ASPEN INSURANCE HOLDINGS LTD
Form 10-Q
November 09, 2010

Table of Contents

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

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Period Ended September 30, 2010
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-31909

ASPEN INSURANCE HOLDINGS LIMITED
(Exact Name of Registrant as Specified in Its Charter)

Bermuda	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
Maxwell Roberts Building **1 Church Street** **Hamilton, Bermuda**	**HM 11**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code
(441) 295-8201

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

As of November 5, 2010, there were 76,685,659 outstanding ordinary shares, with a par value of 0.15144558¢ per ordinary share, outstanding.

INDEX

		Page
PART I.	**FINANCIAL INFORMATION**	2
Item 1.	Unaudited Condensed Consolidated Financial Statements	2
	Condensed Consolidated Balance Sheets as at September 30, 2010 (Unaudited) and December 31, 2009	2
	Unaudited Condensed Consolidated Statements of Operations, for the Three and Nine Months Ended September 30, 2010 and 2009	4
	Unaudited Condensed Consolidated Statements of Changes in Shareholders Equity, for the Nine Months Ended September 30, 2010 and 2009	5
	Unaudited Condensed Consolidated Statements of Comprehensive Income, for the Three and Nine Months Ended September 30, 2010 and 2009	6
	Unaudited Condensed Consolidated Statements of Cash Flows, for the Nine Months Ended September 30, 2010 and 2009	7
	Notes to the Unaudited Condensed Consolidated Financial Statements	9
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	65
Item 4.	Controls and Procedures	67
PART II.	**OTHER INFORMATION**	68
Item 1.	Legal Proceedings	68
Item 1A.	Risk Factors	68
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds	68
Item 3.	Defaults Upon Senior Securities	69
Item 5.	Other Information	69
Item 6.	Exhibits	69
SIGNATURES		70

CERTIFICATIONS

EX-31.1
EX-31.2
EX-32.1
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

PART I

FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

ASPEN INSURANCE HOLDINGS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009
($ in millions, except share and per share amounts)

	As at September 30, 2010 (Unaudited)	As at December 31, 2009
ASSETS		
Investments		
Fixed income maturities, available for sale at fair value (amortized cost $5,191.5 and $5,064.3)	$ 5,553.0	$ 5,249.9
Fixed income maturities, trading at fair value	410.1	348.1
Other investments, equity method	28.7	27.3
Short-term investments, available for sale at fair value (amortized cost $297.5 and $368.2)	297.5	368.2
Short-term investments, trading at fair value	2.0	3.5
Total investments	6,291.3	5,997.0
Cash and cash equivalents	914.3	748.4
Reinsurance recoverables		
Unpaid losses	263.8	321.5
Ceded unearned premiums	43.4	103.8
Receivables		
Underwriting premiums	880.7	708.3
Other	81.9	64.1
Funds withheld	79.0	85.1
Deferred policy acquisition costs	187.2	165.5
Derivatives at fair value	1.5	6.7
Receivable for securities sold	2.1	11.9
Office properties and equipment	32.3	27.5
Other assets	20.7	9.2
Intangible assets	21.4	8.2
Total assets	$ 8,819.6	$ 8,257.2

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009
($ in millions, except share and per share amounts)

	As at September 30, 2010 (Unaudited)	As at December 31, 2009
LIABILITIES		
Insurance reserves		
Losses and loss adjustment expenses	$ 3,672.2	$ 3,331.1
Unearned premiums	951.6	907.6
Total insurance reserves	4,623.8	4,238.7
Payables		
Reinsurance premiums	141.9	110.8
Deferred taxation	80.6	83.9
Current taxation	11.1	10.3
Accrued expenses and other payables	268.0	249.3
Liabilities under derivative contracts	3.8	9.2
Total payables	505.4	463.5
Long-term debt	249.7	249.6
Total liabilities	$ 5,378.9	$ 4,951.8
Commitments and contingent liabilities (see Note 14)		
SHAREHOLDERS EQUITY		
Ordinary shares: 76,642,007 shares of par value 0.15144558¢ each (2009 83,327,594)	$ 0.1	$ 0.1
Preference shares:		
4,600,000 5.625% shares of par value 0.15144558¢ each (2009 4,600,000)		
5,327,500 7.401% shares of par value 0.15144558¢ each (2009 5,327,500)		
Non-controlling interest	0.6	
Additional paid-in capital	1,561.5	1,763.0
Retained earnings	1,452.9	1,285.0
Accumulated other comprehensive income, net of taxes	425.6	257.3
Total shareholders equity	3,440.7	3,305.4
Total liabilities and shareholders equity	$ 8,819.6	$ 8,257.2

