$38,543
Netherlands	-	1,545	-	1,545	1,475
Eurozone governments	40,606	1,545	-	42,151	40,018
New Zealand	57,745	-	-	57,745	57,745
United Kingdom	54,980	-	-	54,980	52,026

Sweden	-	1,229	30,290	31,519	31,170
Australia	12,051	-	-	12,051	11,857
Japan	-	-	5,186	5,186	5,000
Norway	-	-	5,038	5,038	4,997
Supranational	-	1,918	-	1,918	1,796
Other non-U.S. governments	124,776	3,147	40,514	168,437	164,591
Total non-U.S. governments	$165,382	$4,692	$40,514	$210,588	$204,609

In addition to the investments noted above, we held non-U.S. dollar denominated cash and cash equivalents of $101.5 million as of December 31, 2013. These investments and cash and cash equivalents are generally held for the purpose of hedging our net non-U.S. dollar denominated reinsurance liabilities.

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Net Unrealized Gain (Loss)

The following table provides additional information on the fair values, net unrealized gains and losses and credit quality of our fixed maturity available-for-sale securities as of December 31, 2013 ($ in thousands):

	Fair Value	Net Unrealized Gain (Loss)	Credit Quality
U.S. Government	$4,765	$204	Aaa
U.S. Government agencies	51,122	(725)	Aaa
Municipal bonds:			
State general obligation bonds	890,675	33,405	Aa2
Essential service bonds	184,261	6,197	Aa3
Other municipal bonds	70,136	1,548	Aa2
State income tax and sales tax bonds	68,827	4,289	Aa1
Pre-refunded bonds	55,348	2,939	Aa2
Subtotal	1,269,247	48,378	Aa2
Non-U.S. governments	40,514	541	Aa1
Corporate bonds:			
Industrial	152,145	1,515	Baa2
Utilities	53,712	194	Baa1
Insurance	21,378	1,431	Baa2
Subtotal	227,235	3,140	Baa2
Commercial mortgage-backed securities	77,491	4,850	A1
Residential mortgage-backed securities:			
U.S. Government agency residential mortgage-backed securities	153,493	958	Aaa
Non-agency residential mortgage-backed securities	16,472	(692)	Caa2
Subtotal	169,965	266	Aa2
Asset-backed securities:			
Asset-backed securities	13,576	(24)	Aaa
Sub-prime asset-backed securities	3,955	1,352	C
Subtotal	17,531	1,328	A2
Total fixed maturity available-for-sale securities	$1,857,870	$57,982	Aa3

As of December 31, 2013, there were approximately $10.7 million and $4.4 million of municipal bonds for which ratings of “Aa” and “A”, respectively, included the benefit of guarantees from third-party insurers that would otherwise be rated as “A” and “Baa”, respectively, without the existence of such guarantees.

The net unrealized gain position of our municipal bond and corporate bond portfolios was $48.4 million and $3.1 million, respectively, as of December 31, 2013 as compared with a net unrealized gain position of our municipal bond and corporate bond portfolios of $129.7 million and $20.9 million, respectively, as of December 31, 2012. The decreases in the net unrealized gain position in our municipal bond and corporate bond portfolios were the result of increases in treasury yields and realized gains from sales activities, partially offset by a tightening of credit spreads. We analyze the creditworthiness of our municipal bond and corporate bond portfolios by reviewing various performance metrics of the issuer, including financial condition, credit ratings and other public information.

The net unrealized gain position of our CMBS portfolio was $4.9 million as of December 31, 2013 as compared with $8.4 million as of December 31, 2012. The decrease in the net unrealized gain position in our CMBS portfolio was primarily the result of realized gains from sales activities. We analyze our 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. Our portfolio consists primarily of senior tranches of CMBS with high credit ratings and strong credit support.

The net unrealized gain position of our RMBS portfolio was $0.3 million, with non-agency RMBS representing net unrealized losses of $0.7 million, as of December 31, 2013 as compared with a net unrealized loss position of $0.7 million, with non-agency RMBS representing net unrealized losses of $2.9 million, as of December 31, 2012. The decrease in the net unrealized loss position in our non-agency RMBS portfolio was primarily the result of the recognition of net impairment losses during the year ended December 31, 2013. Approximately 90% of the RMBS in our investment portfolio were issued or are guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Federal Deposit Insurance Corporation and are referred to as U.S. Government agency RMBS. The remaining 10% of our RMBS were issued by non-agency institutions that relate exclusively to investments in securitized mortgages not guaranteed by U.S. government agencies. Securities with underlying sub-prime mortgages as collateral are included in ABS. We analyze our non-agency RMBS and sub-prime ABS on a periodic basis using default loss models based on the performance of the underlying loans. Performance metrics include, but are not limited to, 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 believe that the gross unrealized losses in our fixed maturity available-for-sale securities portfolio of $11.8 million represent temporary declines in fair value. We believe that the unrealized losses are 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 being recorded in future periods. Conversely, economic conditions may improve more than expected and favorably increase the expected cash flows of our impaired securities, which would be earned through net investment income over the remaining life of the security.

Maturities

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 December 31, 2013 ($ in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$43,203	$43,759
Due from one to five years	481,679	502,152
Due from five to ten years	702,563	720,451
Due in ten or more years	411,859	429,916
Mortgage-backed and asset-backed securities	258,543	264,987
Total	$1,897,847	$1,961,265

The actual maturities of our fixed maturity available-for-sale and trading securities could differ from stated maturities due to call or prepayment provisions.

Credit Facilities

Syndicated Credit Facility

On June 24, 2011, we entered into an amended and restated three-year, $300.0 million credit facility with various financial institutions (the "Syndicated Credit Facility") that consists of a $100.0 million unsecured senior credit facility available for revolving borrowings and letters of credit (“LOC”) and a $200.0 million secured senior credit facility available for LOC. Borrowings and LOC under the Syndicated Credit Facility are available for the working capital, liquidity and general corporate requirements of Platinum Holdings, Platinum Finance and our reinsurance subsidiaries. Platinum Holdings and Platinum Finance have unconditionally guaranteed the obligations of our reinsurance subsidiaries under the Syndicated Credit Facility.

The Syndicated Credit Facility contains customary representations, warranties and covenants, including requirements to maintain a ratio of consolidated indebtedness to total capitalization of not greater than 0.35 to 1.0 and to maintain a consolidated tangible net worth of not less than the higher of (i) $1.25 billion or (ii) the sum of $1.258 billion plus 50% of positive net income for each fiscal year plus 75% of the aggregate increases in shareholders' equity resulting from the issuance or sale of shares minus the amount of any extraordinary dividend payment or repurchase of shares during the facility agreement. As calculated, our consolidated tangible net worth was $1.70 billion, or $448.6 million greater than the current minimum consolidated tangible net worth covenant of $1.25 billion, as of December 31, 2013. In addition, each of our reinsurance subsidiaries must maintain a financial strength rating from A.M. Best of at least "B++" at all times. The financial strength rating of our reinsurance subsidiaries was "A" as of December 31, 2013.

Other Letter of Credit Facilities

On December 19, 2013, our reinsurance subsidiaries renewed a LOC facility with a financial institution in the aggregate amount of $100.0 million to extend the expiration date to December 31, 2015. Under the terms of the facility, up to $100.0 million is available for the issuance of LOC to support reinsurance obligations of our reinsurance subsidiaries. The facility contains customary representations, warranties and covenants.

On July 2, 2013, Platinum Bermuda entered into an amended and restated uncommitted LOC facility that increased the maximum aggregate amount of the facility to $125.0 million. Under the terms of the facility, up to $125.0 million is available for the issuance of LOC to support reinsurance obligations of Platinum Bermuda. There was $11.6 million committed under this facility as of December 31, 2013. The facility contains customary representations, warranties and covenants.

We had no borrowings under the Syndicated Credit Facility during the years ended December 31, 2013 and 2012. The following table summarizes the outstanding LOC and the cash and cash equivalents held in trust to collateralize LOC issued as of December 31, 2013 ($ in thousands):

	Letters of Credit		Collateral
	Committed Capacity	Issued	Cash and Cash Equivalents
Syndicated Credit Facility:			
Secured	$200,000	$84,338	$ 93,379
Unsecured	100,000	-	-
Total Syndicated Credit Facility	300,000	84,338	93,379
Other LOC Facilities	111,596	40,552	67,332
Total	$411,596	$124,890	$ 160,711

As of December 31, 2013, we were in compliance with all of the covenants under our credit facilities.

Our reinsurance subsidiaries had a total remaining uncommitted LOC capacity of $263.4 million available as of December 31, 2013. The Company also has the ability to increase the Syndicated Credit Facility and other LOC facilities by up to $175.0 million subject to agreement with the lenders.

Dividend Restrictions

Platinum Holdings and its subsidiaries are subject to certain legal and regulatory restrictions in their respective jurisdictions of domicile. The legal restrictions generally include the requirement to maintain positive net assets and to be able to pay liabilities as they become due. For more details on these restrictions, see Item 1, "Business – Regulation", in this Form 10-K. Regulatory restrictions on dividends are described below.

Dividend Restrictions on Platinum Holdings

Platinum Holdings receives dividends and other distributions from its subsidiaries as a source of liquidity and to fund the payment of dividends to its shareholders. Distributions to Platinum Holdings from its subsidiaries may be restricted as described below. The Company's group regulatory capital requirements in Bermuda do not impose significant restrictions on retained earnings available for the payment of dividends by Platinum Holdings to its shareholders.

Dividend Restrictions on Subsidiaries

The laws and regulations of Bermuda and the United States include certain restrictions on the amount of statutory capital and surplus that are available for the payment of dividends by Platinum Bermuda and Platinum US to their respective parent companies, Platinum Holdings and Platinum Finance.

For 2014, Platinum Bermuda is generally restricted from declaring and paying dividends of more than 25% of its statutory capital and surplus as of December 31, 2013 unless an affidavit is filed with the Bermuda Monetary Authority stating it will continue to meet its capital and liquidity requirements. During 2014, the maximum amount available for the payment of dividends by Platinum Bermuda without filing an affidavit is $264.3 million. On February 12, 2014, Platinum Bermuda paid a dividend of $50.0 million to Platinum Holdings.

Platinum US is required to notify its regulator, the Maryland Insurance Administration, 10 days prior to the payment of an ordinary dividend and 30 days prior to the payment of an extraordinary dividend. During 2013, Platinum US utilized its ordinary dividend capacity and paid an extraordinary dividend. In 2014, Platinum US will have an ordinary dividend capacity of $25.6 million.

During the year ended December 31, 2013, dividends of $408.3 million were paid by the reinsurance subsidiaries of Platinum Holdings, of which $318.3 million was paid by Platinum Bermuda to Platinum Holdings and $90.0 million was paid by Platinum US to Platinum Finance.

There are no regulatory restrictions on retained earnings available for the payment of dividends by Platinum Finance to Platinum Regency or by Platinum Regency to Platinum Holdings. Irish law prohibits Platinum Regency from declaring a dividend to its shareholders unless it has “profits available for distribution”. The determination of whether a company has profits available for distribution is based on its accumulated profits, not previously distributed or capitalized, less its accumulated realized losses, not previously used as a reduction from capital.

Capital Resources

As of December 31, 2013, our capital resources of $2.0 billion consisted of $1.7 billion of common shareholders’ equity and $250.0 million of debt obligations. As of December 31, 2012, our capital resources of $2.1 billion consisted of $1.9 billion of common shareholders’ equity and $250.0 million of debt obligations. The decrease in capital of $147.8 million during the year ended December 31, 2013 was primarily attributable to repurchases of common shares of $303.3 million and the decrease in net unrealized gains, net of tax, of $89.6 million, partially offset by net income of $223.3 million.

We monitor our capital adequacy on a regular basis and seek to adjust our capital according to the needs of our business. In particular, we require capital sufficient to meet or exceed: (1) the capital adequacy ratios established by rating agencies for maintenance of appropriate financial strength ratings, (2) the statutory equity requirements established by our ceding companies, (3) the capital adequacy tests performed by regulatory authorities and (4) the capital requirements under our credit facilities.

We actively manage our capital and may seek to raise additional capital or return capital to our shareholders through common share repurchases and cash dividends (or a combination of such methods). We may also seek to manage our capital through repurchases of our outstanding debt in open market purchases, privately negotiated transactions or otherwise.

To the extent that our existing capital is insufficient to fund our future operating requirements or maintain our financial strength or debt ratings, we may need to raise additional capital through financings, which may be in the form of debt securities, preferred shares, common equity, bank credit facilities providing loans and/or letters of credit, or any combination of these sources. Any equity or debt financing, if available at all, may be on terms that are unfavorable to us or our shareholders. In the case of equity financings, dilution to our shareholders could result, and such securities may have rights, preferences and privileges that are senior to those of our outstanding securities. If we are not able to obtain adequate capital, our business, results of operations and financial condition could be adversely affected, which could include, among other things, the following possible outcomes: (1) potential downgrades in the financial strength ratings assigned by rating agencies to our reinsurance subsidiaries, which could place those reinsurance subsidiaries at a competitive disadvantage compared with higher-rated competitors, (2) reductions in the amount of business that our reinsurance subsidiaries are able to write in order to meet statutory capital requirements of ceding companies or an increase in the amount of collateral required, (3) reductions in the amount of business that our reinsurance subsidiaries are able to write in order to meet capital adequacy-based tests enforced by regulatory authorities and (4) increases in the cost of bank credit and letters of credit. We can provide no assurance that, if needed, we would be able to obtain additional funds through financing on satisfactory terms or at all.

We do not have any material commitments for capital expenditures as of December 31, 2013.

Share and Debt Repurchases

Our Board of Directors has authorized the repurchase of our common shares through a share repurchase program. Since the program was established, our Board of Directors has approved increases in the repurchase program from time to time, most recently on July 24, 2013, to result in authority as of such date to repurchase up to a total of $250.0 million of our common shares. The following table summarizes our repurchases of common shares for the years ended December 31, 2013, 2012 and 2011 ($ in thousands, except per share data):

Year	Shares Repurchased	Weighted Average Cost per Share (1)	Aggregate Amount Paid
2013	5,360,266	$56.58	$303,294
2012	3,088,589	37.46	115,702
2011	2,569,068	$36.86	$94,695

(1) Including commissions.

The shares we repurchased were canceled. As of December 31, 2013, we had $170.9 million remaining under the share repurchase program. For the period of January 1, 2014 through February 10, 2014, we repurchased 147,817 shares, at a weighted average cost per share of $56.66, for an aggregate amount of $8.4 million.

Since 2007, we have repurchased 43,240,599 shares and purchased 8,500,000 share options for an aggregate amount of $1.7 billion and $146.4 million, respectively.

Our Board of Directors has also authorized the repurchase of up to $250.0 million of our outstanding Series B 7.5% Notes due June 1, 2017, issued by Platinum Finance in open market purchases, privately negotiated transactions or otherwise. As of December 31, 2013, we had not repurchased any of our Series B 7.5% Notes.

The timing and amount, if any, of repurchase transactions depend on a variety of factors, including prevailing market conditions, our liquidity requirements, contractual restrictions, corporate and regulatory considerations and other factors.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined for purposes of the SEC rules, which are not accounted for or disclosed in the consolidated financial statements as of December 31, 2013.

Contractual Obligations

Our contractual obligations as of December 31, 2013 by estimated maturity are presented below ($ in thousands):

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Series B Notes due June 1, 2017 (1)	$250,000	$-	$-	$250,000	$-
Scheduled interest payments (1)	65,625	18,750	37,500	9,375	-
Subtotal - Debt obligations	315,625	18,750	37,500	259,375	-
Operating leases (2)	22,847	2,326	4,676	4,645	11,200

Other operating agreements (2)	5,400	2,409	2,373	618	-
Unpaid losses and LAE (3)	1,670,171	459,552	492,918	269,465	448,236
Total	$2,014,043	$483,037	$537,467	$534,103	$459,436

(1) See Note 7 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K.

(2) See Note 14 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K.

(3) There are generally no notional or stated amounts related to unpaid losses and LAE. Both the amounts and timing of future loss and LAE payments are estimates and subject to the inherent variability of legal and market conditions affecting the obligations and make the timing of cash outflows uncertain. The ultimate amount and timing of unpaid losses and LAE could differ materially from the amounts in the table above. Further, the unpaid losses and LAE do not represent all of the obligations that will arise under the contracts, but rather only the estimated liability incurred through December 31, 2013. There are reinsurance contracts that have terms extending into future years under which additional obligations will be incurred.

Recently Issued Accounting Standards

See Note 1 to the “Consolidated Financial Statements” contained elsewhere in this Form 10-K for a discussion of recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We believe the Company’s market risk sensitive instruments include investments, cash and cash equivalents, reinsurance deposit assets and debt obligations. We believe that these instruments are principally exposed to the following types of market risk: interest rate risk, credit risk, liquidity risk and foreign currency exchange rate risk.

Interest Rate Risk

We are exposed to fluctuations in interest rates. Changes in overall interest rates, generally measured by changes in the yield on risk free investments such as U.S. Treasury securities, will influence the fair values of our fixed maturity securities portfolio. Rising interest rates generally result in a decrease in the fair value of our fixed maturity securities portfolio. Conversely, a decline in interest rates will generally result in an increase in the fair value of our fixed maturity securities portfolio. Interest rate changes can also impact the timing of receipt of principal payments from mortgage-backed securities. From time to time, we may use financial futures and options as part of a hedging strategy to manage our exposure to interest rate risk and protect our fixed maturity securities portfolio against a sudden increase in interest rates.

The following table shows the aggregate hypothetical impact on the fair value of our fixed maturity securities portfolio as of December 31, 2013, resulting from an immediate parallel shift in interest rates ($ in thousands):

	Interest Rate Shift in Basis Points				
	- 100bp	- 50bp	Current	+ 50bp	+ 100bp
Total fair value	$2,054,788	$2,007,134	$1,961,265	$1,917,185	$1,874,892
Percent change in fair value	4.8%	2.3%	0.0%	(2.2%)	(4.4%)
Resulting net appreciation (depreciation)	$93,523	$45,869	$-	$(44,080)	$(86,373)

Actual shifts in interest rates may not change by the same magnitude across the maturity spectrum or on an individual security and, as a result, the impact on the fair value of our fixed maturity securities portfolio may be materially different from the resulting net appreciation or depreciation indicated in the table above.

In addition, while our debt obligations are not carried at fair value and not adjusted for market changes, changes in interest rates could have an impact on the value of our debt obligations if they are required to be refinanced before the stated maturity date.

Credit Risk

Investments

Our principal invested assets are fixed maturity securities and short-term investments, which are subject to the risk of potential losses from adverse changes in interest rates and credit risk resulting from adverse changes in the borrower’s ability to meet its debt service obligations. Credit risk is often measured by credit spreads representing the difference between the yield of a debt instrument and that of a U.S. Treasury security of similar maturity. As the creditworthiness of a debt issuer declines, the credit spreads increase, which has the same effect on fair value as an increase in overall interest rates. An increase or widening of credit spreads generally results in a decrease in the fair value of our fixed maturity securities portfolio. Furthermore, a debt issuer may default on an interest or principal payment, in which case we may not collect all of the contractual cash flows associated with that security.