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
($ in millions, except share and per share amounts)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Net earned premiums	$ 451.7	$ 470.9	$ 1,399.2	$ 1,346.8
Net investment income	58.1	58.9	175.0	190.3
Realized and unrealized investment gains	22.1	14.6	40.1	7.2
Change in fair value of derivatives	(3.7)	(2.0)	(7.8)	(5.9)
Total Revenues	528.2	542.4	1,606.5	1,538.4
Expenses				
Losses and loss adjustment expenses	285.8	235.1	941.3	720.6
Policy acquisition expenses	75.6	79.6	237.9	239.0
Operating and administrative expenses	65.0	63.7	180.1	172.1
Interest on long-term debt	3.9	3.9	11.7	11.8
Net foreign exchange (gains)	(3.4)	(7.9)	(2.3)	(8.7)
Other (income)	(1.8)	(3.1)	(6.6)	(5.0)
Total Expenses	425.1	371.3	1,362.1	1,129.8
Income from operations before income tax	103.1	171.1	244.4	408.6
Income tax	(10.3)	(25.3)	(24.4)	(61.0)
Net Income	$ 92.8	$ 145.8	$ 220.0	$ 347.6
Per Share Data				
Weighted average number of ordinary shares and share equivalents				
Basic	76,722,965	83,056,587	77,133,210	82,519,807
Diluted	80,363,740	85,993,289	80,782,187	84,952,620
Basic earnings per ordinary share adjusted for preference share dividend	$ 1.14	$ 1.69	$ 2.63	$ 4.37
Diluted earnings per ordinary share adjusted for preference share dividend	$ 1.08	$ 1.63	$ 2.51	$ 4.25

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

($ in millions)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Ordinary shares		
Beginning and end of period	$ 0.1	$ 0.1
Preference shares		
Beginning and end of period		
Non-controlling interest		
Beginning of period		
Change for the period	0.6	
End of period	0.6	
Additional paid-in capital		
Beginning of period	1,763.0	1,754.8
New shares issued		25.1
Ordinary shares repurchased and cancelled	(208.0)	
Preference shares repurchased and cancelled		(34.1)
Share-based compensation	6.5	14.8
End of period	1,561.5	1,760.6
Retained earnings		
Beginning of period	1,285.0	884.7
Net income for the period	220.0	347.6
Dividends on ordinary and preference shares	(52.1)	(55.5)
End of period	1,452.9	1,176.8
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustments		
Beginning of period	103.4	87.6
Change for the period	6.7	5.7
End of period	110.1	93.3
Loss on derivatives		
Beginning of period	(1.2)	(1.4)
Reclassification to interest payable	0.2	0.1

End of period	(1.0)	(1.3)
Unrealized appreciation on investments		
Beginning of period	155.1	53.3
Change for the period	161.4	129.3
End of period	316.5	182.6
Total accumulated other comprehensive income	425.6	274.6
Total Shareholders equity	$ 3,440.7	$ 3,212.1

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
($ in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net income	$ 92.8	$ 145.8	$ 220.0	$ 347.6
Other comprehensive income, net of taxes:				
Available for sale investments:				
Reclassification adjustment for net realized (gains)/losses on investments included in net income	(2.3)	4.6	(10.7)	15.0
Change in net unrealized gains on investments	63.8	86.1	172.1	114.3
Amortization of loss on derivative contract	0.2		0.2	0.1
Change in foreign currency translation adjustment	3.6	14.8	6.7	5.7
Other comprehensive income	65.3	105.5	168.3	135.1
Comprehensive income	$ 158.1	$ 251.3	$ 388.3	$ 482.7

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in millions)

	Nine Months Ended September 30,	
	2010	**2009**
Cash flows provided by operating activities:		
Net income	$ 220.0	$ 347.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	15.6	7.2
Share-based compensation expense	6.5	14.8
Net realized and unrealized (gains)	(38.7)	(7.2)
Other investment (gains)	(1.4)	(20.2)
Loss on derivative contracts	0.2	0.1
Changes in:		
Insurance reserves:		
Losses and loss adjustment expenses	357.2	154.5
Unearned premiums	43.9	195.6
Reinsurance recoverables:		
Unpaid losses	58.6	(50.6)
Ceded unearned premiums	58.6	(68.6)
Accrued investment income and other receivables	(1.3)	(19.0)
Deferred policy acquisition costs	(21.5)	(30.4)
Reinsurance premiums payables	30.0	15.8
Premiums receivable	(175.5)	(106.7)
Funds withheld	6.1	(0.2)
Deferred taxes	(16.9)	26.1
Income tax payable	2.3	13.4
Accrued expenses and other payables	(10.8)	13.1
Fair value of derivatives and settlement of liabilities under derivatives	(0.2)	3.1
Other assets	(30.4)	0.7
Net cash provided by operating activities	$ 502.3	$ 489.1