We manage credit risk by the selection of securities within our investment portfolio. Our investment guidelines contain limits on the portion of our investment portfolio that may be invested in various investment classes and in the securities of any single issue or issuer, with the exception of U.S. Government securities or securities explicitly guaranteed by the U.S. Government. Changes in credit spreads directly affect the market value of certain fixed maturity securities, but do not necessarily result in a change in the future expected cash flows associated with holding individual securities. Other factors, including liquidity, supply and demand, and changing risk preferences of investors, may affect market credit spreads without any change in the underlying credit quality of the security.

From time to time, we may have amounts due from investment brokers from the sale of securities that are classified in other assets on our consolidated balance sheets. Generally, the amounts due from investment brokers are settled within three business days.

Certain of our investments and cash and cash equivalents are pledged to collateralize obligations under various reinsurance contracts. It is unclear what, if any, the impact would be in the event of the liquidation of a counterparty with which we have a collateral arrangement.

Cash and Cash Equivalents

As of December 31, 2013, our cash and cash equivalents were primarily invested in U.S. government treasury bills or non-U.S. government securities. The remainder of our cash and cash equivalents were held in diversified money market funds or held at financial institutions as demand deposits or time deposits. We monitor the credit risk associated with the respective financial institutions on a regular basis.

Reinsurance Deposit Assets

Our reinsurance deposit assets are subject to credit risk. To mitigate credit risk related to our reinsurance deposit assets we consider the financial strength of the counterparty prior to transacting with them and we routinely monitor their financial performance and rating status.

Liquidity Risk

When financial markets experience a reduction in liquidity, our ability to conduct orderly investment transactions may be limited and may result in declines in fair values of the securities in our investment portfolio. In addition, if we require significant amounts of cash on short notice in excess of normal cash requirements (which could include claims on a major catastrophic event) in a period of market illiquidity, we may have difficulty selling our investments in a timely manner and may have to dispose of our investments for less than what may otherwise have been possible under other conditions.

Foreign Currency Exchange Rate Risk

We routinely transact business in various currencies other than the U.S. dollar, our financial reporting currency. We may incur foreign currency exchange gains or losses as we ultimately settle claims required to be paid in foreign currencies. To the extent we do not seek to hedge our foreign currency risk or our hedges prove ineffective, the resulting impact of a movement in foreign currency exchange rate could materially adversely affect our financial condition and results of operations.

We manage our exposure to large foreign currency risks by holding investments and cash and cash equivalents denominated in non-U.S. dollar currencies in amounts that generally offset liabilities denominated in the same non-U.S. dollar currencies, thereby reducing our net exposure to foreign exchange volatility. We may, from time to time, hold more or less non-U.S. dollar denominated assets than non-U.S. dollar liabilities. In addition, we may use foreign currency exchange contracts as part of a hedging strategy. As of December 31, 2013 and 2012, approximately 7.8% and 9.7%, respectively, of our total investments and cash and cash equivalents were denominated in currencies other than the U.S. dollar. Of our gross premiums written in the years ended December 31, 2013 and 2012 approximately 15.8% and 15.7%, respectively, were written in currencies other than the U.S. dollar.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2013, together with the report thereon by KPMG Audit Limited, our independent registered public accounting firm, are set forth on pages F-1 through F-51 hereto.

The schedules relating to our consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2013, together with the independent registered public accounting firm report thereon, are set forth on pages S-1 through S-9 hereto. Schedules not referred to have been omitted as inapplicable or not required by Regulation S-X or information required is provided elsewhere in the consolidated financial statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-K. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and timely reported as specified in the SEC's rules and forms, and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act). Our internal control over financial reporting is designed under the supervision of our Chief Executive Officer and Chief Financial Officer, and effected by our Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our disclosure controls and procedures and our internal control over financial reporting were designed to provide reasonable assurances that their objectives would be met. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 based on the integrated framework published in September 1992 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective. During our evaluation, we did not identify any material weaknesses in our internal control over financial reporting. KPMG Audit Limited, the independent registered public accounting firm that audited our consolidated financial statements included in this Form 10-K, has issued an unqualified attestation report on our internal control over financial reporting, which appears below.

Changes in Internal Control over Financial Reporting

No changes occurred during the three months ended December 31, 2013 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Platinum Underwriters Holdings, Ltd.:

We have audited Platinum Underwriters Holdings, Ltd. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Platinum Underwriters Holdings, Ltd. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Platinum Underwriters Holdings, Ltd. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 13, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Audit Limited

Hamilton, Bermuda
February 13, 2014

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Item 9B. Other Information

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item relating to our directors, executive officers and corporate governance is incorporated herein by reference to information included under the headings “Proposal 1 – Election of Directors – Information Concerning Nominees”, “Corporate Governance – Standing Committees of the Board of Directors – Governance Committee – Director Nomination Process”, “Information Concerning Executive Officers”, “Corporate Governance – Standing Committees of the Board of Directors – Audit Committee”, and “Section 16(a) Beneficial Ownership Reporting Compliance” of our Proxy Statement. We intend to file our Proxy Statement prior to April 30, 2014.

Code of Ethics

We have adopted a written Code of Ethics within the meaning of Item 406 of Regulation S-K of the Exchange Act. Our Code of Ethics applies to all of our directors and employees including, without limitation, our principal executive officer, our principal financial officer and principal accounting officer and all of our employees performing financial or accounting functions. A copy of our Code of Ethics is posted on our website at www.platinumre.com and may be found under the “Investor Relations” section by clicking on “Corporate Governance”. In the event that we make any amendment to, or grant any waiver from, a provision of our Code of Ethics that requires disclosure under Item 5.05 of Form 8-K, in addition to filing a Form 8-K we will post such information on our website at the location specified above. We will provide, without charge, a copy of our Code of Ethics to any person submitting such request to our corporate secretary at our principal executive offices.

Item 11. Executive Compensation

The information required by this Item relating to executive compensation is incorporated herein by reference to information included under the headings “Director Compensation”, “Executive Compensation”, “Corporate Governance – Compensation Committee Interlocks and Insider Participation”, and “Compensation Committee Report” of our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this Item relating to security ownership of certain beneficial owners and management is incorporated herein by reference to information included under the heading “Security Ownership of Certain Beneficial Owners and Management” of our Proxy Statement.

Equity Based Compensation Information

The following table summarizes information as of December 31, 2013 relating to our equity based compensation plans pursuant to which grants of options, restricted shares, restricted share units or other rights to acquire shares may be granted from time to time.

Plan Category	(a)	(b)	(c)

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(2)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(3)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	783,768	$ 33.81	2,796,268
Equity compensation plans not approved by security holders	-	-	-
Total	783,768	$ 33.81	2,796,268

(1) These plans consist of the 2002 Share Incentive Plan, which was approved by our shareholders at the 2004 Annual General Meeting of Shareholders; the 2006 Share Incentive Plan, which was approved by our shareholders at the 2006 Annual General Meeting of Shareholders; the 2010 Share Incentive Plan, which was approved by our shareholders at the 2010 Annual General Meeting of Shareholders; and the Share Unit Plan for Nonemployee Directors, which was approved by our sole shareholder prior to our initial public offering in 2002. The 2010 Share Incentive Plan replaced the 2006 Share Incentive Plan, which replaced the 2002 Share Incentive Plan, and no shares remain available for issuance under the 2006 or 2002 Share Incentive Plans. The Share Unit Plan for Nonemployee Directors was terminated on February 22, 2010 as to all future awards, and no shares remain available for issuance under such plan.

(2) Column (a) includes outstanding options, service-based restricted share units, market-based share awards and equity accounted performance-based share awards. Market-based and performance-based share awards are reflected at the maximum potential payout.

(3) Restricted share units are excluded from column (b) as there is no consideration due upon vesting of these awards.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item relating to certain relationships and related transactions and director independence is incorporated herein by reference to information contained under the headings “Transactions with Related Persons” and “Corporate Governance – Independence of Directors” of our Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this Item relating to principal accountant fees and services is incorporated herein by reference to information contained under the heading “Proposal 3 – Approval of Independent Registered Public Accounting Firm for the 2014 Fiscal Year” of our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

Our consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2013, together with the report thereon by KPMG Audit Limited, our independent registered public accounting firm, are set forth on pages F-1 through F-51 hereto.

Financial Statements Schedules

The schedules relating to our consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2013, together with the independent registered public accounting firm report thereon, are set forth on pages S-1 through S-9 hereto. Schedules not referred to have been omitted as inapplicable or not required by Regulation S-X or information required is provided elsewhere in the consolidated financial statements.

Exhibits

Exhibit Number	Description
2.1	Formation and Separation Agreement dated October 28, 2002 between The St. Paul Companies, Inc. and Platinum Holdings. (2)
3(i).1	Memorandum of Association of Platinum Holdings. (1)
3(ii).1	Amended and Restated Bye-Laws of Platinum Holdings. (22)
4.1	Form of Certificate of the Common Shares of Platinum Holdings. (2)
4.2	Indenture dated October 10, 2002 among Platinum Holdings, Platinum Finance and JP Morgan Chase. (2)
4.3	Indenture Supplement dated November 1, 2002 among Platinum Holdings, Platinum Finance and JP Morgan Chase. (2)
4.4	Second Supplemental Indenture dated August 16, 2005 between Platinum Holdings, Platinum Finance and JP Morgan Chase. (10)
4.5	Indenture dated May 26, 2005 between Platinum Holdings, Platinum Finance and JP Morgan Chase. (8)
4.6	

	First Supplemental Indenture dated May 26, 2005 between Platinum Holdings, Platinum Finance and JP Morgan Chase. (8)
4.7	Second Supplemental Indenture dated as of November 2, 2005 among Platinum Finance, Platinum Holdings and JP Morgan Chase. (11)
4.8	Purchase Contract Agreement dated November 1, 2002 between Platinum Holdings and JP Morgan Chase. (2)

4.9	Form of Senior Note of Platinum Finance. (2)
4.10	Form of Guarantee of Platinum Holdings. (2)
4.11	Exchange and Registration Rights Agreement dated May 26, 2005 among Platinum Holdings, Platinum Finance and Goldman, Sachs & Co. (8)
4.12	Exchange and Registration Rights Agreement dated August 16, 2005 between Platinum Holdings, Platinum Finance, and Goldman, Sachs & Co. and Merrill Lynch. (10)
10.1*	Amended and Restated Share Unit Plan for Nonemployee Directors. (20)
10.2*	Amendment of Amended and Restated Share Unit Plan for Nonemployee Directors. (19)
10.3*	Form of Nonemployee Director Share Unit Award Agreement. (12)
10.4*	Summary of Platinum Holdings' Nonemployee Director Compensation Program. (19)
10.5*	2002 Share Incentive Plan (2004 Update). (4)
10.6*	2006 Share Incentive Plan. (14)
10.7*	2010 Share Incentive Plan. (22)
10.8*	Amended and Restated Annual Incentive Plan. (13)
10.9*	Form of AIP Restricted Share Unit Award Agreement. (15)
10.10*	Section 162(m) Performance Incentive Plan. (21)
10.11*	Platinum US Executive Retirement Savings Plan. (29)
10.12*	Arrangement for Compensation in Lieu of Participation in Executive Retirement Savings Plan. (19)
10.13*	Platinum Holdings International Pension Plan.(32)
10.14*	Amended and Restated Executive Incentive Plan. (17)
10.15*	Form of EIP Share Unit Award Agreement (for awards for 2008-2010 performance cycle). (16)
10.16*	Form of EIP Share Unit Award Agreement (for awards made in 2009, 2010 and 2011 providing for payment in common shares). (18)
10.17*	Form of EIP Share Unit Award Agreement (for awards for 2011-2013 performance cycle providing for payment in cash). (27)
10.18*	Form of EIP Share Unit Award Agreement (for awards made on February 14, 2012 and later providing for payment in common shares). (31)
10.19*	Form of EIP Share Unit Award Agreement (for awards made on February 14, 2012 and later providing for payment in cash). (31)
10.20*	Form of Supplemental EIP Share Unit Award Agreement (for awards for the 2012-2013 performance cycle). (31)
10.21*	Capital Accumulation Plan. (2)
10.22*	Form of Nonqualified Share Option Agreement (Employee) (for awards made prior to July 23, 2008). (5)
10.23*	Form of Nonqualified Share Option Agreement (Employee). (18)
10.24*	Form of Nonqualified Share Option Agreement (New Nonemployee Director). (5)
10.25*	Form of Nonqualified Share Option Agreement (Annual Nonemployee Director). (5)
10.26*	Form of Time-Based Share Unit Award Agreement (for awards made prior to July 23, 2008). (5)
10.27*	Form of Time-Based Share Unit Award Agreement. (18)
10.28*	Form of Special Share Unit Award Agreement. (5)
10.29*	Form of Restricted Share Award Agreement (for awards made prior to July 23, 2008). (5)
10.30*	Form of Restricted Share Award Agreement. (17)
10.31*	Form of Market Share Unit Award Agreement. (31)

10.32*	Amended and Restated Change in Control Severance Plan. (17)
10.33*	Amended and Restated Employee Severance Plan. (17)
10.34*	Amended and Restated Employment Agreement dated July 22, 2010 between Michael E. Lombardozzi and Platinum Holdings and Letter Agreement dated September 1, 2011 between Michael E. Lombardozzi and Platinum Administrative Services, Inc. attached as Exhibit B thereto. (24)
10.35*	Amended and Restated Employment Agreement dated July 22, 2010 between Michael D. Price and Platinum Holdings. (24)
10.36*	Amended and Restated Employment Agreement dated October 27, 2010 between Robert S. Porter and Platinum Bermuda. (26)
10.37*	Amended and Restated Employment Agreement dated October 27, 2010 between H. Elizabeth Mitchell and Platinum US. (26)

10.38*	Employment Agreement dated April 29, 2010 between Platinum Holdings and Allan C. Decleir. (23)
10.39*	Letter Agreement dated April 29, 2010 between James A. Krantz and Platinum Holdings and Consulting Agreement dated April 29, 2010 between James A. Krantz and Platinum Administrative Services, Inc. attached as Exhibit A thereto. (23)
10.40*	Letter Agreement dated February 22, 2006 between Kenneth A. Kurtzman and Platinum Administrative Services, Inc. (35)
10.41*	Letter Agreement dated October 27, 2010 between Kenneth A. Kurtzman and Platinum Administrative Services, Inc. (35)
10.42	Investment Management Agreement dated May 12, 2005 between Platinum US and Hyperion Capital Management, Inc. (6)
10.43	Investment Management Agreement dated May 12, 2005 between Platinum Bermuda and Hyperion Capital Management, Inc. (6)
10.44	Investment Management Agreement dated May 12, 2005 between Platinum Holdings, Platinum Bermuda, Platinum Regency and BlackRock Financial Management, Inc. (6)
10.45	Investment Management Agreement dated May 12, 2005 between Platinum US, Platinum Finance and BlackRock Financial Management, Inc. (6)
10.46	Second Amended and Restated Credit Agreement, dated as of June 24, 2011, by and among the Company, Platinum Bermuda, Platinum US, Platinum Finance, the Lenders party thereto, ING Bank N.V., London Branch, as Documentation Agent, U.S. Bank National Association, as Syndication Agent, and Wells Fargo Bank, National Association, as Administrative Agent. (30)
10.47	List of Contents of Exhibits and Schedules to the Second Amended and Restated Credit Agreement. The Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request. (30)
10.48	Guaranty dated December 31, 2003 between Platinum Holdings and Platinum US. (3)
10.49	Amendment No. 1 dated January 1, 2005 to Guaranty dated December 31, 2003 between Platinum Holdings and Platinum US. (9)
10.50	Purchase Agreement dated May 20, 2005 among Platinum Holdings, Platinum Finance and Goldman, Sachs & Co. (7)
10.51	Remarketing Agreement dated August 8, 2005 among Platinum Holdings, Platinum Finance, Goldman, Sachs & Co. and Merrill Lynch. (9)
10.52	Pledge Agreement dated November 1, 2002 among Platinum Holdings, State Street Bank and Trust Company and JP Morgan Chase. (2)
10.53	Purchase Agreement dated as of October 13, 2010 between Platinum Holdings and The Travelers Companies, Inc. (25)
10.54	Purchase Agreement dated January 17, 2011 between Platinum Holdings, RenaissanceRe and Renaissance Other Investments Holdings II Ltd. (28)
10.55	Termination Agreement dated as of January 17, 2011 between Platinum US, Platinum Bermuda and Renaissance Underwriting Managers Ltd. (28)
10.56	Committed Letter of Credit Issuance Facility Letter dated June 30, 2011 among Platinum Bermuda, Platinum US, the Company (solely for purposes of paragraph 9.2 thereof) and Citibank Europe plc. (30)
10.57	Insurance Letters of Credit Master Agreement dated June 30, 2011 among Platinum Bermuda, Platinum US and Citibank Europe plc. (30)
10.58	Letter agreement dated December 19, 2013 among Platinum Bermuda, Platinum US, Platinum Holdings (solely for purposes of paragraph 9.2 thereof) and Citibank

	Europe plc. (33)
10.59	Amendment and Restatement Agreement dated July 2, 2013 relating to a Facility Agreement dated July 31, 2012 for Platinum Bermuda made between Platinum Holdings, Platinum Bermuda, National Australia Bank Limited and ING Bank N.V.(34)
10.60	Uncommitted U.S. $125,000,000 Facility Agreement dated July 31, 2012 as amended and restated on July 2, 2013 made between Platinum Holdings, Platinum Bermuda, National Australia Bank Limited and ING Bank N.V. (34)
14.1	Code of Business Conduct and Ethics. (17)
21.1	Subsidiaries of Platinum Holdings.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Michael D. Price, Chief Executive Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Allan C. Decleir, Chief Financial Officer of Platinum Holdings, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Michael D. Price, Chief Executive Officer of Platinum Holdings, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Allan C. Decleir, Chief Financial Officer of Platinum Holdings, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012 , (ii) the Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for years ended December 31, 2013, 2012 and 2011 and (v) the Notes to the Consolidated Financial Statements for the years ended December 31, 2013, 2012 and 2011.

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* Items denoted with an asterisk represent management contracts or compensatory plans or arrangements.

(1) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 333-86906) of Platinum Holdings.
(2) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on March 31, 2003.
(3) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2003, filed with the SEC on March 15, 2004.
(4) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed with the SEC on May 10, 2004.
(5) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on February 23, 2005.
(6) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on May 13, 2005.
(7) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on May 24, 2005.
(8) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on May 27, 2005.
(9) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed with the SEC on August 5, 2005.
(10) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on August 17, 2005.
(11) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on November 3, 2005.
(12) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on February 27, 2006.
(13) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on February 22, 2007.
(14) Incorporated by reference from the Registration Statement on Form S-8 (Registration No. 333-133521) of Platinum Holdings, filed with the SEC on April 25, 2006.
(15) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K, filed with the SEC on December 6, 2007.
(16) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on February 25, 2008.
(17) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on July 25, 2008.
(18) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed with the SEC on July 30, 2008.
(19) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on February 27, 2009.
(20) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed with the SEC on May 4, 2009.
(21) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on February 24, 2010.
(22) Incorporated by reference from the Registration Statement on Form S-8 (Registration No. 333-166368) of Platinum Holdings, filed with the SEC on April 29, 2010.
(23) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on April 30, 2010.
(24) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on July 23, 2010.
(25)

Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on October 14, 2010.

(26) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on October 28, 2010.

(27) Incorporated by reference from Platinum Holdings' Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on October 29, 2010.

(28) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on January 18, 2011.

(29) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 18, 2011.

(30) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on June 30, 2011.

(31) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on February 14, 2012.

(32) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 15, 2013.

(33) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on December 21, 2013.

(34) Incorporated by reference from Platinum Holdings' Current Report on Form 8-K filed with the SEC on July 3, 2013.

(35) Incorporated by reference from Platinum Holdings' Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 21, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLATINUM UNDERWRITERS HOLDINGS, LTD.

Date: February 13, 2014	By:	/s/ Michael D. Price Michael D. Price President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael D. Price Michael D. Price	President, Chief Executive Officer and Director (Principal Executive Officer)	February 13, 2014
/s/ Allan C. Decleir Allan C. Decleir	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 13, 2014
/s/ Dan R. Carmichael Dan R. Carmichael	Chairman of the Board of Directors	February 13, 2014
/s/ A. John Hass A. John Hass	Director	February 13, 2014
/s/ Antony P. D. Lancaster Antony P. D. Lancaster	Director	February 13, 2014
/s/ Edmund R. Megna Edmund R. Megna	Director	February 13, 2014
/s/ Linda E. Ransom Linda E. Ransom	Director	February 13, 2014
/s/ James P. Slattery James P. Slattery	Director	February 13, 2014
/s/ Christopher J. Steffen Christopher J. Steffen	Director	February 13, 2014

PLATINUM UNDERWRITERS HOLDINGS, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Platinum Underwriters Holdings, Ltd.:

We have audited the accompanying consolidated balance sheets of Platinum Underwriters Holdings, Ltd. and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Platinum Underwriters Holdings, Ltd. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Platinum Underwriters Holdings, Ltd. and subsidiaries’ internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 13, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG Audit Limited

Hamilton, Bermuda
February 13, 2014

Platinum Underwriters Holdings, Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

($ in thousands, except share data)

	2013	2012
ASSETS		
Investments:		
Fixed maturity available-for-sale securities at fair value	$1,857,870	$1,941,685
(amortized cost - $1,799,888 and $1,781,549, respectively)		
Fixed maturity trading securities at fair value	103,395	112,813
(amortized cost - $97,959 and $104,053, respectively)		
Short-term investments	66,679	172,801
Total investments	2,027,944	2,227,299
Cash and cash equivalents	1,464,418	1,720,395
Accrued investment income	20,026	21,299
Reinsurance premiums receivable	138,454	128,517
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	1,057	3,899
Prepaid reinsurance premiums	1,032	2,661
Funds held by ceding companies	119,241	114,090
Deferred acquisition costs	31,103	28,112
Reinsurance deposit assets	79,303	50,693
Deferred tax assets	25,141	22,773
Other assets	16,166	13,565
Total assets	$3,923,885	$4,333,303
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$1,671,365	$1,961,282
Unearned premiums	126,300	113,960
Debt obligations	250,000	250,000
Commissions payable	78,791	64,849
Other liabilities	50,722	48,678
Total liabilities	$2,177,178	$2,438,769
Shareholders' Equity		
Common shares, $0.01 par value, 200,000,000 shares authorized,	$281	$327
28,142,977 and 32,722,144 shares issued and outstanding, respectively		
Additional paid-in capital	10,711	209,897
Accumulated other comprehensive income	48,084	137,690
Retained earnings	1,687,631	1,546,620
Total shareholders' equity	$1,746,707	$1,894,534
Total liabilities and shareholders' equity	$3,923,885	$4,333,303

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2013, 2012 and 2011

($ in thousands, except per share data)

	2013	2012	2011
Revenue:			
Net premiums earned	$553,413	$566,496	$689,452
Net investment income	72,046	99,947	125,863
Net realized gains on investments	23,920	88,754	3,934
Total other-than-temporary impairments	(631)	211	(8,895)
Portion of impairment losses recognized in other comprehensive income	(1,402)	(3,242)	(13,475)
Net impairment losses on investments	(2,033)	(3,031)	(22,370)
Other income (expense)	3,477	(239)	645
Total revenue	650,823	751,927	797,524
Expenses:			
Net losses and loss adjustment expenses	167,446	183,660	805,437
Net acquisition expenses	123,767	115,437	133,177
Operating expenses	82,714	80,453	63,179
Net foreign currency exchange losses (gains)	(234)	1,055	(473)
Net changes in fair value of derivatives	-	-	4,329
Interest expense	19,125	19,098	19,072
Total expenses	392,818	399,703	1,024,721
Income (loss) before income taxes	258,005	352,224	(227,197)
Income tax expense (benefit)	34,727	24,996	(3,133)
Net income (loss)	$223,278	$327,228	$(224,064)
Earnings (loss) per common share:			
Basic earnings (loss) per common share	$7.46	$9.67	$(6.04)
Diluted earnings (loss) per common share	$7.35	$9.60	$(6.04)
Shareholder dividends:			
Common shareholder dividends declared	$9,434	$10,747	$11,744
Dividends declared per common share	$0.32	$0.32	$0.32

See accompanying notes to consolidated financial statements.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2013, 2012 and 2011
($ in thousands, except per share data)

	2013	2012	2011
Net income (loss)	$223,278	$327,228	$(224,064)
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	(631)	211	(8,895)
Change in net unrealized gains and losses on all other securities	(76,152)	77,652	179,916
Total change in net unrealized gains and losses	(76,783)	77,863	171,021
Reclassifications to net income (loss) on available-for-sale securities:			
Net realized gains on investments	(27,243)	(89,780)	(854)
Net impairment losses on investments	2,033	3,031	22,370
Total reclassifications to net income (loss)	(25,210)	(86,749)	21,516
Other comprehensive income (loss) before income taxes	(101,993)	(8,886)	192,537
Income tax benefit (expense)	12,387	(59)	(21,414)
Other comprehensive income (loss)	(89,606)	(8,945)	171,123
Comprehensive income (loss)	$133,672	$318,283	$(52,941)

See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2013, 2012 and 2011
($ in thousands)

	2013	2012	2011
Common shares:			
Balances at beginning of year	$327	$355	$377
Issuance of common shares	8	3	4
Repurchase of common shares	(54)	(31)	(26)
Balances at end of year	281	327	355
Additional paid-in capital:			
Balances at beginning of year	209,897	313,730	453,619
Issuance of common shares	22,290	3,612	(1,139)
Amortization of share-based compensation	8,931	8,226	3,819
Repurchase of common shares	(230,407)	(115,671)	(94,669)
Purchase of common share options	-	-	(47,900)
Balances at end of year	10,711	209,897	313,730
Accumulated other comprehensive income:			
Balances at beginning of year	137,690	146,635	(24,488)
Other comprehensive income (loss)	(89,606)	(8,945)	171,123
Balances at end of year	48,084	137,690	146,635
Retained earnings:			
Balances at beginning of year	1,546,620	1,230,139	1,465,947
Net income (loss)	223,278	327,228	(224,064)
Repurchase of common shares	(72,833)	-	-
Common share dividends	(9,434)	(10,747)	(11,744)
Balances at end of year	1,687,631	1,546,620	1,230,139
Total shareholders' equity	$1,746,707	$1,894,534	$1,690,859

See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013, 2012 and 2011

($ in thousands)

	2013	2012	2011
Operating Activities:			
Net income (loss)	$223,278	$327,228	$(224,064)
Adjustments to reconcile net income to cash provided by (used in) operations:			
Depreciation and amortization	8,761	5,100	4,265
Net realized gains on investments	(23,920)	(88,754)	(3,934)
Net impairment losses on investments	2,033	3,031	22,370
Net foreign currency exchange losses (gains)	(234)	1,055	(473)
Amortization of share-based compensation	14,518	10,137	3,819
Deferred income tax expense (benefit)	10,019	8,791	(5,250)
Net fixed maturity trading securities activities	6,993	13,453	31,365
Changes in assets and liabilities:			
Accrued investment income	1,299	8,702	1,615
Reinsurance premiums receivable	(10,300)	30,936	3,825
Funds held by ceding companies	(4,784)	(19,295)	(11,637)
Deferred acquisition costs	(2,967)	664	7,788
Reinsurance deposit assets	(28,610)	(50,693)	-
Net unpaid and paid losses and loss adjustment expenses	(277,482)	(434,525)	174,858
Net unearned premiums	13,708	(1,496)	(37,938)
Commissions payable	13,969	2,105	3,379
Other assets and liabilities	(2,843)	18,224	(3,694)
Net cash provided by (used in) operating activities	(56,562)	(165,337)	(33,706)
Investing Activities:			
Proceeds from the sales of:			
Fixed maturity available-for-sale securities	203,571	747,755	466,759
Fixed maturity trading securities	-	-	20,413
Short-term investments	11,857	49,447	52,695
Investment-related derivatives	-	-	7,778
Proceeds from the maturities or paydowns of:			
Fixed maturity available-for-sale securities	202,136	280,122	125,795
Fixed maturity trading securities	-	-	5,000
Short-term investments	259,076	707,756	583,999
Acquisitions of:			
Fixed maturity available-for-sale securities	(406,078)	(233,923)	(223,675)
Short-term investments	(165,136)	(331,757)	(1,053,552)
Investment-related derivatives	-	-	(9,423)
Acquisitions of furniture, equipment and other assets	(6,890)	-	-
Net cash provided by (used in) investing activities	98,536	1,219,400	(24,211)
Financing Activities:			
Dividends paid to common shareholders	(9,434)	(10,747)	(11,744)
Repurchase of common shares	(303,294)	(115,702)	(94,695)
Purchase of common share options	-	-	(47,900)

Proceeds from share-based compensation, including income tax benefits	24,376	4,537	1,246
Net cash provided by (used in) financing activities	(288,352)	(121,912)	(153,093)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(9,599)	(4,266)	15,643
Net increase (decrease) in cash and cash equivalents	(255,977)	927,885	(195,367)
Cash and cash equivalents at beginning of year	1,720,395	792,510	987,877
Cash and cash equivalents at end of year	$1,464,418	$1,720,395	$792,510
Supplemental disclosures of cash flow information:			
Income taxes paid, net of refunds	$24,371	$13,685	$981
Interest paid	$18,750	$18,750	$18,750

See accompanying notes to consolidated financial statements.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Consolidation

Platinum Underwriters Holdings, Ltd. (“Platinum Holdings”) is a holding company domiciled in Bermuda. Through our reinsurance subsidiaries, we provide property and marine, casualty and finite risk reinsurance coverages to a diverse clientele of insurers and select reinsurers on a worldwide basis.

Platinum Holdings and its consolidated subsidiaries (collectively, the “Company”) include Platinum Holdings, Platinum Underwriters Bermuda, Ltd. (“Platinum Bermuda”), Platinum Underwriters Reinsurance, Inc. (“Platinum US”), Platinum Regency Holdings (“Platinum Regency”), Platinum Underwriters Finance, Inc. (“Platinum Finance”) and Platinum Administrative Services, Inc. The terms "we," "us," and "our" refer to the Company, unless the context otherwise indicates.

We operate through two licensed reinsurance subsidiaries, Platinum Bermuda, a Bermuda reinsurance company, and Platinum US, a U.S. reinsurance company. Platinum Regency is an intermediate holding company based in Ireland and a wholly owned subsidiary of Platinum Holdings. Platinum Finance is an intermediate holding company based in the U.S. and a wholly owned subsidiary of Platinum Regency. Platinum Bermuda is a wholly owned subsidiary of Platinum Holdings and Platinum US is a wholly owned subsidiary of Platinum Finance. Platinum Administrative Services, Inc. is a wholly owned subsidiary of Platinum Finance that provides administrative support services to the Company.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All material inter-company transactions and accounts have been eliminated in preparing these consolidated financial statements.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from these estimates. The major estimates used in the preparation of the Company's consolidated financial statements, and therefore considered to be critical accounting estimates, include, but are not limited to, premiums written and earned, unpaid losses and loss adjustment expenses (“LAE”), valuation of investments and income taxes. In addition, estimates are used in our risk transfer analysis for assumed and ceded reinsurance transactions. Results of changes in estimates are reflected in results of operations in the period in which the change is made.

Significant Accounting Policies

Investments

Investments we own that we may not have the positive intent to hold until maturity are classified as available-for-sale and reported at fair value, with related net unrealized gains or losses excluded from net income or loss, and included in shareholders’ equity as a component of accumulated other comprehensive income, net of deferred taxes. Investments we own and have the intent to sell prior to maturity, or securities for which we have elected the fair value option, are classified as trading securities. Trading securities are reported at fair value, with fair value adjustments included in net realized gains on investments and the related deferred income tax included in income tax expense or benefit in the consolidated statements of operations.

Short-term investments are comprised of securities with a maturity of 90 days or greater but one year or less from the date of acquisition. Our U.S. dollar denominated short-term investments are accounted for as available-for-sale. We have elected to account for our non-U.S. dollar denominated short-term investments using the fair value option and they are accounted for as trading.

The fair value of our fixed maturity securities and short-term investments is based on prices generally obtained from index providers, pricing vendors or broker-dealers. Index providers utilize external sources and pricing models to value index-eligible securities across numerous sectors and asset classes. Pricing vendors collect, edit, maintain, evaluate and model data on a large number of securities utilizing primarily market data and observable inputs. Broker-dealers value securities through proprietary trading desks primarily based on observable inputs.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Premiums and discounts on fixed maturity securities are amortized into net investment income over the life or estimated life of the security using the prospective effective yield method. Premiums and discounts on mortgage-backed and asset-backed securities that are amortized into net investment income also consider prepayment assumptions. These assumptions are consistent with the current interest rate and economic environment. The prospective adjustment method is used to adjust the value of mortgage-backed and asset-backed securities. Adjustments to the amortized cost of U.S. Treasury Inflation-Protected Securities resulting from changes in the consumer price index are recognized in net investment income. Realized gains and losses on the sale of securities are determined using the specific identification method.

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, changes in credit ratings, the collateral structure, the credit support that may be applicable, discussions with our investment managers and other public information.

In addition, we evaluate projected cash flows in order to determine if a credit impairment has occurred. 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 and (ii) the fair value of the security. We recognize the portion of OTTI related to a credit loss in net income or loss in the consolidated statements of operations and the portion of OTTI related to all other factors is recognized in accumulated other comprehensive income in the consolidated balance sheets.

We also consider our intent to sell available-for-sale securities and the likelihood that we will be required to sell these securities before an unrealized loss is recovered. Our intent to sell a security is based, in part, on adverse changes in the creditworthiness 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 a security, representing the difference between the security's amortized cost and its fair value, is recognized as a net impairment loss in the consolidated statements of operations at the time we determine our intent is to sell.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, time deposits, money market instruments and both U.S. Government and non-U.S. government obligations. Cash equivalents are generally carried at amortized cost, which approximates fair value, and are highly liquid investments with a maturity of less than 90 days at the date of acquisition.

Premiums Written and Earned

Assumed reinsurance premiums earned are recognized as revenues in the consolidated statements of operations, net of any ceded premiums for retrocessional coverage purchased. Both assumed and ceded premiums written are earned generally on a basis proportionate with the coverage period. On the consolidated balance sheets, unearned premiums represent premiums written not yet recognized as revenue and prepaid reinsurance premiums represent ceded premiums written not yet earned.

Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period. Consequently, premiums written and receivable include amounts reported by the ceding companies, supplemented by our estimates of premiums that are written but not reported. The estimation of written premiums may be affected by early cancellation, election of contract provisions for cut-off and return of unearned premiums or other contract disruptions. The time lag involved in the process of reporting premiums is shorter than the lag in reporting losses. Premiums are generally reported to us in full within two years from the inception of the contract.

In addition to estimating premiums written, we estimate the earned portion of premiums written. The amounts we recorded on the consolidated balance sheets as estimated premiums receivable and unearned premiums are based on estimated written and earned premiums, respectively, and are subject to judgment and uncertainty. Any adjustments to written and earned premiums, and the related losses and acquisition expenses, are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. These adjustments could be material and could significantly impact earnings in the period they are recorded although the potential net impact of changes in premiums earned on our results of operations is reduced by the accrual of losses and acquisition expenses related to such premiums.

Certain of our reinsurance contracts include provisions that adjust premiums and/or reinstate reinsurance coverage limits based upon the loss experience under the contracts. We take these provisions into account when determining our estimates of premiums written and earned. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment of losses by the reinsurer. These premiums relate to and are earned over the future coverage period and the remaining exposure from the underlying policies. Any unearned premiums existing at the time of the reinstatement are earned immediately in proportion to the contract loss limits utilized. Additional premiums are premiums that are triggered by losses and are earned immediately. Premiums written and earned include estimates of reinstatement premiums and additional premiums based on reinsurance contract provisions and loss experience and rely on the estimates of unpaid losses and LAE.

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We may record an allowance for uncollectible premiums if we believe an allowance is appropriate in light of our historical experience, the general profile of our ceding companies and our ability to contractually offset premiums receivable against losses and LAE and commission amounts payable to the same parties.

Funds Held by Ceding Companies

We write business on a funds held basis. Under these contractual arrangements, the ceding company holds the net funds that would otherwise be remitted to us and generally credits the funds held balance with interest income at a negotiated rate established in the contract. Interest income on funds held by ceding companies is included in net investment income in the consolidated statements of operations.

Deferred Acquisition Costs

Acquisition costs consist primarily of commissions and brokerage expenses that are incremental direct costs related to the successful acquisition of new or renewal contracts and are deferred and amortized over the period that the corresponding premiums are earned. An analysis of the recoverability of deferred acquisition costs is performed by determining if the sum of the future earned premiums and anticipated investment income is greater than the expected future losses and LAE. A premium deficiency is recognized if losses and LAE are expected to exceed the related unearned premiums. Any adjustments are reflected in the results of operations in the period in which they are made. Deferred acquisition costs amortized in 2013, 2012 and 2011 were $92.0 million, $86.8 million and $101.8 million, respectively, and are included in net acquisition expenses in the consolidated statements of operations.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and LAE are estimates of future amounts required to pay losses and LAE for claims under our assumed reinsurance contracts that have occurred at or before the balance sheet date. Unpaid losses and LAE are estimated based upon information received from ceding companies regarding our liability for unpaid losses and LAE, adjusted for our estimates of losses and LAE for which ceding company reports have not been received, our historical experience for unreported claims and industry experience for unreported claims. Unpaid losses and LAE include the cost of claims that were reported, but not yet paid, and estimates of the cost of claims incurred but not yet reported. In addition, we estimate our unallocated loss adjustment expense ("ULAE") reserves based on our administrative costs of managing claims.

Unpaid losses and LAE represent management's best estimate at a given point in time and are subject to the effects of trends in loss severity and frequency. These estimates are reviewed regularly and adjusted as experience develops or new information becomes available. Any adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. It is possible that the ultimate liability may differ materially from such estimates.