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in millions)

	Nine Months Ended September 30, 2010	2009
Cash flows used in investing activities:		
(Purchases) of fixed maturities	$ (1,883.2)	$ (2,064.7)
Proceeds from other investments sold		412.2
Proceeds from sales and maturities of fixed maturities	1,709.3	1,536.6
Net sales/(purchases) of short-term investments	78.5	(217.0)
Net change in payables for securities purchased	40.6	
Payments for acquisitions net of cash acquired	(13.4)	
(Purchase) of equipment	(12.9)	(3.7)
Net cash (used in) investing activities	$ (81.1)	$ (336.6)
Cash flows used in financing activities:		
Proceeds from the issuance of ordinary shares, net of issuance costs		25.1
Ordinary shares repurchased	(208.0)	
Non-controlling interest	0.6	
Costs from the redemption of preference shares		(34.1)
Dividends paid on ordinary shares	(35.0)	(37.2)
Dividends paid on preference shares	(17.1)	(18.3)
Net cash (used in) financing activities	$ (259.5)	$ (64.5)
Effect of exchange rate movements	$ 4.2	$ 51.7
Increase in cash and cash equivalents	165.9	139.7
Cash and cash equivalents at beginning of period	748.4	809.1
Cash and cash equivalents at end of period	$ 914.3	$ 948.8
Supplemental disclosure of cash flow information:		
Cash paid during the period for income tax	48.4	35.8
Cash paid during the period for interest	15.0	15.0

See accompanying notes to unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. History and Organization

Aspen Insurance Holdings Limited (Aspen Holdings) was incorporated on May 23, 2002 and holds subsidiaries that provide insurance and reinsurance on a worldwide basis. Its principal operating subsidiaries are Aspen Insurance UK Limited (Aspen U.K.), Aspen Insurance Limited (Aspen Bermuda), Aspen Specialty Insurance Company (Aspen Specialty) and Aspen Underwriting Limited (corporate member of Lloyd s Syndicate 4711, AUL), (collectively, the Insurance Subsidiaries).

2. Basis of Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of generally accepted accounting principles in the United States (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The unaudited condensed consolidated financial statements include the accounts of Aspen Holdings and its wholly-owned subsidiaries, which are collectively referred to herein as the Company. All intercompany transactions and balances have been eliminated on consolidation.

The balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2009 contained in Aspen s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (File No. 001-31909).

Assumptions and estimates made by management have a significant effect on the amounts reported within the consolidated financial statements. The most significant of these relate to losses and loss adjustment expenses, the value of investments, reinsurance recoverables and the fair value of derivatives. All material assumptions and estimates are regularly reviewed and adjustments made as necessary, but actual results could be significantly different from those expected when the assumptions or estimates were made.

New Accounting Pronouncements Adopted in 2010

In June 2009, the Financial Accounting Standards Board (FASB) issued revised guidance on the accounting for variable interest entities. The revised guidance which was issued as Statement No. 167, *Amendments to FASB Interpretation No. 46R and subsequently codified as ASC 810 Consolidation,* replaces the quantitative approach previously required for determining the primary beneficiary of a variable interest entity with an approach focused on the power to direct activities that significantly impact an entity s economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. It also requires ongoing assessment of whether an enterprise is a variable interest entity (VIE). The statement is effective for each annual reporting period that begins after November 15, 2009. In December 2009, the FASB issued Accounting Standards Update ASU 2009-17, which codifies SFAS No. 167. The new guidance did not have a material impact on our consolidated financial statements.

In December 2009, the FASB issued new guidance on the accounting for the transfer of financial assets. The new guidance, which is now part of ASC 860 *Transfers and Servicing*, eliminates the concept of a qualifying special

purpose entity and therefore any qualifying special purpose entities in existence before the effective date will need to be evaluated for consolidation. The criteria for reporting a transfer of financial assets has also changed. The guidance is effective on a prospective basis on January 1, 2010

and interim and annual periods thereafter. The new guidance did not have a material impact on our unaudited consolidated financial statements.

In January 2010, the FASB issued ASU 2010-6, *Improving Disclosures About Fair Value Measurements*, which requires reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. ASU 2010-6 is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The new guidance did not have a material impact on our unaudited consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In 2010, the FASB s Emerging Issues Task Force issued ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, which require costs to be incrementally or directly related to the successful acquisition of new or renewal insurance contracts to be capitalized as deferred acquisitions costs. This decision would require us to write back the proportion of our general and administrative deferred acquisition costs which relate to quoted business which does not successfully convert into a policy. We are currently undertaking a review to quantify the impact of this change on our consolidated financial statements. ASU 2010-26 is effective for annual reporting periods beginning after December 15, 2011 and we will not be early adopting this standard.

3. Acquisitions

On August 16, 2010, we closed our purchase of Aspen America Insurance Company, a U.S. insurance company with licenses to write insurance business on an admitted basis in the U.S. We have paid an amount in cash equal to $10.0 million plus the amount of the target company s closing surplus. The company is currently licensed to write business in 50 states and the District of Columbia.

Table of Contents

4. Earnings Per Ordinary Share

Basic earnings per ordinary share are calculated by dividing net income available to holders of Aspen s ordinary shares by the weighted average number of ordinary shares outstanding. Diluted earnings per ordinary share are based on the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the period of calculation using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2010 and 2009, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	($ in millions, except share and per share amounts)			
Earnings				
Basic				
Net income as reported	$ 92.8	$ 145.8	$ 220.0	$ 347.6
Preference share dividends	(5.7)	(5.6)	(17.1)	(18.3)
Preference stock repurchase gain				31.5
Net income available to ordinary shareholders	87.1	140.2	202.9	360.8
Diluted				
Net income available to ordinary shareholders	87.1	140.2	202.9	360.8
Ordinary shares				
Basic				
Weighted average ordinary shares	76,722,965	83,056,587	77,133,210	82,519,807
Diluted				
Weighted average ordinary shares	76,722,965	83,056,587	77,133,210	82,519,807
Weighted average effect of dilutive securities	3,640,775	2,936,702	3,648,977	2,432,813
Total	80,363,740	85,993,289	80,782,187	84,952,620
Earnings per ordinary share				
Basic	$ 1.14	$ 1.69	$ 2.63	$ 4.37
Diluted	$ 1.08	$ 1.63	$ 2.51	$ 4.25

Ordinary Share Repurchases. On June 23, 2010, an agreement was signed to repurchase 10,835 shares from the Names Trustee. The shares were repurchased on July 7, 2010 and subsequently cancelled.

On February 9, 2010, our Board of Directors authorized a new repurchase program for up to $400 million of our ordinary shares. The authorization for the repurchase program covers the period to March 1, 2012. This share repurchase program was in addition to the completed accelerated share repurchase program entered into on January 5, 2010. On September 22, 2010, we initiated an open market repurchase program to repurchase ordinary shares in the open market. During the third quarter of 2010, we repurchased in the open market and subsequently cancelled a total of 264,555 ordinary shares under the repurchase program.

On January 5, 2010, we entered into an accelerated share repurchase program with Goldman Sachs & Co. (Goldman Sachs) to repurchase $200 million of our ordinary shares. The transaction was completed on May 26, 2010, when a total of 7,226,084 ordinary shares were received and cancelled during the first six months of 2010. The repurchase completes the share repurchase program authorized by our Board of Directors and announced on February 6, 2008. The repurchase was funded with cash available and the sale of investment assets.

Preference Share Repurchase. On March 31, 2009, we repurchased 2,672,500 of our 7.401% $25 liquidation price preference shares (NYSE: AHL-PA) at a price of $12.50 per share. The repurchase resulted in a first quarter gain of approximately $31.5 million, net of a non-cash charge of $1.2 million reflecting the write off of the pro rata portion of the original issuance costs of the 7.401% preference shares.

Dividends. On October 27, 2010, the Company s Board of Directors declared the following quarterly dividends:

	Dividend	Payable on:	Record Date:
Ordinary shares	$ 0.15	November 26, 2010	November 12, 2010
5.625% preference shares	$ 0.703125	January 1, 2011	December 15, 2010
7.401% preference shares	$ 0.462563	January 1, 2011	December 15, 2010

5. Segment Reporting

On January 14, 2010, we announced a new organizational structure in accordance with the way in which we manage our insurance and reinsurance businesses as two underwriting segments, Aspen Insurance and Aspen Reinsurance, to enhance and better serve our global customer base. In arriving at these reporting segments, we considered similarities in economic characteristics, products, customers, distribution, and the regulatory environment. As discussed above, as a result of our organizational changes, in 2010 we now manage our underwriting business in two operating segments: Insurance and Reinsurance.

Under the new organizational structure, our insurance segment is comprised primarily of the former international insurance and U.S. insurance segments, with Rupert Villers and John Cavoores acting as co-CEO s of Aspen Insurance. William Murray leads our U.S. Insurance business, forming part of our newly established insurance segment. The reinsurance segment is led by Brian Boornazian, CEO of Aspen Reinsurance and James Few, President of Aspen Reinsurance.