Retrocessional Reinsurance

Reinsurance is the transfer of risk, by contract, from an insurance company to a reinsurer for consideration of premium. Retrocessional reinsurance is reinsurance ceded by a reinsurer to another reinsurer, referred to as a retrocessionaire, to reinsure against all or a portion of its reinsurance written. We buy retrocessional reinsurance, which is insurance for our own account, to reduce liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity. Premiums written, premiums earned, net losses and LAE, and acquisition expenses in our statements of operations reflect the net effects of assumed and ceded reinsurance transactions.

Estimated amounts recoverable from retrocessionaires on unpaid losses and LAE are determined based on our estimate of assumed ultimate losses and LAE and the terms and conditions of our retrocessional contracts. Reinsurance recoverable on unpaid and paid losses and LAE and prepaid reinsurance premiums are recorded as assets in the consolidated balance sheets.

Reinsurance Deposit Assets and Liabilities

The deposit method of accounting is used for reinsurance contracts that do not transfer sufficient insurance risk. Analysis of risk transfer involves evaluating significant assumptions relating to the amount and timing of expected cash flows, as well as the interpretation of underlying contract terms.

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Interest income or expense related to deposit assets or liabilities is recognized as incurred and is recorded in other income or expense in the consolidated statements of operations. Profit margins are earned over the settlement period of the contractual obligations.

We elected to record our reinsurance deposit assets at fair value as the terms and conditions of these contracts have unique variable investment performance factors. Interest income and changes in the fair value of the reinsurance deposit assets are recorded in other income or expense in the consolidated statements of operations.

Debt Obligations and Deferred Debt Issuance Costs

Costs incurred in issuing debt are capitalized and amortized over the life of the debt. The amortization of these costs is included in interest expense in the consolidated statements of operations.

Income Taxes

We provide for income taxes for our operations in income tax paying jurisdictions. Our provision relies on estimates and interpretations of currently enacted tax laws. We recognize deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Such temporary differences are primarily due to tax basis discounts on unpaid losses and LAE and unearned premiums, deferred acquisition costs and investments. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. Any adjustments could be material and could significantly impact earnings in the period they are recorded.

Share-Based Compensation

We recognize share-based compensation expense for service, performance, and market-based restricted share units, restricted shares, and share options. Service awards granted under the share incentive plan typically vest annually in equal amounts over a period of four years. Performance and market-based awards granted under the share incentive plan typically vest at the end of a three year period.

The majority of our share-based compensation awards are accounted for as equity awards and are settled in common shares. These awards are recorded in additional paid-in capital on the consolidated balance sheets. The fair value of these awards is measured at the grant date and expensed over the service or performance period. A forfeiture rate assumption is included in the determination of the share-based compensation expense.

The share-based compensation awards that are settled in cash are accounted for as liability awards and are recorded in other liabilities on the consolidated balance sheets. The fair value of these awards is measured at the grant date and re-measured at the end of each reporting period based on the market price of our common shares. The current fair value is expensed over the remaining service or performance period with changes in the fair value recorded in our statements of operations.

Share-based compensation expense generally is reversible if the service condition is not met. Share-based compensation expense related to performance-based awards is reversible if there is a decline in either the performance factors or the market price of our common shares. Share-based compensation expense related to market-based awards is not reversible if the market conditions are not met.

Foreign Currency Exchange Gains and Losses

Our reporting and functional currency, and that of our reinsurance subsidiaries, is U.S. dollars. Transactions conducted in currencies other than our reporting currency are re-measured into U.S. dollars and the resulting foreign exchange gains and losses are included in net foreign currency exchange gains or losses in the consolidated statements of operations. Foreign currency exchange gains and losses related to securities classified as trading securities are also included in net foreign currency exchange gains and losses in the consolidated statements of operations.

Earnings (Loss) Per Common Share

Basic earnings or loss per common share is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per common share reflects the basic earnings or loss per common share calculation components adjusted for the dilutive effect of the conversion of share options, restricted shares and restricted share units. During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.

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Recently Issued Accounting Standards

New Accounting Standards Adopted in 2013

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). ASU 2013-02 supersedes and replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-12 "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" and ASU 2011-05 "Presentation of Comprehensive Income" and requires additional information about reclassifications out of accumulated other comprehensive income. None of the other requirements of the previous ASUs are affected by ASU 2013-02. ASU 2013-02 is effective on a prospective basis for interim and annual periods beginning after December 15, 2012. We adopted the guidance as of January 1, 2013 with additional disclosures reflected in Note 9.

2. Investments

Fixed Maturity Available-for-sale Securities

Our fixed maturity available-for-sale securities are U.S. dollar denominated securities. The following table sets forth our fixed maturity available-for-sale securities as of December 31, 2013 and 2012 ($ in thousands):

		Included in Accumulated Other Comprehensive Income			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit portion of OTTI(1)
December 31, 2013:					
U.S. Government	$4,561	$204	$-	$4,765	$-
U.S. Government agencies	51,847	-	725	51,122	-
Municipal bonds	1,220,869	54,333	5,955	1,269,247	-
Non-U.S. governments	39,973	541	-	40,514	-
Corporate bonds	224,095	6,704	3,564	227,235	-
Commercial mortgage-backed securities	72,641	4,982	132	77,491	-
Residential mortgage-backed securities	169,699	1,335	1,069	169,965	331
Asset-backed securities	16,203	1,657	329	17,531	305
Total fixed maturity available-for-sale securities	$1,799,888	$69,756	$11,774	$1,857,870	$636
December 31, 2012:					
U.S. Government	$4,632	$312	$-	$4,944	$-
Municipal bonds	1,080,273	129,735	74	1,209,934	-
Non-U.S. governments	49,978	999	-	50,977	-
Corporate bonds	279,981	21,109	182	300,908	-
Commercial mortgage-backed securities	127,148	8,807	429	135,526	264
Residential mortgage-backed securities	222,331	2,584	3,293	221,622	2,083

Asset-backed securities	17,206	1,426	858	17,774	858
Total fixed maturity available-for-sale securities	$1,781,549	$164,972	$4,836	$1,941,685	$3,205

(1) The non-credit portion of OTTI represents the amount of unrealized losses on impaired securities that were not recorded in the consolidated statements of operations as of the reporting date. These unrealized losses are included in gross unrealized losses as of December 31, 2013 and 2012.

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Fixed Maturity Trading Securities

Our fixed maturity trading securities are non-U.S. dollar denominated securities that, along with our non-U.S. dollar short-term trading investments and non-U.S. dollar cash and cash equivalents, are generally held for the purposes of hedging our net non-U.S. dollar denominated reinsurance liabilities.

The following table sets forth the fair value of our fixed maturity trading securities as of December 31, 2013 and 2012 ($ in thousands):

	2013	2012
Non-U.S. governments	$103,395	$112,813
Total fixed maturity trading securities	$103,395	$112,813

In prior periods, we have used insurance-linked securities to actively manage our exposure to catastrophe losses. We elected to record our investments in insurance-linked securities under the fair value option and recorded these in fixed maturity trading securities. There were mark-to-market adjustments recorded under the fair value option of $1.2 million of net realized losses on investments for the year ended December 31, 2011.

At acquisition, we determine our trading intent in the near term of our fixed maturity trading securities under the fair value option. 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 years ended December 31, 2013 and 2012, we had no purchases, sales or maturities of trading securities under the fair value option. For the year ended December 31, 2011, we had proceeds from sales and maturities of $20.4 million and $5.0 million, respectively, and no purchases of trading securities under the fair value option that were included in investing activities on the statements of cash flows.

Maturities

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 December 31, 2013 ($ in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$43,203	$43,759
Due from one to five years	481,679	502,152
Due from five to ten years	702,563	720,451
Due in ten or more years	411,859	429,916
Mortgage-backed and asset-backed securities	258,543	264,987
Total	$1,897,847	$1,961,265

The actual maturities of our fixed maturity available-for-sale and trading securities could differ from stated maturities due to call or prepayment provisions.

Short-term Investments

The following table sets forth the fair value of our short-term investments as of December 31, 2013 and 2012 ($ in thousands):

	2013	2012
Available-for-sale:		
U.S. Government	$-	$49,186
Trading:		
Non-U.S. governments	66,679	123,615
Total short-term investments	$66,679	$172,801

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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The fair value adjustments on short-term investments recognized as trading under the fair value option contributed no significant gains or losses on investments for the years ended December 31, 2013, 2012 or 2011.

For the year ended December 31, 2013, we had purchases of $165.1 million, proceeds from maturities of $209.9 million and proceeds from sales of $11.9 million from non-U.S. dollar denominated short-term investments accounted for as trading in accordance with the fair value option that were included in investing activities on the statements of cash flows. For the year ended December 31, 2012, we had purchases of $269.3 million, proceeds from maturities of $286.8 million and proceeds from sales of $49.4 million from non-U.S. dollar denominated short-term investments accounted for as trading in accordance with the fair value option that were included in investing activities on the statements of cash flows. For the year ended December 31, 2011, we had purchases of $301.7 million, no proceeds from sales and proceeds from maturities of $162.1 million from non-U.S. dollar denominated short-term investments accounted for as trading in accordance with the fair value option that were included in investing activities on the statements of cash flows.

Other-Than-Temporary Impairments

We analyze the creditworthiness of our available-for-sale securities by reviewing various performance metrics of the issuer. We determined that none of our government bonds, municipal bonds or corporate bonds were other-than-temporarily impaired for the years ended December 31, 2013, 2012 and 2011.

The following table sets forth the net impairment losses on investments for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Commercial mortgage-backed securities	$-	$30	$6
Non-agency residential mortgage-backed securities	1,439	2,896	18,970
Sub-prime asset-backed securities	594	105	3,394
Net impairment losses on investments	$2,033	$3,031	$22,370

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. As of December 31, 2013, the single largest unrealized loss within our CMBS portfolio was $0.1 million related to a security with an amortized cost of $4.8 million.

Residential mortgage-backed securities (“RMBS”) include U.S. Government agency RMBS and non-agency RMBS. Securities with underlying sub-prime mortgages as collateral are included in asset-backed securities (“ABS”). We determined that none of our U.S. Government agency RMBS were other-than-temporarily impaired for the years ended December 31, 2013, 2012 and 2011. We analyze our non-agency 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. As of December 31, 2013, the single largest unrealized loss within our RMBS portfolio was $0.4 million related to a non-agency RMBS security with an amortized cost of $4.1 million. As of December 31, 2013, the single largest unrealized loss within our sub-prime ABS portfolio was $0.3 million related to a security with an amortized cost of $0.6 million.

The following table sets forth a summary of the cumulative credit losses recognized on our fixed maturity available-for-sale securities for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Balance, beginning of year	$40,219	$61,841	$48,845
Credit losses on securities not previously impaired	-	42	6,080
Additional credit losses on securities previously impaired	2,033	2,989	16,290
Reduction for paydowns and securities sold	(10,012)	(23,766)	(8,713)
Reduction for increases in cash flows expected to be collected	(637)	(887)	(661)
Balance, end of year	$31,603	$40,219	$61,841

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For the year ended December 31, 2013, total cumulative credit losses decreased primarily due to paydowns and securities sold. As of December 31, 2013, total cumulative credit losses were related to CMBS, non-agency RMBS and sub-prime ABS. The cumulative credit losses we recorded on CMBS of $0.9 million were on two securities issued in 2007. As of December 31, 2013, 3.3% of the mortgages backing these securities were 90 days or more past due and 1.0% of the mortgages had incurred cumulative losses. For these securities, the expected losses for the underlying mortgages were greater than the remaining credit support of 4.6%. The cumulative credit losses we recorded on non-agency RMBS and sub-prime ABS of $30.7 million were on sixteen securities issued from 2004 to 2007. As of December 31, 2013, 15.7% of the mortgages backing these securities were 90 days or more past due and 8.3% of the mortgages had incurred cumulative losses. For these securities, the expected losses for the underlying mortgages were greater than the remaining average credit support of 2.7%.

Gross Unrealized Losses

The following table sets forth our gross unrealized losses on securities classified as fixed maturity available-for-sale aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2013 and 2012 ($ in thousands):

	2013		2012	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Less than twelve months:				
U.S. Government agencies	$41,122	$725	$-	$-
Municipal bonds	247,873	5,955	18,878	74
Corporate bonds	90,789	3,486	4,450	41
Commercial mortgage-backed securities	2,938	1	6,758	165
Residential mortgage-backed securities	35,910	172	39	9
Asset-backed securities	13,576	24	64	1
Total	$432,208	$10,363	$30,189	$290
Twelve months or more:				
U.S. Government agencies	$-	$-	$-	$-
Municipal bonds	-	-	-	-
Corporate bonds	920	78	6,039	141
Commercial mortgage-backed securities	4,624	131	762	264
Residential mortgage-backed securities	10,587	897	17,096	3,284
Asset-backed securities	699	305	799	857
Total	$16,830	$1,411	$24,696	$4,546
Total unrealized losses:				
U.S. Government agencies	$41,122	$725	$-	$-
Municipal bonds	247,873	5,955	18,878	74
Corporate bonds	91,709	3,564	10,489	182
Commercial mortgage-backed securities	7,562	132	7,520	429
Residential mortgage-backed securities	46,497	1,069	17,135	3,293
Asset-backed securities	14,275	329	863	858
Total	$449,038	$11,774	$54,885	$4,836

We believe that the gross unrealized losses in our fixed maturity available-for-sale securities portfolio of $11.8 million represent temporary declines in fair value. We believe that the unrealized losses are 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 being recorded in future periods. Conversely, economic conditions may improve more than expected and favorably increase the expected cash flows of our impaired securities, which would be earned through net investment income over the remaining life of the security.

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Net Investment Income

The following table sets forth our net investment income for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Fixed maturity securities	$68,455	$94,307	$120,836
Short-term investments and cash and cash equivalents	4,419	7,319	7,622
Funds held by ceding companies	3,190	2,648	1,967
Subtotal	76,064	104,274	130,425
Investment expenses	(4,018)	(4,327)	(4,562)
Net investment income	$72,046	$99,947	$125,863

Net Realized Gains on Investments

The following table sets forth our net realized gains on investments for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Gross realized gains on the sale of investments	$27,258	$90,100	$8,319
Gross realized losses on the sale of investments	(15)	(3)	(6,900)
Net realized gains on the sale of investments	27,243	90,097	1,419
Fair value adjustments on trading securities	(3,323)	(1,343)	2,515
Net realized gains on investments	$23,920	$88,754	$3,934

Restricted Investments

Certain of our investments are restricted to support our reinsurance operations. As of December 31, 2013, investments of $5.8 million were pledged to U.S. regulatory authorities and investments of $58.7 million and cash and cash equivalents of $12.6 million were pledged to collateralize obligations under various reinsurance contracts. We also utilize letters of credit under our credit facilities. See Note 7 for a description of our cash and cash equivalents held in trust to secure those letters of credit.

3. Fair Value Measurements

The accounting guidance related to fair value measurements addresses the recognition and disclosure of fair value measurements where those measurements are either required or permitted by the guidance. The fair values of our financial assets and liabilities addressed by this guidance 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 is comprised of 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 are based on prices obtained from index providers, independent pricing vendors or broker-dealers using observable inputs for financial assets and liabilities; and
Level 3:	Valuations are based on unobservable inputs for assets and liabilities where there is little or no market activity. Unadjusted third party pricing sources or management's assumptions and internal valuation models may be used to determine the fair value of financial assets or liabilities.

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Level 1, 2 and 3 Financial Assets Carried at Fair Value

The fair values of our fixed maturity securities, short-term investments and cash and cash equivalents are based on prices primarily obtained from index providers, pricing vendors, or broker-dealers using observable inputs. The fair value measurements of all of our securities were based on unadjusted prices provided by third party pricing sources. We validate the prices we obtain from third party pricing sources by performing price comparisons against multiple pricing sources, if available, periodically back-testing sales to the previously reported fair value, performing an in-depth review of specific securities when evaluating stale prices and large price movements, as well as performing other validation procedures. We also continuously monitor market data that relates to our investment portfolio and review pricing documentation that describes the methodologies used by various pricing sources. If we determine that a price appears unreasonable, we investigate and assess whether the price should be adjusted. The fair value measurements of our reinsurance deposit assets were based upon our internal valuation model which utilizes certain characteristics of both the market and income valuation approaches. Our fixed maturity securities, short-term investments, cash and cash equivalents and reinsurance deposit assets are classified in the fair value hierarchy as follows:

U.S. Government

Level 1 - The fair values of U.S. Government securities were based on quoted prices in active markets for identical assets.

U.S. Government agencies

Level 2 - The fair values of our U.S. Government agencies were based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

Municipal bonds

Level 2 - The fair values of municipal bonds were 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.

Non-U.S. governments

Level 1 or 2 - The fair values of non-U.S. government securities classified as Level 1 were based on quoted prices in active markets for identical assets. Non-U.S. government securities classified as Level 2 were based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. Our non-U.S. government bond portfolio consisted of securities issued primarily by governments, provinces, agencies and supranationals.

Corporate bonds

Level 2 - The fair values of corporate bonds were 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 industry and economic indicators.

Commercial mortgage-backed securities

Level 2 or 3 - The fair values of CMBS classified as Level 2 were 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. CMBS classified as Level 3 used unobservable inputs that may include the probability of default and loss severity in the event of default.

Residential mortgage-backed securities

Level 2 or 3 - Our RMBS portfolio was comprised of securities issued by U.S. Government agencies and by non-agency institutions. The fair values of RMBS classified as Level 2 were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, loan level information, security cash flows and structures, prepayment speeds, delinquencies, loss severities and default rates. Non-agency RMBS classified as Level 3 used unobservable inputs that may include the probability of default, loss severity in the event of default and prepayment speeds.

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Asset-backed securities

Level 2 or 3 - The fair values of ABS classified as Level 2 were 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. Sub-prime ABS classified as Level 3 used unobservable inputs that may include the probability of default, loss severity in the event of default and prepayment speeds.

Short-term investments

Level 1 or 2 - The fair values of short-term investments classified as Level 1 were based on quoted prices in active markets for identical assets. The fair values of short-term investments classified as Level 2 were determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

Cash and cash equivalents

Level 1 - The fair values of cash and cash equivalents were determined based on quoted prices in active markets for identical assets. Cash and cash equivalents include demand deposits, time deposits, money market instruments and both U.S. Government and non-U.S. government obligations.

Reinsurance deposit assets

Level 3 - The fair values of our reinsurance deposit assets were determined by management primarily using unobservable inputs through the application of our own assumptions and internal valuation model. See further discussion on reinsurance deposit assets below.