Segment profit or loss for each of the Company s operating segments is measured by underwriting profit or loss. Underwriting profit is the sum of net earned premiums, losses and loss expenses, policy acquisition expenses and operating and administrative expenses. Underwriting profit or loss provides a basis for management to evaluate the segment s underwriting performance.

Information related to prior periods has been restated to conform to the current period presentation, where applicable.

Reinsurance Segment. The reinsurance segment consists of four principal lines of business: property catastrophe reinsurance, other property reinsurance, casualty reinsurance and specialty reinsurance.

Property Catastrophe Reinsurance: Property catastrophe reinsurance is generally written on a treaty excess of loss basis. Excess of loss reinsurance provides coverage to primary insurance companies when aggregate claims and claim expenses from a single occurrence from a covered peril exceed a certain amount specified in a particular contract. Under these contracts, we provide protection to an insurer for a portion of the total losses in excess of a specified loss amount, up to a maximum amount per loss specified in the contract. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate the coverage under the contract, which is referred to as a reinstatement premium. A loss from a single occurrence is limited to the initial policy limit and would not usually include the policy limit available following the payment of a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to

selected regions or geographical areas.

Other Property Reinsurance: Other property reinsurance is written on excess of loss, pro rata and facultative basis (U.S. and international) and includes our risk solutions business. Treaty excess of loss property treaty reinsurance provides coverage to a reinsured where it experiences a loss in excess of its retention level on a single risk basis, rather than to two or more risks in an insured event, as provided by catastrophe reinsurance. A risk in this context might mean the insurance coverage on one building

or a group of buildings due to fire or explosion or the insurance coverage under a single policy which the reinsured treats as a single risk. This line of business is generally less exposed to accumulations of exposures and losses but can still be impacted by natural catastrophes, such as earthquakes and hurricanes.

Our treaty pro rata reinsurance product provides proportional coverage to the reinsured. We share original losses in the same proportion as our share of premium and policy amounts although this may be subject to event limits which restrict the amount we are required to pay if the loss events affect more than one reinsured policy. Pro rata contracts typically involve close client relationships and are re-audited annually. Treaty pro rata business is written on an excess of loss basis for primary insurers in the U.S. as well as worldwide. This line has dual distribution with business written both directly and through brokers. The U.S. property facultative account is mostly written on a direct basis, whereas the international account is written both on a direct basis and through brokers. This line of business is not typically driven by natural perils. Our risk solutions business writes property insurance risks for a select group of U.S. program managers.

Casualty Reinsurance: Casualty reinsurance is written on an excess of loss, pro rata and facultative basis and consists of U.S. treaty, international treaty, and casualty facultative. The casualty treaty reinsurance business we write includes excess of loss and pro rata reinsurance which are applied to portfolios of primary insurance policies. We also write casualty facultative reinsurance, both U.S. and international. Our excess of loss positions come most commonly from layered reinsurance structures with underlying ceding company retentions. Our U.S. treaty business comprises of exposures to workers compensation (including catastrophe), medical malpractice, general liability, auto liability and excess liability including umbrella liability. Our international treaty business reinsures exposures mainly with respect to general liability, auto liability, professional liability, workers compensation and excess liability.

Specialty Reinsurance: Specialty reinsurance is written on an excess of loss and pro rata basis and consists of credit and surety reinsurance, structured risks, agriculture reinsurance and specialty lines (marine, aviation, satellite). Our specialty line of business is composed principally of reinsurance treaties covering interests similar to those underwritten in marine, energy, liability and aviation insurance, as well as contingency, terrorism, nuclear, personal accident and crop reinsurance. We also write satellite insurance and reinsurance. Our credit and surety reinsurance business consists of trade credit reinsurance, international surety reinsurance (mainly European, Japanese and Latin American risks and excluding the U.S.) and a political risks reinsurance portfolio. We also write structured reinsurance contracts tailored to individual client circumstances. We entered the agricultural reinsurance market in February 2010 with a new team working in our Zurich office. This business consists of European agriculture reinsurance primarily written on a treaty basis covering crop and multi-peril business.

Insurance Segment. Our insurance segment consists of property insurance, casualty insurance, marine, energy and transportation insurance and financial and professional lines insurance.

Property Insurance: Our property insurance line comprises U.K. commercial property and construction and U.S. commercial property (excess and surplus lines basis), written on a primary, quota share and facultative basis. The U.S. property team focuses on mercantile, manufacturing, municipal and commercial real estate business. The U.K. commercial property insurance team focuses on providing physical damage and business interruption coverage as a result of weather, fire, theft and other causes. Our client base is predominantly U.K. institutional property owners, middle market corporate and public sector clients.

Casualty Insurance: Our casualty insurance line comprises U.K. commercial liability, global excess casualty and U.S. casualty insurance (excess and surplus lines basis), written on a primary, quota share and facultative basis. The U.K. commercial liability team focuses on providing employers liability coverage and public liability coverage for insureds domiciled in the United Kingdom and Ireland. The global excess casualty line writes large, sophisticated and

risk-managed insureds worldwide and covers broad-based risks including general liability, commercial and residential construction liability, life science, railroads, trucking, product and public liability and associated types of cover found in general

liability policies in the global insurance market. The U.S. casualty account primarily consists of lines written within the general liability, umbrella liability and certain Errors and Omissions (E&O) insurance segments. Coverage on our general liability line is offered on those risks that are primarily contractors (general contractors and artisans) and other general liability business. Results on our contractor business for 2009 saw significant adverse development from prior accident years and consequently, in 2010 we significantly reduced the amount of contractor business written.

Marine, Energy and Transportation Insurance: Our marine, energy and transportation insurance comprises marine, energy and construction (M.E.C.) liability, energy physical damage, marine hull, specie, and aviation, written on a primary, quota share and facultative basis. The M.E.C. liability business includes marine liability cover mainly related to the liabilities of ship-owners and port operators, including reinsurance of Protection and Indemnity Clubs (P&I Clubs). It also provides cover for the liabilities of companies in the oil and gas sector, both onshore and offshore and in the power generation and U.S. commercial construction sectors. In the energy physical damage line, we provide insurance cover against physical damage losses in addition to Operators Extra Expenses (OEE) for companies operating in the oil and gas exploration and production sector. The marine hull team writes insurance covering the risks of physical damage for ships (including war and associated perils) and related marine assets. The specie business line focuses on the insurance of high value property items on an all risks basis, including fine art, general and bank related specie, jewelers block and armored car. The aviation team focuses on providing physical damage insurance to hulls and spares (including war and associated perils) and comprehensive legal liability for airlines, smaller operators of airline equipment, airports and associated business and non-critical component part manufacturers. We also provide aviation hull deductible cover.

Financial and Professional Lines Insurance: Our financial and professional lines comprise financial institutions, professional liability (including management & technology liability) and financial and political risks, written on a primary, quota share and facultative basis. Our financial institutions business consists of professional liability, crime insurance and directors and officers cover. From a geographical perspective, the largest sector of the account comprises risks headquartered in the U.K., the next largest contributors are from Australia and the U.S. and, of the remainder, the largest amounts of business are from institutions in Canada, Western Europe and Scandinavia. We write both primary and excess of loss coverage for all types of financial institutions including commercial and investment banks, asset managers, insurance companies, stockbrokers and insureds with hybrid business models. Our U.K. based professional liability team writes an international portfolio of professional liability risks. The majority of our business emanates from the U.K. with some Australian and European business. We insure a wide range of professions including lawyers, surveyors, accountants, engineers, contractors and financial advisors. Risks are written on both a primary and excess of loss basis. In 2010, we commenced writing professional lines business through a new U.S.-based team. The business written covers a number of professions including lawyers, accountants, architects and engineers. We also write directors and officers insurance, technology-related policies in the areas of network privacy, misuse of data and cyber liability and warranty and indemnity insurance in connection with, or to facilitate, corporate transactions. Coverage is written on both a primary and excess basis. The financial and political risks team writes business covering the credit/default risk on a variety of project and trade transactions, as well as political risks, terrorism (including multi-year war on land cover) and kidnap and ransom (K&R). We write financial and political risks worldwide but with concentrations in a number of key countries, such as China, Egypt, Kazakhstan, Russia, South Korea, Switzerland, U.K. and Turkey.

Non-underwriting Disclosures: We have provided additional disclosures for corporate and other (non-underwriting) income and expenses. Corporate and other includes net investment income, net realized and unrealized investment gains or losses, corporate expenses, interest expense, net realized and unrealized foreign exchange gains or losses and income taxes, which are not allocated to the underwriting segments.