Fair Value Levels

The following table presents the fair value hierarchy for those financial assets measured at fair value on a recurring basis by the Company as of December 31, 2013 and 2012 ($ in thousands):

		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
December 31, 2013:				
Investments:				
U.S. Government	$4,765	$4,765	$-	$-
U.S. Government agencies	51,122	-	51,122	-
Municipal bonds	1,269,247	-	1,269,247	-
Non-U.S. governments	143,909	54,980	88,929	-
Corporate bonds	227,235	-	227,235	-
Commercial mortgage-backed securities	77,491	-	77,491	-
Residential mortgage-backed securities	169,965	-	169,372	593
Asset-backed securities	17,531	-	15,304	2,227
Short -term investments	66,679	8,933	57,746	-
Total investments	2,027,944	68,678	1,956,446	2,820
Cash and cash equivalents	1,464,418	1,464,418	-	-

Reinsurance deposit assets	79,303	-	-	79,303
Total	$3,571,665	$1,533,096	$1,956,446	$82,123

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
December 31, 2012:				
Investments:				
U.S. Government	$4,944	$4,944	$-	$-
Municipal bonds	1,209,934	-	1,209,934	-
Non-U.S. governments	163,790	56,422	107,368	-
Corporate bonds	300,908	-	300,908	-
Commercial mortgage-backed securities	135,526	-	135,002	524
Residential mortgage-backed securities	221,622	-	216,248	5,374
Asset-backed securities	17,774	-	16,738	1,036
Short -term investments	172,801	-	172,801	-
Total investments	2,227,299	61,366	2,158,999	6,934
Cash and cash equivalents	1,720,395	1,720,395	-	-
Reinsurance deposit assets	50,693	-	-	50,693
Total	$3,998,387	$1,781,761	$2,158,999	$57,627

Cash and cash equivalents included demand deposits and time deposits totaling $120.7 million as of December 31, 2013 and totaling $128.3 million as of December 31, 2012.

There were no transfers between Levels 1 and 2 during the years ended December 31, 2013 and 2012. Transfers of assets into or out of Level 3 are recorded at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The transfers into and out of Level 3 were based on the level of evidence available to corroborate significant observable inputs with market observable information.

Changes in Level 3 Financial Assets

The following table reconciles the beginning and ending balance for our Level 3 financial assets measured at fair value on a recurring basis for the years ended December 31, 2013 and 2012 ($ in thousands):

	Year Ended December 31, 2013				
	Commercial mortgage-backed securities	Residential mortgage-backed securities	Asset-backed securities	Reinsurance deposit assets	Total
Balance, beginning of year	$524	$ 5,374	$ 1,036	$50,693	$57,627
Purchases	-	-	-	25,000	25,000
Sales, maturities and paydowns	-	(448)	(29)	-	(477)
Total increase (decrease) in fair value included in earnings	-	-	-	3,610	3,610
Total net unrealized gains (losses) included in other comprehensive income (loss)	487	799	(4)	-	1,282
Transfers into Level 3	-	4,091	3,984	-	8,075
Transfers out of Level 3	(1,011)	(9,223)	(2,760)	-	(12,994)
Balance, end of year	$-	$ 593	$ 2,227	$79,303	$82,123
	$-	$ -	$ -	$3,610	$3,610

Total increase (decrease) in fair value of the financial assets included in earnings for the year

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31, 2012				
	Commercial mortgage-backed securities	Residential mortgage-backed securities	Asset-backed securities	Reinsurance deposit assets	Total
Balance, beginning of year	$-	$ 8,146	$ 1,867	$-	$10,013
Purchases	-	-	-	50,000	50,000
Sales, maturities and paydowns	-	(9,549)	(4,949)	-	(14,498)
Total increase (decrease) in fair value included in earnings	-	-	-	693	693
Total net unrealized gains (losses) included in other comprehensive income (loss)	-	3,903	742	-	4,645
Transfers into Level 3	524	9,458	4,932	-	14,914
Transfers out of Level 3	-	(6,584)	(1,556)	-	(8,140)
Balance, end of year	$524	$ 5,374	$ 1,036	$50,693	$57,627
Total increase (decrease) in fair value of the financial assets included in earnings for the year	$-	$ -	$ -	$693	$693

Quantitative Information of Level 3 Fair Value Measurements

The fair value measurements of our CMBS, non-agency RMBS and sub-prime ABS classified as Level 3 were based on unadjusted third party pricing sources.

Our reinsurance deposit assets represent two retrocessional aggregate excess of loss reinsurance agreements we purchased for total consideration of $75.0 million. We elected to record our reinsurance deposit assets under the fair value option as the terms and conditions of these contracts have unique variable investment performance factors. The terms of these agreements provide for a book yield ranging from a minimum of 3.0% to a maximum of 6.5% accumulating over the estimated contract periods. The fair value measurements of our reinsurance deposit assets used significant unobservable inputs through the application of our own assumptions and internal valuation model and were classified as Level 3. The most significant unobservable inputs used in our internal valuation model are the estimated contract period remaining, credit spread above the risk-free rate and net losses and LAE ceded. The credit spread above the risk-free rate is determined by reviewing the credit spreads of fixed income securities through observable market data, as well as considering illiquidity and the structure of these contracts. The fair value of the reinsurance deposit assets may increase or decrease due to changes in the estimated contract period remaining, the credit spread and net losses and LAE ceded. Generally, a decrease in the credit spread or a decrease in net losses and LAE ceded would result in an increase in the fair value of the reinsurance deposit assets. Conversely, an increase in the credit spread or an increase in net losses and LAE ceded would result in a decrease in the fair value of the reinsurance deposit assets.

The following table sets forth the weighted average of the significant unobservable quantitative information used for the fair value measurement of our reinsurance deposit assets as of December 31, 2013 and December 31, 2012:

	2013	2012
Estimated contract period remaining	1,193 days	1,350 days
Credit spread above the risk-free rate	1.58%	2.47%

Net losses and LAE ceded inception-to-date	$ -	$ -

Other Financial Assets and Liabilities Not Carried at Fair Value

Accounting guidance requires note disclosure of the fair value of other financial assets and liabilities not carried at fair value, excluding balances related to insurance contracts.

The debt obligations on our consolidated balance sheets were recorded at cost with a carrying value of $250.0 million as of December 31, 2013 and 2012, and had a fair value of $271.5 million and $278.5 million as of December 31, 2013 and 2012, respectively. The fair value measurements were based on observable inputs and therefore would be considered to be Level 2.

Our remaining financial assets and liabilities were generally carried at cost or amortized cost, which approximates fair value, as of December 31, 2013 and 2012. The fair value measurements were based on observable inputs and therefore would be considered to be Level 1 or Level 2.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Unpaid Losses and Loss Adjustment Expenses

The following table sets forth the changes in our liability for unpaid losses and LAE for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Net unpaid losses and LAE as of January 1,	$1,957,685	$2,385,659	$2,208,466
Net incurred losses and LAE related to:			
Current year	328,136	395,661	905,595
Prior years	(160,690)	(212,001)	(100,158)
Net incurred losses and LAE	167,446	183,660	805,437
Net paid losses and LAE related to:			
Current year	58,958	95,808	155,534
Prior years	386,408	524,423	477,755
Net paid losses and LAE	445,366	620,231	633,289
Net effects of foreign currency exchange rate changes	(9,594)	8,597	5,045
Net unpaid losses and LAE as of December 31,	1,670,171	1,957,685	2,385,659
Reinsurance recoverable on unpaid losses and LAE	1,194	3,597	3,955
Gross unpaid losses and LAE as of December 31,	$1,671,365	$1,961,282	$2,389,614

We report changes in estimates of prior years' unpaid losses and LAE, referred to as net favorable or unfavorable loss development, in our consolidated statements of operations in the period in which we make the change.

The following table sets forth the components of net incurred losses and LAE related to prior years for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Net favorable loss development	$(183,293)	$(235,543)	$(112,984)
Increase in losses attributable to changes in premium estimates	22,603	23,542	10,857
Change in unallocated loss adjustment expense reserves	-	-	1,969
Net incurred losses and LAE - prior years	$(160,690)	$(212,001)	$(100,158)

Net favorable loss development was primarily the result of favorable adjustments in ultimate loss ratios. Prior years' incurred losses and LAE included losses associated with changes in premium estimates and the patterns of their earnings. The effect on net income from the increase in losses attributable to changes in premium estimates, after considering corresponding changes in premium estimates and acquisition expenses, was not significant.

The following table sets forth the net favorable loss development by operating segment for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Property and Marine	$(71,269)	$(45,664)	$(41,435)
Casualty	(103,165)	(182,014)	(59,420)
Finite Risk	(8,859)	(7,865)	(12,129)
Net favorable loss development	$(183,293)	$(235,543)	$(112,984)

The Property and Marine segment net favorable loss development included net favorable loss development related to major catastrophe events of $41.1 million, $12.7 million and $19.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. For the years ended December 31, 2013, 2012 and 2011, the net favorable loss development related to major catastrophe events resulted primarily from events that occurred during the two most recent underwriting years. Property and marine net favorable loss development, excluding major catastrophes, for the years ended December 31, 2013 and 2012 was primarily attributable to the property per risk and catastrophe excess-of-loss (non-major events) classes. The net favorable loss development, excluding major catastrophes, for the year ended December 31, 2011 was primarily attributable to the property per risk excess-of-loss and proportional classes, partially offset by net unfavorable loss development in the catastrophe excess-of-loss (non-major events) class.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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The Casualty segment net favorable loss development included $98.2 million, $165.8 million and $52.7 million attributable to the long-tailed casualty classes for years ended December 31, 2013, 2012 and 2011, respectively. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2013 was attributable to the 2011 and prior underwriting years of the umbrella, claims made and international casualty classes. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2012 was attributable to the 2009 and prior underwriting years of the claims made, umbrella, casualty occurrence and international casualty classes. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2011 was attributable to the 2007 and prior underwriting years of the claims made, umbrella and casualty occurrence classes, partially offset by net unfavorable loss development in the international casualty class in the 2010 and 2008 underwriting years.

The Finite Risk segment net favorable loss development was offset by additional profit commissions of $7.1 million, $8.1 million and $8.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The net favorable loss development for the years ended December 31, 2013, 2012 and 2011 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios and reduce estimated ultimate losses.

As many of the reinsurance coverages we offer will likely involve claims that may not ultimately be settled for many years after they are incurred, subjective judgments as to ultimate exposure to losses are an integral and necessary component of the process of estimating unpaid losses and LAE. With respect to reinsurers, the inherent uncertainties of estimating unpaid losses and LAE are further exacerbated by the significant amount of time that often elapses between the occurrence of an insured loss, the reporting of that loss to the primary insurer and then to the reinsurer, and the primary insurer's payment of that loss to the insured and subsequent payment by the reinsurer to the primary insurer. Unpaid losses and LAE are reviewed quarterly using a variety of statistical and actuarial techniques to analyze current claim costs, frequency and severity data and prevailing economic, social and legal factors. Unpaid losses and LAE established in prior years are evaluated as loss experience develops and new information becomes available. Adjustments to previously estimated unpaid losses and LAE are reflected in financial results in the periods in which they are made. Unpaid losses and LAE represent our best estimate of the costs of claims incurred, and it is possible that our ultimate liability may differ materially from such estimates.

5. Retrocessional Reinsurance

During 2013, 2012 and 2011, our retrocessional reinsurance was primarily purchased by Platinum Bermuda which entered into various industry loss warranty reinsurance agreements that provided retrocessional coverage for catastrophic events in North America, Europe and Japan.

The following table sets forth the effects of retrocessional reinsurance on premiums, losses and LAE for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Assumed:			
Premiums written	$579,761	$569,724	$687,296
Premium earned	567,682	576,920	721,335
Losses and LAE	164,565	183,376	839,323

Ceded:			
Premiums written	(12,640)	(4,724)	(35,782)
Premium earned	(14,269)	(10,424)	(31,883)
Losses and LAE	2,881	284	(33,886)
Net:			
Premiums written	567,121	565,000	651,514
Premium earned	553,413	566,496	689,452
Losses and LAE	$167,446	$183,660	$805,437

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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We remain liable for ceded losses and LAE to the extent that our retrocessionaires do not meet their obligations under these agreements. The failure of retrocessionaires to meet their obligations would result in losses to us. Therefore, we consider the financial strength of retrocessionaires when determining whether to purchase retrocessional coverage from them and routinely monitor the financial performance and rating status of all material retrocessionaires. We generally obtain retrocessional coverage from companies rated “A-” or better by A.M. Best Company, Inc. (“A.M. Best”) unless the retrocessionaire’s obligations are collateralized. We believe our retrocessionaires are able to meet, and will meet, all of their obligations under the agreements as of December 31, 2013. We have recorded no provisions for unrecoverable reinsurance as of December 31, 2013 and 2012.

6. Derivative Instruments

As of and for the years ended December 31, 2013 and 2012, we held no derivative instruments. During the year ended December 31, 2011, we held derivative instruments that included interest rate options within our portfolio of fixed maturity investments used to manage our exposure to interest rate risk, commodity options used to hedge certain underwriting risks and another derivative instrument used to hedge certain underwriting risks. The other derivative instrument was an agreement that provided 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 occurred that met specified loss criteria during any of three annual periods commencing August 1, 2008. The other derivative agreement expired on July 31, 2011 and no recovery was made.

For the year ended December 31, 2011, there were net changes in fair value of derivatives of $1.6 million for interest rate options, $0.2 million for commodity options and $2.5 million for the other derivative instrument. None of our derivatives were designated as hedges for accounting purposes.

7. Debt Obligations and Credit Facilities

Debt Obligations

As of December 31, 2013, Platinum Finance had outstanding debt obligations consisting of an aggregate principal amount of $250.0 million of Series B 7.5% Notes due June 1, 2017, fully and unconditionally guaranteed by Platinum Holdings. Interest is payable on the debt obligations on each of June 1 and December 1. Platinum Finance may redeem the debt obligations, at its option, at any time in whole, or from time to time in part, prior to maturity, subject to a “make-whole” provision.

Credit Facilities

Syndicated Credit Facility

On June 24, 2011, we entered into an amended and restated three-year, $300.0 million credit facility with various financial institutions (the “Syndicated Credit Facility”) that consists of a $100.0 million unsecured senior credit facility available for revolving borrowings and letters of credit (“LOC”) and a $200.0 million secured senior credit facility available for LOC. Borrowings and LOC under the Syndicated Credit Facility are available for the working capital, liquidity and general corporate requirements of Platinum Holdings, Platinum Finance and our reinsurance subsidiaries. Platinum Holdings and Platinum Finance have unconditionally guaranteed the obligations of our reinsurance subsidiaries under the Syndicated Credit Facility.

The Syndicated Credit Facility contains customary representations, warranties and covenants, including requirements to maintain a ratio of consolidated indebtedness to total capitalization of not greater than 0.35 to 1.0 and to maintain a consolidated tangible net worth of not less than the higher of (i) $1.25 billion or (ii) the sum of $1.258 billion plus 50% of positive net income for each fiscal year plus 75% of the aggregate increases in shareholders' equity resulting from the issuance or sale of shares minus the amount of any extraordinary dividend payment or repurchase of shares during the facility agreement. As calculated, our consolidated tangible net worth was $1.70 billion, or $448.6 million greater than the current minimum consolidated tangible net worth covenant of $1.25 billion, as of December 31, 2013. In addition, each of our reinsurance subsidiaries must maintain a financial strength rating from A.M. Best of at least "B++" at all times. The financial strength rating of our reinsurance subsidiaries was "A" as of December 31, 2013.

Other Letter of Credit Facilities

On December 19, 2013, our reinsurance subsidiaries renewed a LOC facility with a financial institution in the aggregate amount of $100.0 million to extend the expiration date to December 31, 2015. Under the terms of the facility, up to $100.0 million is available for the issuance of LOC to support reinsurance obligations of our reinsurance subsidiaries. The facility contains customary representations, warranties and covenants.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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On July 2, 2013, Platinum Bermuda entered into an amended and restated uncommitted LOC facility that increased the maximum aggregate amount of the facility to $125.0 million. Under the terms of the facility, up to $125.0 million is available for the issuance of LOC to support reinsurance obligations of Platinum Bermuda. There was $11.6 million committed under this facility as of December 31, 2013. The facility contains customary representations, warranties and covenants.

We had no borrowings under the Syndicated Credit Facility during the years ended December 31, 2013 and 2012. The following table summarizes the outstanding LOC and the cash and cash equivalents held in trust to collateralize LOC issued as of December 31, 2013 ($ in thousands):

	Letters of Credit		Collateral
	Committed Capacity	Issued	Cash and Cash Equivalents
Syndicated Credit Facility:			
Secured	$200,000	$84,338	$ 93,379
Unsecured	100,000	-	-
Total Syndicated Credit Facility	300,000	84,338	93,379
Other LOC Facilities	111,596	40,552	67,332
Total	$411,596	$124,890	$ 160,711

As of December 31, 2013, we were in compliance with all of the covenants under our credit facilities.

Our reinsurance subsidiaries had a total remaining uncommitted LOC capacity of $263.4 million available as of December 31, 2013. The Company also has the ability to increase the Syndicated Credit Facility and other LOC facilities by up to $175.0 million subject to agreement with the lenders.

8. Income Taxes

We provide for income tax expense or benefit based upon pre-tax 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, Platinum Holdings and Platinum Bermuda are not taxed on any Bermuda income or capital gains and they 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 31, 2035.

Platinum Holdings has subsidiaries based in the United States and Ireland that are subject to the tax laws thereof. The operations of Platinum US are subject to U.S. federal income taxes generally at a rate of 35%. Any of our non-U.S. subsidiaries could become subject to U.S. federal income tax only to the extent that they derive (i) U.S. source income that is subject to U.S. withholding tax or (ii) income from activity that is deemed to be the conduct of a trade or business within the U.S. We do not consider our non-U.S. subsidiaries to be engaged in a trade or business within the U.S. and, therefore, do not believe that our non-U.S. subsidiaries are subject to U.S. federal income tax. However, there is little legal precedent as to what constitutes being engaged in a trade or business within the U.S. and, thus, there exists the possibility that the U.S. Internal Revenue Service could assert claims that our non-U.S. subsidiaries are engaged in a trade or business in the U.S. and attempt to assess taxes that are not provided for.

Dividends or other distributions from Platinum Finance, our intermediate holding company based in the U.S., to Platinum Regency, its Irish parent, are subject to U.S. withholding tax.

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The U.S. Internal Revenue Service completed its examination of the 2003 federal income tax return of our U.S.-based subsidiaries and in April 2013 the Company received a refund of $6.0 million, including accrued interest of $1.3 million, related to this return. The federal income tax returns of our U.S.-based subsidiaries that remain open to examination are for calendar years 2010 and later.

Under current Irish law, Platinum Regency is taxed at a 25% corporate income tax rate on non-trading income and a 12.5% corporate income tax rate on trading income. Subject to meeting certain requirements, there is no withholding tax on dividends distributed from Platinum Regency to Platinum Holdings. The tax returns that remain open for Platinum Regency are for calendar years 2009 and later.