Table of Contents

The following tables provide a summary of gross and net written and earned premiums, underwriting results, ratios and reserves for each of our business segments for the three months ended September 30, 2010 and 2009:

	Three Months Ended September 30, 2010		
	Reinsurance	Insurance	Total
		($ in millions)	
Underwriting revenues			
Gross written premiums	$ 236.0	$ 179.8	$ 415.8
Net written premiums	229.6	147.4	377.0
Gross earned premiums	277.9	225.4	503.3
Net earned premiums	267.5	184.2	451.7
Underwriting Expenses			
Losses and loss expenses	143.5	142.3	285.8
Policy acquisition expenses	43.9	31.7	75.6
Operating and administrative expenses	27.1	23.6	50.7
Underwriting profit/(loss)	53.0	(13.4)	39.6
Corporate expenses			(14.3)
Net investment income			58.1
Realized investment gains			22.1
Change in fair value of derivatives			(3.7)
Interest on long term debt			(3.9)
Net foreign exchange gains			3.4
Other income			1.8
Net income before tax			$ 103.1
Net reserves for loss and loss adjustment expenses	$ 2,242.9	$ 1,165.5	$ 3,408.4
Ratios			
Loss ratio	53.6%	77.3%	63.3%
Policy acquisition expense ratio	16.4%	17.2%	16.7%
Operating and administrative expense ratio	10.1%	12.8%	14.4%
Expense ratio	26.5%	30.0%	31.1%
Combined ratio	80.1%	107.3%	94.4%

Table of Contents

	Three Months Ended September 30, 2009		
	Reinsurance	Insurance	Total
		($ in millions)	
Underwriting revenues			
Gross written premiums	$ 296.1	$ 194.2	$ 490.3
Net written premiums	289.3	172.8	462.1
Gross earned premiums	301.4	220.8	522.2
Net earned premiums	288.4	182.5	470.9
Underwriting Expenses			
Losses and loss expenses	127.1	108.0	235.1
Policy acquisition expenses	49.3	30.3	79.6
Operating and administrative expenses	25.7	23.3	49.0
Underwriting profit	86.3	20.9	107.2
Corporate expenses			(14.7)
Net investment income			58.9
Realized investment gains			14.6
Change in fair value of derivatives			(2.0)
Interest on long term debt			(3.9)
Net foreign exchange gains			7.9
Other income			3.1
Net income before tax			$ 171.1
Net reserves for loss and loss adjustment expenses	$ 2,106.3	$ 874.2	$ 2,980.5
Ratios			
Loss ratio	44.1%	59.2%	49.9%
Policy acquisition expense ratio	17.1%	16.6%	16.9%
Operating and administrative expense ratio	8.9%	12.8%	13.5%
Expense ratio	26.0%	29.4%	30.4%
Combined ratio	70.1%	88.6%	80.3%

Table of Contents

The following tables provide a summary of gross and net written and earned premiums, underwriting results, ratios and reserves for each of our business segments for the nine months ended September 30, 2010 and 2009.

	Nine Months Ended September 30, 2010		
	Reinsurance	Insurance	Total
		($ in millions)	
Underwriting revenues			
Gross written premiums	$ 1,009.4	$ 654.6	$ 1,664.0
Net written premiums	970.0	525.9	1,495.9
Gross earned premiums	882.5	661.4	1,543.9
Net earned premiums	849.7	549.5	1,399.2
Underwriting Expenses			
Losses and loss expenses	546.7	394.6	941.3
Policy acquisition expenses	143.6	94.3	237.9
Operating and administrative expenses	79.5	65.9	145.4
Underwriting profit/(loss)	79.9	(5.3)	74.6
Corporate expenses			(34.7)
Net investment income			175.0
Realized investment gains			40.1
Change in fair value of derivatives			(7.8)
Interest on long term debt			(11.7)
Net foreign exchange gains			2.3
Other income			6.6
Net income before tax			$ 244.4
Net reserves for loss and loss adjustment expenses	$ 2,242.9	$ 1,165.5	$ 3,408.4
Ratios			
Loss ratio	64.3%	71.8%	67.3%
Policy acquisition expense ratio	16.9%	17.2%	17.0%
Operating and administrative expense ratio	9.4%	12.0%	12.9%
Expense ratio	26.3%	29.2%	29.9%
Combined ratio	90.6%	101.0%	97.2%