The following table presents our income or loss before income taxes by jurisdiction for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Bermuda	$151,289	$272,163	$(235,596)
United States	106,869	80,322	7,351
Ireland and other	(153)	(261)	1,048
Income (loss) before income taxes	$258,005	$352,224	$(227,197)

The following table presents our current and deferred income taxes for the years ended years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Current tax expense	$24,708	$16,205	$2,117
Deferred tax expense (benefit)	10,019	8,791	(5,250)
Income tax expense (benefit)	$34,727	$24,996	$(3,133)

The following table presents a reconciliation of expected income taxes, computed by applying the tax rate of 0% under Bermuda law to income or loss before income taxes, to income tax expense or benefit for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Expected income tax expense (benefit) at 0%	$-	$-	$-
Foreign taxes at local expected rates:			
United States	37,404	28,113	2,573
Ireland and other	(38)	(60)	263
Tax exempt investment income	(4,745)	(4,470)	(5,040)
U.S. withholding tax (recovery)	-	-	(600)
U.S. state taxes, net of U.S. federal tax benefit	455	355	476
Prior year adjustment	-	(305)	-
Non-deductible expenses and other	1,651	1,363	(805)
Income tax expense (benefit)	$34,727	$24,996	$(3,133)

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The following table presents the tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012 ($ in thousands):

	2013	2012
Deferred tax assets:		
Unpaid losses and LAE	$34,365	$38,586
Unearned premiums	7,136	6,584
Temporary differences in recognition of expenses	3,178	3,739
Total deferred tax assets	$44,679	$48,909
Deferred tax liabilities:		
Deferred acquisition costs	$9,333	$8,478
Unrealized gains on investments	9,898	17,336
Other	307	322
Total deferred tax liabilities	19,538	26,136
Net deferred tax assets	$25,141	$22,773

The deferred tax assets and liabilities as of December 31, 2013 and 2012 were all related to U.S. income tax. To evaluate the recoverability of the deferred tax assets, we consider the timing of the reversal of deferred income and expense items as well as the likelihood that we will generate sufficient taxable income to realize the future tax benefits. We believe that it is more likely than not we will generate sufficient taxable income and realize the future tax benefits in order to recover the deferred assets and, accordingly, no valuation allowance was established as of December 31, 2013 and 2012.

9. Shareholders' Equity

Common Shares

Platinum Holdings is authorized to issue up to 200,000,000 common shares, $0.01 par value. The following table reconciles the beginning and ending balance of common shares issued and outstanding for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands):

	2013	2012	2011
Shares issued and outstanding, beginning of year	32,722	35,526	37,758
Options exercised	685	170	48
Restricted shares issued (1)	(13)	(5)	-
Restricted share units issued	109	120	289
Shares repurchased	(5,360)	(3,089)	(2,569)
Shares issued and outstanding, end of year	28,143	32,722	35,526

(1) Restricted shares issued are net of forfeitures and cancelations.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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Preferred Shares

Platinum Holdings is authorized to issue up to 25,000,000 preferred shares, $0.01 par value. There were no preferred shares outstanding for the years ended December 31, 2013, 2012 and 2011.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income in the consolidated balance sheets relates to unrealized gains and losses on available-for-sale securities, net of deferred taxes.

The following table reconciles the beginning and ending balances of accumulated other comprehensive income for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

		2013	
	Pre-tax	Tax	Net of tax
Balance, beginning of year	$159,975	$(22,285)	$137,690
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	(631)	11	(620)
Change in net unrealized gains and losses on all other securities	(76,152)	8,734	(67,418)
Total change in net unrealized gains and losses	(76,783)	8,745	(68,038)
Reclassifications to net income (loss) on available-for-sale securities:			
Net realized gains on investments	(27,243)	3,675	(23,568)
Net impairment losses on investments	2,033	(33)	2,000
Total reclassifications to net income (loss)	(25,210)	3,642	(21,568)
Other comprehensive income (loss)	(101,993)	12,387	(89,606)
Balance, end of year	$57,982	$(9,898)	$48,084

		2012	
	Pre-tax	Tax	Net of tax
Balance, beginning of year	$168,861	$(22,226)	$146,635
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	211	99	310
Change in net unrealized gains and losses on all other securities	77,652	(5,508)	72,144
Total change in net unrealized gains and losses	77,863	(5,409)	72,454
Reclassifications to net income (loss) on available-for-sale securities:			
Net realized gains on investments	(89,780)	5,652	(84,128)
Net impairment losses on investments	3,031	(302)	2,729
Total reclassifications to net income (loss)	(86,749)	5,350	(81,399)
Other comprehensive income (loss)	(8,886)	(59)	(8,945)

Balance, end of year	$159,975	$(22,285)	$137,690

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	2011		
	Pre-tax	Tax	Net of tax
Balance, beginning of year	$(23,676)	$(812)	$(24,488)
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	(8,895)	949	(7,946)
Change in net unrealized gains and losses on all other securities	179,916	(19,661)	160,255
Total change in net unrealized gains and losses	171,021	(18,712)	152,309
Reclassifications to net income (loss) on available-for-sale securities:			
Net realized gains on investments	(854)	(607)	(1,461)
Net impairment losses on investments	22,370	(2,095)	20,275
Total reclassifications to net income (loss)	21,516	(2,702)	18,814
Other comprehensive income (loss)	192,537	(21,414)	171,123
Balance, end of year	$168,861	$(22,226)	$146,635

The following table sets forth the amounts reclassified out of accumulated other comprehensive income and the location of those amounts in the consolidated statements of operations for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Revenue:			
Net realized gains on investments	$(27,243)	$(89,780)	$(854)
Net impairment losses on investments	2,033	3,031	22,370
Income tax expense (benefit)	$3,642	$5,350	$(2,702)

Share Repurchases

Our Board of Directors has authorized the repurchase of our common shares through a share repurchase program. Since the program was established, our Board of Directors has approved increases in the repurchase program from time to time, most recently on July 24, 2013, to result in authority as of such date to repurchase up to a total of $250.0 million of our common shares. The following table summarizes our repurchases of common shares for the years ended December 31, 2013, 2012 and 2011 ($ in thousands, except per share data):

Year	Shares Repurchased	Weighted Average Cost per Share (1)	Aggregate Amount Paid
2013	5,360,266	$56.58	$303,294
2012	3,088,589	37.46	115,702
2011	2,569,068	$36.86	$94,695

(1) Including commissions.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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The shares we repurchased were canceled. As of December 31, 2013, we had $170.9 million remaining under the share repurchase program. For the period of January 1, 2014 through February 10, 2014, we repurchased 147,817 shares, at a weighted average cost per share of $56.66, for an aggregate amount of $8.4 million.

Platinum Holdings completed an initial public offering of common shares in 2002 and concurrently issued options to the founding shareholders to purchase 6,000,000 common shares with an exercise price of $27.00 per share. In 2011, we purchased the 2,500,000 common share options that remained outstanding for $47.9 million in cash. The options were purchased under the Company's share repurchase program and were canceled.

10. Statutory Regulations and Dividend Restrictions

Statutory Regulations

Group Supervision of the Company

The Bermuda Monetary Authority is the group supervisor of the Company. The laws and regulations of Bermuda require that the Company maintain a minimum amount of group statutory capital and surplus based on the enhanced capital requirement. As of December 31, 2013, the Company's enhanced capital requirement is 50% of the amount calculated using the group standardized risk-based capital model of the Bermuda Monetary Authority. The Company is also subject to an early-warning level based on 120% of the enhanced capital requirement which may trigger additional reporting requirements or other enhanced oversight. As of December 31, 2013, the amount of group statutory capital and surplus maintained by the Company satisfied these regulatory requirements.

Statutory Regulation of Subsidiaries

Our reinsurance subsidiaries, Platinum Bermuda and Platinum US, are required to comply with certain laws and regulations within their jurisdictions. The laws and regulations of Bermuda require that Platinum Bermuda maintain a minimum amount of statutory capital and surplus. For Platinum Bermuda this amount is the enhanced capital requirement based on the standardized risk-based capital model of the Bermuda Monetary Authority. Platinum Bermuda is also subject to an early-warning level based on 120% of the enhanced capital requirement which may trigger additional reporting requirements or other enhanced oversight. The laws and regulations in the United States establish minimum capital adequacy levels and grant regulators the authority to take specific actions based on the level of impairment. For Platinum US this amount is the Company Action Level based on the risk-based capital model of the National Association of Insurance Commissioners and represents the first level at which regulatory action is triggered.

Our reinsurance subsidiaries file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities in the jurisdictions in which they operate. The common adjustments from U.S. GAAP financial statements to statutory basis financial statements include eliminating deferred acquisition costs, prepaid assets and fixed assets and presenting reinsurance assets and liabilities net of retrocessional reinsurance. Also, in the United States, bonds are generally recorded at amortized cost and deferred income tax is charged directly to equity. In preparing our statutory basis financial statements, we have used statutory accounting practices that are prescribed by the relevant regulatory authorities. Furthermore, the Bermuda Monetary Authority has permitted the use of deposit accounting for our reinsurance deposit assets, which aligns with U.S. GAAP, and has no effect on Platinum Bermuda's statutory capital and surplus. Platinum Bermuda has also received approval from the Bermuda Monetary Authority to reduce the standard risk-based capital factor applicable to the reinsurance deposit assets.

The following table sets forth the actual statutory capital and surplus for our reinsurance subsidiaries and the corresponding minimum capital adequacy levels noted above as of December 31, 2013 and 2012 ($ in thousands):

	2013	2012
Actual statutory capital and surplus:		
Platinum Bermuda	$1,057,281	$1,273,373
Platinum US	$549,859	$555,380
Required statutory capital and surplus:		
Platinum Bermuda	$326,323	$422,023
Platinum US	$258,142	$272,671

Total statutory net income (loss) of our reinsurance subsidiaries was $265.0 million, $364.3 million, and $(193.6) million for the years ended December 31, 2013, 2012 and 2011.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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Dividend Restrictions

Platinum Holdings and its subsidiaries are subject to certain legal and regulatory restrictions in their respective jurisdictions of domicile. The legal restrictions generally include the requirement to maintain positive net assets and to be able to pay liabilities as they become due. Regulatory restrictions on dividends are described below.

Dividend Restrictions on Platinum Holdings

Platinum Holdings receives dividends and other distributions from its subsidiaries as a source of liquidity and to fund the payment of dividends to its shareholders. Distributions to Platinum Holdings from its subsidiaries may be restricted as described below. The Company's group regulatory capital requirements in Bermuda do not impose significant restrictions on retained earnings available for the payment of dividends by Platinum Holdings to its shareholders.

Dividend Restrictions on Subsidiaries

The laws and regulations of Bermuda and the United States include certain restrictions on the amount of statutory capital and surplus that are available for the payment of dividends by Platinum Bermuda and Platinum US to their respective parent companies, Platinum Holdings and Platinum Finance.

For 2014, Platinum Bermuda is generally restricted from declaring and paying dividends of more than 25% of its statutory capital and surplus as of December 31, 2013 unless an affidavit is filed with the Bermuda Monetary Authority stating it will continue to meet its capital and liquidity requirements. During 2014, the maximum amount available for the payment of dividends by Platinum Bermuda without filing an affidavit is $264.3 million. On February 12, 2014, Platinum Bermuda paid a dividend of $50.0 million to Platinum Holdings.

Platinum US is required to notify its regulator, the Maryland Insurance Administration, 10 days prior to the payment of an ordinary dividend and 30 days prior to the payment of an extraordinary dividend. During 2013, Platinum US utilized its ordinary dividend capacity and paid an extraordinary dividend. In 2014, Platinum US will have an ordinary dividend capacity of $25.6 million.

During the year ended December 31, 2013, dividends of $408.3 million were paid by the reinsurance subsidiaries of Platinum Holdings, of which $318.3 million was paid by Platinum Bermuda to Platinum Holdings and $90.0 million was paid by Platinum US to Platinum Finance.

There are no regulatory restrictions on retained earnings available for the payment of dividends by Platinum Finance to Platinum Regency or by Platinum Regency to Platinum Holdings. Irish law prohibits Platinum Regency from declaring a dividend to its shareholders unless it has "profits available for distribution". The determination of whether a company has profits available for distribution is based on its accumulated profits, not previously distributed or capitalized, less its accumulated realized losses, not previously used as a reduction from capital.

11. Operating Segment Information

We have organized our worldwide reinsurance business into three operating segments: Property and Marine, Casualty and Finite Risk. The Company believes that underwriting income or loss and ratios allow for a more complete understanding of the profitability of our reinsurance operations and operating segments. These measures are considered to be non-GAAP. These non-GAAP measures may be defined or calculated differently by other companies. These measures are used to monitor our results and should not be viewed as a substitute for those determined in accordance with U.S. GAAP.

Underwriting income or loss consists of net premiums earned less net losses and LAE and net underwriting expenses. Net underwriting expenses include net acquisition expenses and operating costs related to underwriting. Underwriting income or loss excludes revenues and expenses related to net investment income, net realized gains or losses on investments, net impairment losses on investments, corporate expenses not allocated to underwriting segments, interest expense, net foreign currency exchange gains or losses, net changes in fair value of derivatives and other income and expense.

Underwriting ratios are calculated for net losses and LAE, net acquisition expense and net underwriting expense. The ratios are calculated by dividing the related expense by net premiums earned. The combined ratio is the sum of the net losses and LAE, net acquisition expense and net underwriting expense ratios.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes underwriting income or loss and ratios for the three operating segments, together with a reconciliation of segment underwriting income (loss) to the U.S. GAAP measure of income before income taxes for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$229,507	$295,668	$41,946	$567,121
Net premiums earned	222,010	297,888	33,515	553,413
Net losses and loss adjustment expenses	34,421	115,888	17,137	167,446
Net acquisition expenses	38,342	71,648	13,777	123,767
Other underwriting expenses	30,898	23,149	1,439	55,486
Segment underwriting income (loss)	$118,349	$87,203	$1,162	206,714
Net investment income				72,046
Net realized gains on investments				23,920
Net impairment losses on investments				(2,033)
Other income (expense)				3,477
Corporate expenses not allocated to segments				(27,228)
Net foreign currency exchange (losses) gains				234
Interest expense				(19,125)
Income before income taxes				$258,005
Underwriting ratios:				
Net loss and loss adjustment expense	15.5%	38.9%	51.1%	30.3%
Net acquisition expense	17.3%	24.1%	41.1%	22.4%
Other underwriting expense	13.9%	7.8%	4.3%	10.0%
Combined	46.7%	70.8%	96.5%	62.7%

	2012			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$256,182	$287,112	$21,706	$565,000
Net premiums earned	253,604	294,122	18,770	566,496
Net losses and loss adjustment expenses	132,580	43,763	7,317	183,660
Net acquisition expenses	34,342	68,987	12,108	115,437
Other underwriting expenses	31,140	22,937	1,105	55,182
Segment underwriting income (loss)	$55,542	$158,435	$(1,760)	212,217
Net investment income				99,947
Net realized gains on investments				88,754
Net impairment losses on investments				(3,031)
Other income (expense)				(239)
Corporate expenses not allocated to segments				(25,271)
Net foreign currency exchange (losses) gains				(1,055)
Interest expense				(19,098)
Income before income taxes				$352,224

Underwriting ratios:								
Net loss and loss adjustment expense	52.3	%	14.9	%	39.0	%	32.4	%
Net acquisition expense	13.5	%	23.5	%	64.5	%	20.4	%
Other underwriting expense	12.3	%	7.8	%	5.9	%	9.7	%
Combined	78.1	%	46.2	%	109.4	%	62.5	%

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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	2011			
	Property and Marine	Casualty	Finite Risk	Total
Net premiums written	$344,682	$296,989	$9,843	$651,514
Net premiums earned	356,976	318,734	13,742	689,452
Net losses and loss adjustment expenses	628,062	178,650	(1,275)	805,437
Net acquisition expenses	49,348	72,738	11,091	133,177
Other underwriting expenses	27,622	19,002	940	47,564
Segment underwriting income (loss)	$(348,056)	$48,344	$2,986	(296,726)
Net investment income				125,863
Net realized gains on investments				3,934
Net impairment losses on investments				(22,370)
Other income (expense)				645
Corporate expenses not allocated to segments				(15,615)
Net foreign currency exchange (losses) gains				473
Net changes in fair value of derivatives				(4,329)
Interest expense				(19,072)
Income (loss) before income taxes				$(227,197)
Underwriting ratios:				
Net loss and loss adjustment expense	175.9 %	56.0 %	(9.3 %)	116.8 %
Net acquisition expense	13.8 %	22.8 %	80.7 %	19.3 %
Other underwriting expense	7.7 %	6.0 %	6.8 %	6.9 %
Combined	197.4 %	84.8 %	78.2 %	143.0 %

The following table presents our net premiums written for the years ended December 31, 2013, 2012 and 2011 by geographic location of the ceding company ($ in thousands):

	2013	2012	2011
United States	$444,110	$441,762	$457,735
International	123,011	123,238	193,779
Total	$567,121	$565,000	$651,514

12. Share Incentive Compensation and Defined Contribution Retirement Plans

Share Incentive Compensation

We have a share incentive plan under which our employees and directors may be granted options, restricted shares, restricted share units, share appreciation rights, or other rights to acquire shares. Upon effectiveness, our 2010 Share Incentive Plan (the "Plan") had an aggregate of 3,572,977 common shares available and reserved for issuance, which was comprised of 3,100,000 common shares as set forth in the Plan, plus authorized and unissued shares that remained available under a previous share incentive plan.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides the total share-based compensation expense recognized during the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Restricted share units:			
Service-based awards	$4,198	$3,974	$3,980
Performance-based awards	6,264	2,810	(3,880)
Market-based awards	3,173	1,617	-
Restricted shares	883	1,666	3,069
Share options	-	70	650
Share based compensation expense	14,518	10,137	3,819
Tax benefit	(2,560)	(1,829)	(598)
Share based compensation expense, net of taxes	$11,958	$8,308	$3,221

As of December 31, 2013, there was $19.0 million of total unrecognized compensation cost related to restricted share units. This included $6.7 million for service-based awards, $0.4 million for equity-classified performance-based awards, $6.0 million for liability-classified performance-based awards and $5.9 million for market-based awards that will be recognized over a weighted average period of 1.1 years, 1.6 years, 1.6 years and 1.4 years, respectively. There was no unrecognized compensation cost related to restricted shares or share options.

(i) Restricted Share Units

Service-Based Awards

Service-based restricted share units generally vest annually over a four year period. Service-based restricted share units granted to non-employee directors vest after one year.

The following table sets forth information regarding these awards as of and for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except per share weighted average grant date fair value):

	As of and for the Years Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding - beginning of year	263	$37.36	280	$37.17	366	$33.76
Granted	82	51.60	128	36.02	109	43.20
Vested	(110)	35.96	(126)	35.46	(176)	33.88
Forfeited	-	-	(19)	38.09	(19)	36.65
Outstanding - end of year	235	$42.96	263	$37.36	280	$37.17

The grant date fair value of these awards is based on the grant date share price multiplied by the number of share units granted. The fair value at the grant date was $4.2 million, $4.6 million and $4.7 million in 2013, 2012 and 2011, respectively.

Performance-Based Awards

Performance-based awards of restricted share units made pursuant to the executive incentive plan may be settled in shares or cash. The executive incentive plan utilizes shares reserved under the share incentive plan for share-settled awards. Performance-based awards generally vest on the third anniversary of the grant date and are based on the average annual return on equity over three years.

For the years ended December 31, 2013, 2012 and 2011, our executives earned 24,873 share units for certain of the 2012 and all of the 2011 grants, 19,761 share units for certain of the 2012 and all of the 2010 grants and 20,333 share units for the 2009 grants, respectively. These share units vested subsequent to year end. In addition, upon their termination in 2010, certain executives earned 5,253 share units and 23,284 share units in 2011 pursuant to the executive incentive plan for the 2010 and 2009 grant years, respectively.

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a) Equity-Classified Awards:

Restricted share units under our executive incentive plan that are settled in common shares are classified as equity awards. The following table sets forth information regarding these awards for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except per share weighted average grant date fair value):

	As of and for the Years Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding - beginning of year	43	$36.13	19	$28.65	412	$31.91
Granted	6	51.17	31	35.95	6	43.67
Vested	(18)	36.30	(20)	28.65	(155)	33.23
Forfeited	-	-	-	-	(39)	32.90
Performance adjustment	1	44.00	13	35.87	(205)	31.40
Outstanding - end of year	32	$39.79	43	$36.13	19	$28.65

The grant date fair value of these awards is based on the grant date share price multiplied by the number of share units granted. The grant date fair value was $0.3 million, $1.1 million and $0.3 million in 2013, 2012 and 2011, respectively.

The performance adjustment is calculated based on an average annual return on equity over three years. For awards granted in 2012 and later, an average return on equity between 4% and 15% or more results in a settlement of 25% to 150% of the initial award. In addition, beginning with the 2012 grant, there is a minimum payout of 8.33% of the share units granted for each year of the three-year performance period that the average return on equity is 4% or more. For awards granted prior to 2012, an average return on equity between 6% and 18% or more results in a settlement of 1% to 200% of the initial award.

During 2012, we granted additional executive incentive plan awards, to be settled in shares, 50% of which vested in 2013 and 50% of which vest in 2014, based on our performance during 2012 and 2013, respectively. A return on equity of 4% or more in each year results in full settlement of the grants.

b) Liability-Classified Awards:

Restricted share units under our executive incentive plan that are settled in cash are classified as liability awards.

The following table sets forth information regarding these awards as of and for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except per share weighted average grant date fair value):

	As of and for the Years Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Restricted Share Units	Weighted Average Grant Date	Restricted Share Units	Weighted Average Grant Date	Restricted Share Units	Weighted Average Grant Date

		Fair Value		Fair Value		Fair Value
Outstanding - beginning of year	125	$35.95	-	$-	-	$-
Granted	65	51.60	83	35.95	70	43.67
Vested	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Performance adjustment	30	48.30	42	35.95	(70)	43.67
Outstanding - end of year	220	$42.27	125	$35.95	-	$-

Platinum Underwriters Holdings, Ltd. and Subsidiaries
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The grant date fair value of these awards is based on the grant date share price multiplied by the number of share units granted. The grant date fair value was $3.3 million, $3.0 million and $3.0 million in 2013, 2012 and 2011, respectively.

The performance adjustment is based on the same performance conditions as equity-classified performance-based awards. In addition, the fair value of liability-classified awards is adjusted at the end of each reporting date by multiplying the closing share price at the reporting date by the number of share units outstanding.

Market-Based Awards

Commencing in 2012, we began issuing market share units, a form of restricted share units, to executives under our share incentive plan. Market share units generally have a three-year vesting period and the actual number of common shares that each participant will receive upon vesting of the awards is based on a market-based multiplier. These awards will be settled in common shares and are equity-classified.

The following table sets forth information regarding these awards as of and for the years ended December 31, 2013 and 2012 (amounts in thousands, except per share weighted average grant date fair value):

	As of and for the Year Ended			
	December 31, 2013		December 31, 2012	
	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding - beginning of year	223	$41.93	-	$-
Granted	57	61.58	173	41.93
Vested	-	-	-	-
Forfeited	-	-	-	-
Market adjustment	39	44.12	50	41.93
Outstanding - end of year	319	$45.64	223	$41.93

The grant date fair value of these awards was $3.5 million and $7.2 million in 2013 and 2012, respectively. Share-based compensation expense for these awards is recognized over the vesting period based on the grant date fair value of the awards and the number of share units granted, regardless of whether the market conditions are satisfied or not, provided the service conditions are satisfied.

The grant date fair value of market share units is based on a Monte Carlo simulated fair value per share unit at the grant date multiplied by the number of share units granted. The Monte Carlo simulation used the following weighted average assumptions for awards granted during the years ended December 31, 2013 and 2012:

	2013	2012
Dividend yield	0.6%	0.9%
Risk free interest rate	0.6%	0.3%
Expected volatility - historical	23.4%	24.9%
Initial average share price	$ 57.19	$ 35.17
Weighted average grant fair value	$ 61.58	$ 41.93

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The market adjustment reflects the change during the year in the market-based multiplier for each grant. The market-based multiplier equals our average closing share price for the 20 trading days preceding the reporting date divided by the average closing share price for the last 20 trading days of the quarter preceding the grant date (the "initial average share price").

The following table sets forth information regarding the market-based multipliers by grant year for these awards for the years ended December 31, 2013 and 2012:

	Grant Year	
	2013	2012
Multiplier - initial	100 %	100 %
Change in multiplier - 2012	-	29 %
Change in multiplier - 2013	6 %	21 %
Multiplier - reporting date	106 %	150 %

Upon vesting, the number of market share units granted will be multiplied by the market-based multiplier equal to our average share price for the 20 trading days ending on the last day of the quarter preceding the vesting date divided by the initial average share price to determine the number of common shares to be paid out. The maximum number of common shares payable at settlement is 150% of the share units granted and no share units will be paid out if the market-based multiplier is less than 50%.

(ii) Restricted Shares

There have been no restricted shares granted since 2010. The restricted shares we have granted generally vested in equal annual tranches over three years.

The following table sets forth information regarding these awards as of and for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except per share weighted average grant date fair value):

	As of and for the Years Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Restricted Shares	Weighted Average Grant Date Fair Value	Restricted Shares	Weighted Average Grant Date Fair Value	Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding - beginning of year	73	$36.50	146	$36.50	217	$36.21
Granted	-	-	-	-	-	-
Vested	(73)	36.50	(73)	36.50	(71)	35.61
Forfeited	-	-	-	-	-	-
Outstanding - end of year	-	$-	73	$36.50	146	$36.50

The grant date fair value of restricted shares is based on the grant date share price multiplied by the number of shares granted.

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(iii) Share options

There have been no share options granted since 2008. Option awards generally vest over a three or four year period and expire ten years from the date of grant.

The following table sets forth information regarding these awards as of and for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except weighted average exercise prices):

	As of and for the Years Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding - beginning of year	833	$33.25	1,030	$31.90	1,081	$31.64
Granted	-	-	-	-	-	-
Exercised	(685)	33.13	(170)	26.67	(48)	25.87
Forfeited	-	-	(27)	23.47	(3)	33.96
Outstanding - end of year	148	33.81	833	33.25	1,030	31.90
Options exercisable at year end	148	$33.81	833	$33.25	966	$31.77

All outstanding options are exercisable and the weighted average remaining contractual term was 3.6 years as of December 31, 2013.

The following table presents the intrinsic and fair values of the options exercised and vested during the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

	2013	2012	2011
Intrinsic value of options exercised (1)	$15,922	$2,511	$707
Fair value of options exercised (2)	5,948	1,331	379
Fair value of options vested (2)	$-	$488	$1,496

(1) Represents the difference between the market value and exercise price on the date of exercise.
(2) Based on the Black-Scholes option pricing model.

Share Unit Plan for Non-Employee Directors

For years prior to 2009, members of our Board of Directors received all or a portion of their directors' fees in the form of share units. On February 22, 2010, the share unit plan was terminated as to future awards. These awards were fully vested at the grant date and are settled in common shares or cash the earlier of 5 years from the grant date or when the participant ceases to be a member of the Board of Directors. As of December 31, 2013, 11,218 share units were vested but not settled. All awards were settled subsequent to year end.

Defined Contribution Retirement Plans

The Company's employees are eligible for retirement benefits through defined contribution retirement plans. The Company and employees contribute an amount equal to a specified percentage of each employee's salary. Expenses related to the defined contribution plans were $2.3 million, $2.0 million and $2.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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13. Earnings (Loss) Per Common Share

The following is a reconciliation of the basic and diluted earnings or loss per common share computations for the years ended December 31, 2013, 2012 and 2011 ($ and amounts in thousands, except per share data):

	2013	2012	2011
Earnings (Loss)			
Basic and Diluted			
Net income (loss) attributable to common shareholders	$223,278	$327,228	$(224,064)
Portion allocated to participating common shareholders (1)	(293)	(1,076)	1,189
Net income (loss) allocated to common shareholders	$222,985	$326,152	$(222,875)
Common Shares			
Basic			
Weighted average common shares outstanding	29,909	33,714	36,901
Diluted			
Weighted average common shares outstanding	29,909	33,714	36,901
Effect of dilutive securities:			
Common share options	150	171	164
Restricted share units	275	96	195
Adjusted weighted average common shares outstanding	30,334	33,981	37,260
Earnings (Loss) Per Common Share			
Basic earnings (loss) per common share	$7.46	$9.67	$(6.04)
Diluted earnings (loss) per common share (2)	$7.35	$9.60	$(6.04)

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's share incentive plans that are considered to be participating securities. All outstanding restricted shares vested in July 2013.

(2) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.

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14. Commitments and Contingencies

Lease Commitments

The following table presents our future minimum annual lease commitments under various non-cancelable operating leases for our facilities ($ in thousands):

Years Ending December 31,		
2014	$	2,326
2015		2,377
2016		2,299
2017		2,341
2018		2,304
Thereafter		11,200
Total	$	22,847

Operating lease expense was $3.7 million, $2.7 million and $2.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Employment Agreements

The Company has entered into employment agreements with certain employees. These agreements provide for annual compensation in the form of salary, benefits, annual incentive payments, share-based awards, the reimbursement of certain expenses, as well as certain severance provisions. The severance provisions may include accelerated vesting of share-based compensation under certain circumstances, such as upon a change in control, as defined by the Company’s Change in Control Severance Plan and Employee Severance Plan.

Other Operating Agreements

The Company has entered into service agreements and other contracts that provide for business and information technology support and service, investment accounting services and other costs related to doing business. Future payments under these contracts amount to $2.4 million, $1.8 million and $1.2 million in 2014, 2015 and 2016 and thereafter, respectively.

Brokers

The Company writes business through direct relationships with reinsurance brokers. Based on in-force premiums written as of December 31, 2013, the brokers we derived the largest portion of our business were Aon Benfield for 33%, Marsh & McLennan Companies for 25%, Willis Group Holdings for 13% and Jardine Lloyd Thompson Group plc for 11%. The loss of business relationships with any of these brokers could have a material adverse effect on our business.

Concentrations of Credit Risk

The areas where significant concentration of credit risk may exist principally include investments, cash and cash equivalents, amounts due from investment brokers from the sales of securities, reinsurance premiums receivable, reinsurance recoverable, funds held by ceding companies and reinsurance deposit assets. Also, certain of our assets are pledged to collateralize obligations under various reinsurance contracts and are held by ceding companies. The Company limits the amount of credit exposure to any one counterparty and none of the Company's counterparty credit exposures, excluding U.S. Government instruments, exceeded 10% of shareholders' equity as of December 31, 2013. In addition, credit risk exists should any of our brokers be unable to fulfill their contractual obligations with respect to the payments of reinsurance balances owed to and by the Company.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation

In the normal course of business, we may become involved in various claims and legal proceedings. We are not currently aware of any pending or threatened material litigation or arbitration other than in the ordinary course of our reinsurance business. Estimated losses related to claims arising in the normal course of our reinsurance business, including the anticipated outcome of any pending arbitration or litigation, are included in unpaid losses and LAE in our consolidated balance sheets.

15. Quarterly Financial Data (Unaudited)

The following quarterly financial information for each of the three months ended March 31, June 30, September 30 and December 31, 2013 and 2012 is unaudited. However, in the opinion of management, all necessary adjustments have been made (consisting of normal recurring adjustments) to present fairly the results of operations for such periods ($ and amounts in thousands, except per share data):

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net premiums earned	$148,267	$135,360	$142,933	$126,853
Net investment income	17,936	17,758	17,808	18,544
Net realized gains (losses) on investments	(778)	(306)	11,686	13,318
Net losses and LAE	46,639	44,142	62,667	13,998
Net acquisition expenses	32,560	30,675	30,313	30,219
Operating expenses	23,019	20,672	19,718	19,305
Net income	$48,623	$38,285	$49,854	$86,516
Earnings per common share:				
Basic	$1.73	$1.34	$1.63	$2.67
Diluted	$1.71	$1.32	$1.61	$2.63
Average common shares outstanding:				
Basic	28,097	28,655	30,571	32,373
Diluted	28,492	29,065	30,970	32,838

	Three Months Ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Net premiums earned	$144,621	$138,588	$145,075	$138,212
Net investment income	22,031	23,209	26,155	28,552
Net realized gains (losses) on investments	18,455	22,982	24,978	22,339
Net losses and LAE	(7,770)	45,117	67,117	79,196
Net acquisition expenses	28,412	26,168	30,200	30,657
Operating expenses	23,808	19,966	19,696	16,983
Net income	$121,545	$84,864	$67,532	$53,287
Earnings per common share:				
Basic	$3.71	$2.56	$1.98	$1.50
Diluted	$3.67	$2.54	$1.97	$1.49

Average common shares outstanding:				
Basic	32,674	32,996	33,914	35,291
Diluted	33,048	33,272	34,104	35,510

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Condensed Consolidating Financial Information

As described in Note 7, Platinum Holdings fully and unconditionally guarantees the outstanding $250.0 million of debt obligations issued by its 100%-owned subsidiary Platinum Finance.

The following tables present the condensed consolidating financial information for Platinum Holdings, Platinum Finance and the non-guarantor subsidiaries of Platinum Holdings as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 ($ in thousands):

Condensed Consolidating Balance Sheet
December 31, 2013

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$-	$114	$ 2,027,830	$ -	$ 2,027,944
Investment in subsidiaries	1,658,425	610,679	591,175	(2,860,279)	-
Cash and cash equivalents	88,402	230,818	1,145,198	-	1,464,418
Reinsurance assets	-	-	290,887	-	290,887
Other assets	11,874	1,290	137,562	(10,090)	140,636
Total assets	$1,758,701	$842,901	$ 4,192,652	$ (2,870,369)	$ 3,923,885
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$-	$-	$ 1,876,456	$ -	$ 1,876,456
Debt obligations	-	250,000	-	-	250,000
Other liabilities	11,994	1,726	47,092	(10,090)	50,722
Total liabilities	$11,994	$251,726	$ 1,923,548	$ (10,090)	$ 2,177,178
Shareholders' Equity					
Common shares	$281	$-	$ 8,000	$ (8,000)	$ 281
Additional paid-in capital	10,711	215,420	2,024,409	(2,239,829)	10,711
Accumulated other comprehensive income	48,084	18,382	66,463	(84,845)	48,084
Retained earnings	1,687,631	357,373	170,232	(527,605)	1,687,631
Total shareholders' equity	$1,746,707	$591,175	$ 2,269,104	$ (2,860,279)	$ 1,746,707
Total liabilities and shareholders' equity	$1,758,701	$842,901	$ 4,192,652	$ (2,870,369)	$ 3,923,885

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Balance Sheet
December 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
ASSETS					
Total investments	$ -	$ 181	$ 2,227,118	$ -	$ 2,227,299
Investment in subsidiaries	1,821,818	636,814	540,354	(2,998,986)	-
Cash and cash equivalents	70,604	152,122	1,497,669	-	1,720,395
Reinsurance assets	-	-	277,279	-	277,279
Other assets	8,997	2,884	96,449	-	108,330
Total assets	$ 1,901,419	$ 792,001	$ 4,638,869	$ (2,998,986)	$ 4,333,303
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Reinsurance liabilities	$ -	$ -	$ 2,140,241	$ -	$ 2,140,241
Debt obligations	-	250,000	-	-	250,000
Other liabilities	6,885	1,647	39,996	-	48,528
Total liabilities	$ 6,885	$ 251,647	$ 2,180,237	$ -	$ 2,438,769
Shareholders' Equity					
Common shares	$ 327	$ -	$ 8,000	$ (8,000)	$ 327
Additional paid-in capital	209,897	213,736	2,021,045	(2,234,781)	209,897
Accumulated other comprehensive income	137,690	41,386	179,071	(220,457)	137,690
Retained earnings	1,546,620	285,232	250,516	(535,748)	1,546,620
Total shareholders' equity	$ 1,894,534	$ 540,354	$ 2,458,632	$ (2,998,986)	$ 1,894,534
Total liabilities and shareholders' equity	$ 1,901,419	$ 792,001	$ 4,638,869	$ (2,998,986)	$ 4,333,303

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2013

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$-	$-	$ 553,413	$ -	$ 553,413
Net investment income (expense)	24	(85)	72,107	-	72,046
Net realized gains on investments	-	-	23,920	-	23,920
Net impairment losses on investments	-	-	(2,033)	-	(2,033)
Other income (expense)	6,737	4	(3,264)	-	3,477
Total revenue	6,761	(81)	644,143	-	650,823
Expenses:					
Net losses and loss adjustment expenses	-	-	167,446	-	167,446
Net acquisition expenses	-	-	123,767	-	123,767
Operating expenses	26,313	145	56,256	-	82,714
Net foreign currency exchange losses (gains)	-	-	(234)	-	(234)
Net changes in fair value of derivatives	-	-	-	-	-
Interest expense	-	19,125	-	-	19,125
Total expenses	26,313	19,270	347,235	-	392,818
Income (loss) before income taxes	(19,552)	(19,351)	296,908	-	258,005
Income tax expense (benefit)	-	(6,307)	41,034	-	34,727
Income (loss) before equity in earnings of subsidiaries	(19,552)	(13,044)	255,874	-	223,278
Equity in earnings of subsidiaries	242,830	85,185	72,141	(400,156)	-
Net income (loss)	$223,278	$72,141	$ 328,015	$ (400,156)	$ 223,278

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$-	$-	$ 566,496	$ -	$ 566,496
Net investment income (expense)	10	(24)	99,961	-	99,947
Net realized gains on investments	-	-	88,754	-	88,754
Net impairment losses on investments	-	-	(3,031)	-	(3,031)
Other income (expense)	5,481	3	(5,723)	-	(239)
Total revenue	5,491	(21)	746,457	-	751,927
Expenses:					
Net losses and loss adjustment expenses	-	-	183,660	-	183,660
Net acquisition expenses	-	-	115,437	-	115,437
Operating expenses	24,733	233	55,487	-	80,453
Net foreign currency exchange losses (gains)	-	-	1,055	-	1,055
Net changes in fair value of derivatives	-	-	-	-	-
Interest expense	-	19,098	-	-	19,098
Total expenses	24,733	19,331	355,639	-	399,703
Income (loss) before income taxes	(19,242)	(19,352)	390,818	-	352,224
Income tax expense (benefit)	-	(6,477)	31,473	-	24,996
Income (loss) before equity in earnings of subsidiaries	(19,242)	(12,875)	359,345	-	327,228
Equity in earnings of subsidiaries	346,470	68,165	55,290	(469,925)	-
Net income (loss)	$327,228	$55,290	$ 414,635	$ (469,925)	$ 327,228

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Revenue:					
Net premiums earned	$ -	$ -	$ 689,452	$ -	$ 689,452
Net investment income (expense)	5	25	125,886	(53)	125,863
Net realized gains on investments	-	-	3,934	-	3,934
Net impairment losses on investments	-	-	(22,370)	-	(22,370)
Other income (expense)	(573)	121	1,097	-	645
Total revenue	(568)	146	797,999	(53)	797,524
Expenses:					
Net losses and loss adjustment expenses	-	-	805,437	-	805,437
Net acquisition expenses	-	-	133,177	-	133,177
Operating expenses	15,813	341	47,025	-	63,179
Net foreign currency exchange losses (gains)	1	-	(474)	-	(473)
Net changes in fair value of derivatives	-	-	4,329	-	4,329
Interest expense	53	19,072	-	(53)	19,072
Total expenses	15,867	19,413	989,494	(53)	1,024,721
Income (loss) before income taxes	(16,435)	(19,267)	(191,495)	-	(227,197)
Income tax expense (benefit)	(600)	(6,531)	3,998	-	(3,133)
Income (loss) before equity in earnings of subsidiaries	(15,835)	(12,736)	(195,493)	-	(224,064)
Equity in earnings of subsidiaries	(208,229)	22,918	10,182	175,129	-
Net income (loss)	$ (224,064)	$ 10,182	$ (185,311)	$ 175,129	$ (224,064)

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2013

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Net income (loss)	$223,278	$72,141	$ 328,015	$ (400,156)	$ 223,278
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	-	-	(631)	-	(631)
Change in net unrealized gains and losses on all other securities	-	(2)	(76,150)	-	(76,152)
Total change in net unrealized gains and losses	-	(2)	(76,781)	-	(76,783)
Reclassifications to net income (loss) on available-for-sale securities:					
Net realized gains on investments	-	-	(27,243)	-	(27,243)
Net impairment losses on investments	-	-	2,033	-	2,033
Total reclassifications to net income (loss)	-	-	(25,210)	-	(25,210)
Other comprehensive income (loss) before income taxes	-	(2)	(101,991)	-	(101,993)
Income tax benefit (expense)	-	-	12,387	-	12,387
Other comprehensive income (loss)	-	(2)	(89,604)	-	(89,606)
Other comprehensive income (loss) due to change in accumulated other comprehensive income (loss) of subsidiaries	(89,606)	(23,002)	(23,004)	135,612	-
Comprehensive income (loss)	$133,672	$49,137	$ 215,407	$ (264,544)	$ 133,672

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Net income (loss)	$ 327,228	$ 55,290	$ 414,635	$ (469,925)	$ 327,228
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	-	-	211	-	211
Change in net unrealized gains and losses on all other securities	-	(6)	77,658	-	77,652
Total change in net unrealized gains and losses	-	(6)	77,869	-	77,863
Reclassifications to net income (loss) on available-for-sale securities:					
Net realized gains on investments	-	-	(89,780)	-	(89,780)
Net impairment losses on investments	-	-	3,031	-	3,031
Total reclassifications to net income (loss)	-	-	(86,749)	-	(86,749)
Other comprehensive income (loss) before income taxes	-	(6)	(8,880)	-	(8,886)
Income tax benefit (expense)	-	2	(61)	-	(59)
Other comprehensive income (loss)	-	(4)	(8,941)	-	(8,945)
Other comprehensive income (loss) due to change in accumulated other comprehensive income (loss) of subsidiaries	(8,945)	113	109	8,723	-
Comprehensive income (loss)	$ 318,283	$ 55,399	$ 405,803	$ (461,202)	$ 318,283

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries(1)	Consolidating Adjustments	Consolidated
Net income (loss)	$(224,064)	$10,182	$ (185,311)	$ 175,129	$ (224,064)
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	-	-	(8,895)	-	(8,895)
Change in net unrealized gains and losses on all other securities	-	(4)	179,920	-	179,916
Total change in net unrealized gains and losses	-	(4)	171,025	-	171,021
Reclassifications to net income (loss) on available-for-sale securities:					
Net realized gains on investments	-	-	(854)	-	(854)
Net impairment losses on investments	-	-	22,370	-	22,370
Total reclassifications to net income (loss)	-	-	21,516	-	21,516
Other comprehensive income (loss) before income taxes	-	(4)	192,541	-	192,537
Income tax benefit (expense)	-	1	(21,415)	-	(21,414)
Other comprehensive income (loss)	-	(3)	171,126	-	171,123
Other comprehensive income (loss) due to change in accumulated other comprehensive income (loss) of subsidiaries	171,123	39,771	39,768	(250,662)	-
Comprehensive income (loss)	$(52,941)	$49,950	$ 25,583	$ (75,533)	$ (52,941)

(1) Amounts represent an aggregation of the non-guarantor subsidiaries and exclude consolidating adjustments.

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Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2013

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$(9,510)	$(11,368)	$ (34,001)	$ (1,683)	$ (56,562)
Investing Activities:					
Proceeds from the sales of:					
Fixed maturity available-for-sale securities	-	-	203,571	-	203,571
Short-term investments	-	-	11,857	-	11,857
Proceeds from the maturities or paydowns of:					
Fixed maturity available-for-sale securities	-	64	202,072	-	202,136
Short-term investments	-	-	259,076	-	259,076
Acquisitions of:					
Fixed maturity available-for-sale securities	-	-	(406,078)	-	(406,078)
Short-term investments	-	-	(165,136)	-	(165,136)
Dividends from subsidiaries	318,300	90,000	-	(408,300)	-
Acquisitions of furniture, equipment and other assets	(957)	-	(5,933)	-	(6,890)
Net cash provided by (used in) investing activities	317,343	90,064	99,429	(408,300)	98,536
Financing Activities:					
Dividends paid to common shareholders	(9,434)	-	(408,300)	408,300	(9,434)
Repurchase of common shares	(303,294)	-	-	-	(303,294)
Proceeds from share-based compensation, including income tax benefits	22,693	-	-	1,683	24,376
Net cash provided by (used in) financing activities	(290,035)	-	(408,300)	409,983	(288,352)
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	-	(9,599)	-	(9,599)
Net increase (decrease) in cash and cash equivalents	17,798	78,696	(352,471)	-	(255,977)
Cash and cash equivalents at beginning of year	70,604	152,122	1,497,669	-	1,720,395
Cash and cash equivalents at end of year	$88,402	$230,818	$ 1,145,198	$ -	$ 1,464,418

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2012

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$(10,275)	$(9,123)	$ (145,939)	$ -	$ (165,337)
Investing Activities:					
Proceeds from the sales of:					
Fixed maturity available-for-sale securities	-	-	747,755	-	747,755
Short-term investments	-	-	49,447	-	49,447
Proceeds from the maturities or paydowns of:					
Fixed maturity available-for-sale securities	-	85	280,037	-	280,122
Short-term investments	-	-	707,756	-	707,756
Acquisitions of:					
Fixed maturity available-for-sale securities	-	-	(233,923)	-	(233,923)
Short-term investments	-	-	(331,757)	-	(331,757)
Dividends from subsidiaries	155,000	52,900	-	(207,900)	-
Net cash provided by (used in) investing activities	155,000	52,985	1,219,315	(207,900)	1,219,400
Financing Activities:					
Dividends paid to common shareholders	(10,747)	-	(207,900)	207,900	(10,747)
Repurchase of common shares	(115,702)	-	-	-	(115,702)
Proceeds from share-based compensation, including income tax benefits	4,537	-	-	-	4,537
Net cash provided by (used in) financing activities	(121,912)	-	(207,900)	207,900	(121,912)
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	-	(4,266)	-	(4,266)
Net increase (decrease) in cash and cash equivalents	22,813	43,862	861,210	-	927,885
Cash and cash equivalents at beginning of year	47,791	108,260	636,459	-	792,510
Cash and cash equivalents at end of year	$70,604	$152,122	$ 1,497,669	$ -	$ 1,720,395

Platinum Underwriters Holdings, Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2011

	Platinum Holdings	Platinum Finance	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$(4,151)	$(16,200)	$ (13,355)	$ -	$ (33,706)
Investing Activities:					
Proceeds from the sales of:					
Fixed maturity available-for-sale securities	-	-	466,759	-	466,759
Fixed maturity trading securities	-	-	20,413	-	20,413
Short-term investments	-	-	52,695	-	52,695
Investment-related derivatives	-	-	7,778	-	7,778
Proceeds from the maturities or paydowns of:					
Fixed maturity available-for-sale securities	-	113	125,682	-	125,795
Fixed maturity trading securities	-	-	5,000	-	5,000
Short-term investments	-	-	583,999	-	583,999
Acquisitions of:					
Fixed maturity available-for-sale securities	-	-	(223,675)	-	(223,675)
Short-term investments	-	-	(1,053,552)	-	(1,053,552)
Investment-related derivatives	-	-	(9,423)	-	(9,423)
Dividends from subsidiaries	355,000	45,000	-	(400,000)	-
Investment in subsidiary	(120,000)	(3,000)	-	123,000	-
Inter-company loans	-	75,000	100,000	(175,000)	-
Net cash provided by (used in) investing activities	235,000	117,113	75,676	(452,000)	(24,211)
Financing Activities:					
Dividends paid to common shareholders	(11,744)	-	(400,000)	400,000	(11,744)
Repurchase of common shares	(94,695)	-	-	-	(94,695)
Purchase of common share options	(47,900)	-	-	-	(47,900)
Proceeds from share-based compensation, including income tax benefits	1,246	-	-	-	1,246
Capital contribution from parent	-	-	123,000	(123,000)	-
Inter-company loans	(75,000)	-	(100,000)	175,000	-
Net cash provided by (used in) financing activities	(228,093)	-	(377,000)	452,000	(153,093)
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	-	15,643	-	15,643
Net increase (decrease) in cash and cash equivalents	2,756	100,913	(299,036)	-	(195,367)

Cash and cash equivalents at beginning of year	45,035	7,347	935,495	-	987,877
Cash and cash equivalents at end of year	$47,791	$108,260	$ 636,459	$ -	$ 792,510

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Platinum Underwriters Holdings, Ltd. and Subsidiaries

INDEX TO SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

Schedules other than those listed above are omitted for the reason that they are not applicable or the information is provided elsewhere in the consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Platinum Underwriters Holdings, Ltd.:

Under date of February 13, 2014, we reported on the consolidated balance sheets of Platinum Underwriters Holdings, Ltd. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013, as contained in the annual report on Form 10-K for the year 2013. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG Audit Limited

Hamilton, Bermuda
February 13, 2014

SCHEDULE I

Platinum Underwriters Holdings, Ltd. and Subsidiaries
Summary of Investments - Other Than Investments in Related Parties
As of December 31, 2013
($ in thousands)

	Cost*	Fair Value	Amount at which shown in Balance Sheet
Fixed maturity securities:			
Bonds:			
U.S. Government and government agencies and authorities	$56,408	$55,887	$55,887
States, municipalities and political subdivisions	1,193,316	1,240,572	1,240,572
Non-U.S. governments	137,932	143,909	143,909
Non-U.S. corporate	49,521	50,807	50,807
Public utilities	81,071	82,387	82,387
All other corporate	379,599	387,703	387,703
Total fixed maturity securities	1,897,847	1,961,265	1,961,265
Short-term investments	66,679	66,679	66,679
Total investments	$1,964,526	$2,027,944	$2,027,944

* Original cost of fixed maturities reduced by repayments and adjusted for amortization of premiums and discounts.

See accompanying report of the independent registered public accounting firm.

SCHEDULE II

Platinum Underwriters Holdings, Ltd.
(Parent Company)
Condensed Balance Sheets
December 31, 2013 and 2012
($ in thousands, except share data)

	2013	2012
ASSETS		
Investment in subsidiaries	$1,658,425	$1,821,818
Cash and cash equivalents	88,402	70,604
Other assets	11,874	8,997
Total assets	$1,758,701	$1,901,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Other liabilities	$11,994	$6,885
Total liabilities	$11,994	$6,885
Shareholders' equity		
Common shares, $0.01 par value, 200,000,000 shares authorized	$281	$327
28,142,977 and 32,722,144 shares issued and outstanding, respectively		
Additional paid-in capital	10,711	209,897
Accumulated other comprehensive income	48,084	137,690
Retained earnings	1,687,631	1,546,620
Total shareholders' equity	$1,746,707	$1,894,534
Total liabilities and shareholders' equity	$1,758,701	$1,901,419

See accompanying report of the independent registered public accounting firm.

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SCHEDULE II, continued

Platinum Underwriters Holdings, Ltd.
(Parent Company)
Condensed Statements of Operations
For the years ended December 31, 2013, 2012 and 2011
($ in thousands)

	2013	2012	2011
Revenue:			
Net investment income	$24	$10	$5
Other income (expense)	6,737	5,481	(573)
Total revenue	6,761	5,491	(568)
Expenses:			
Operating expenses	26,313	24,733	15,813
Net foreign currency exchange losses	-	-	1
Interest expense on inter-company loans	-	-	53
Total expenses	26,313	24,733	15,867
Income (loss) before income taxes	(19,552)	(19,242)	(16,435)
Income tax expense (benefit)	-	-	(600)
Income (loss) before equity in earnings of subsidiaries	(19,552)	(19,242)	(15,835)
Equity in earnings of subsidiaries	242,830	346,470	(208,229)
Net income (loss)	$223,278	$327,228	$(224,064)

See accompanying report of the independent registered public accounting firm.

SCHEDULE II, continued

Platinum Underwriters Holdings, Ltd.
(Parent Company)
Condensed Statements of Comprehensive Income (Loss)
For the years ended December 31, 2013, 2012 and 2011
($ in thousands)

	2013	2012	2011
Net income (loss)	$223,278	$327,228	$(224,064)
Other comprehensive income (loss) due to change in accumulated other comprehensive income (loss) of subsidiaries	(89,606)	(8,945)	171,123
Comprehensive income (loss)	$133,672	$318,283	$(52,941)

See accompanying report of the independent registered public accounting firm.

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SCHEDULE II, continued

Platinum Underwriters Holdings, Ltd.
(Parent Company)
Condensed Statements of Cash Flows
For the years ended December 31, 2013, 2012 and 2011
($ in thousands)

	2013	2012	2011
Net cash provided by (used in) operating activities	$(9,510)	$(10,275)	$(4,151)
Investing Activities:			
Dividends from subsidiaries	318,300	155,000	355,000
Investment in subsidiary	-	-	(120,000)
Acquisitions of furniture, equipment and other assets	(957)	-	-
Net cash provided by (used in) investing activities	317,343	155,000	235,000
Financing Activities:			
Dividends paid to common shareholders	(9,434)	(10,747)	(11,744)
Repurchase of common shares	(303,294)	(115,702)	(94,695)
Purchase of common share options	-	-	(47,900)
Proceeds from share-based compensation	22,693	4,537	1,246
Inter-company loans	-	-	(75,000)
Net cash provided by (used in) financing activities	(290,035)	(121,912)	(228,093)
Net increase (decrease) in cash and cash equivalents	17,798	22,813	2,756
Cash and cash equivalents at beginning of year	70,604	47,791	45,035
Cash and cash equivalents at end of year	$88,402	$70,604	$47,791
Supplemental disclosures of cash flow information:			
Income taxes paid, net of refunds	$-	$-	$(600)
Interest paid	$-	$-	$131

See accompanying report of the independent registered public accounting firm.

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SCHEDULE III

Platinum Underwriters Holdings, Ltd.
Supplementary Insurance Information
($ in thousands)

Period	Deferred Policy Acquisition Costs	Net Unpaid Losses and Loss Adjustment Expenses	Net Unearned Premiums	Net Earned Premiums	Net Investment Income (1)	Net Losses and Loss Adjustment Expenses Incurred	Amortization of Deferred Policy Acquisition Costs (2)	Other Operating Expenses (3)	Net Written Premiums
Year ended December 31, 2013:									
Property and Marine	$ 6,111	$ 357,973	$ 23,553	$ 222,010		$ 34,421	$ 38,342	$ 30,898	$ 229,507
Casualty	21,817	1,243,961	85,377	297,888		115,888	71,648	23,149	295,668
Finite Risk	3,175	68,237	16,338	33,515		17,137	13,777	1,439	41,946
Total	$ 31,103	$ 1,670,171	$ 125,268	$ 553,413	$ 72,046	$ 167,446	$ 123,767	$ 55,486	$ 567,121
Year ended December 31, 2012:									
Property and Marine	$ 4,216	$ 557,481	$ 16,222	$ 253,604		$ 132,580	$ 34,342	$ 31,140	$ 256,182
Casualty	22,275	1,336,251	87,171	294,122		43,763	68,987	22,937	287,112
Finite Risk	1,621	63,953	7,906	18,770		7,317	12,108	1,105	21,706
Total	$ 28,112	$ 1,957,685	$ 111,299	$ 566,496	$ 99,947	$ 183,660	$ 115,437	$ 55,182	$ 565,000
Year ended December 31, 2011:									
Property and Marine	$ 4,772	$ 806,066	$ 13,895	$ 356,976		$ 628,062	$ 49,348	$ 27,622	$ 344,682
Casualty	22,915	1,512,727	93,938	318,734		178,650	72,738	19,002	296,989
Finite Risk	1,092	66,866	4,971	13,742		(1,275)	11,091	940	9,843
Total	$ 28,779	$ 2,385,659	$ 112,804	$ 689,452	$ 125,863	$ 805,437	$ 133,177	$ 47,564	$ 651,514

(1) The Company does not manage its investments by segment and, accordingly, net investment income is not allocated to each segment.
(2) Amounts represent the net acquisition expenses in the accompanying Consolidated Statements of Operations and include total deferred acquisition costs amortized of $92.0 million, $86.8 million and $101.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.
(3) Amounts exclude corporate expenses not allocated to segments of $27.2 million, $25.3 million, and $15.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

See accompanying report of the independent registered public accounting firm.

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SCHEDULE IV

Platinum Underwriters Holdings, Ltd.
Reinsurance
($ in thousands)

Description	Direct Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
Premiums written:					
Year ended December 31, 2013:					
Property and Marine	$-	$10,942	$240,449	$229,507	104.8 %
Casualty	-	1,698	297,366	295,668	100.6 %
Finite Risk	-	-	41,946	41,946	100.0 %
Total	$-	$12,640	$579,761	$567,121	102.2 %
Year ended December 31, 2012:					
Property and Marine	$-	$4,636	$260,818	$256,182	101.8 %
Casualty	-	88	287,200	287,112	100.0 %
Finite Risk	-	-	21,706	21,706	100.0 %
Total	$-	$4,724	$569,724	$565,000	100.8 %
Year ended December 31, 2011:					
Property and Marine	$-	$35,782	$380,464	$344,682	110.4 %
Casualty	-	-	296,989	296,989	100.0 %
Finite Risk	-	-	9,843	9,843	100.0 %
Total	$-	$35,782	$687,296	$651,514	105.5 %

See accompanying report of the independent registered public accounting firm.