Table of Contents

	Nine Months Ended September 30, 2009		
	Reinsurance	Insurance	Total
		($ in millions)	
Underwriting revenues			
Gross written premiums	$ 1,006.3	$ 655.1	$ 1,661.4
Net written premiums	958.4	495.0	1,453.4
Gross earned premiums	857.9	648.8	1,506.7
Net earned premiums	819.1	527.7	1,346.8
Underwriting Expenses			
Losses and loss expenses	352.0	368.6	720.6
Policy acquisition expenses	152.5	86.5	239.0
Operating and administrative expenses	67.2	70.7	137.9
Underwriting profit	247.4	1.9	249.3
Corporate expenses			(34.2)
Net investment income			190.3
Realized investment gains			7.2
Change in fair value of derivatives			(5.9)
Interest on long term debt			(11.8)
Net foreign exchange gains			8.7
Other income			5.0
Net income before tax			$ 408.6
Net reserves for loss and loss adjustment expenses	$ 2,106.3	$ 874.2	$ 2,980.5
Ratios			
Loss ratio	43.0%	69.9%	53.5%
Policy acquisition expense ratio	18.6%	16.4%	17.7%
Operating and administrative expense ratio	8.2%	13.4%	12.8%
Expense ratio	26.8%	29.8%	30.5%
Combined ratio	69.8%	99.7%	84.0%

6. Investments

Fixed Maturities Available-For-Sale. The following presents the cost, gross unrealized gains and losses, and estimated fair value of available for sale investments in fixed maturities:

	As at September 30, 2010			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	($ in millions)			
U.S. Government Securities	$ 747.0	$ 47.5	$	$ 794.5
U.S. Agency Securities	312.0	32.0		344.0
Municipal Securities	32.2	1.9		34.1
Corporate Securities	2,241.9	175.4	(0.1)	2,417.2
Foreign Government Securities	567.9	26.2	(0.1)	594.0
Asset-backed Securities	70.3	6.1	(0.1)	76.3
Non-agency Residential Mortgage-backed Securities	30.3	10.1		40.4
Non-agency Commercial Mortgage-backed Securities	140.1	10.4		150.5
Agency Mortgage-backed Securities	1,049.7	52.4	(0.1)	1,102.0
Total fixed income	5,191.4	362.0	(0.4)	5,553.0
Short term Investments	297.5			297.5
Total	$ 5,488.9	$ 362.0	$ (0.4)	$ 5,850.5

	As at December 31, 2009			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	($ in millions)			
U.S. Government Securities	$ 492.1	$ 17.4	$ (2.0)	$ 507.5
U.S. Agency Securities	368.6	20.7	(0.2)	389.1
Municipal Securities	20.0		(0.5)	19.5
Corporate Securities	2,178.1	90.3	(3.8)	2,264.6
Foreign Government Securities	509.9	13.9	(1.5)	522.3
Asset-backed Securities	110.0	5.1		115.1
Non-agency Residential Mortgage-backed Securities	34.2	8.6	(0.6)	42.2
Non-agency Commercial Mortgage-backed Securities	178.5	2.5	(1.0)	180.0
Agency Mortgage-backed Securities	1,172.9	40.2	(3.5)	1,209.6

Total fixed income	5,064.3	198.7	(13.1)	5,249.9
Short term Investments	368.2			368.2
Total	$ 5,432.5	$ 198.7	$ (13.1)	$ 5,618.1

Table of Contents

The following table provides the contractual maturity distribution of our available for sale fixed income investments as of September 30, 2010. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	As at September 30, 2010	
	Cost or Amortized Cost	Fair Value
	($ in millions)	
Due one year or less	$ 335.2	$ 341.5
Due after one year through five years	2,325.2	2,460.0
Due after five years through ten years	1,139.5	1,268.7
Due after ten years	101.1	113.6
Subtotal	3,901.0	4,183.8
Non-agency Residential Mortgage-backed Securities	30.3	40.4
Non-agency Commercial Mortgage-backed Securities	140.1	150.5
Agency Mortgage-backed Securities	1,049.7	1,102.0
Other asset-backed Securities	70.3	76.3
Total	$ 5,191.4	$ 5,553.0

Fixed Maturities Trading. The following tables present the cost, gross unrealized gains and losses, and estimated fair value of trading investments in fixed maturities:

	As at September 30, 2010			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	($ in millions)			
U.S. Government Securities	$ 42.2	$ 0.6	$	$ 42.8
U.S. Agency Securities	0.5	0.1		0.6
Municipal Securities	2.8	0.2		3.0
Corporate Securities	323.0	26.3	(0.1)	349.2
Foreign Government Securities	8.9	0.6		9.5
Asset Backed Securities	5.0			5.0
Total fixed income	382.4	27.8	(0.1)	410.1
Short term Investments	2.0			2.0
Total	$ 384.4	$ 27.8	$ (0.1)	$ 412.1

	As at December 31, 2009			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	($ in millions)			
U.S. Government Securities	$ 7.3	$	$ (0.8)	$ 6.5
U.S. Agency Securities	0.4			0.4
Municipal Securities	1.8			1.8
Corporate Securities	313.2	16.6	(0.4)	329.4
Foreign Government Securities	4.8	0.2		5.0
Asset Backed Securities	5.0			5.0
Total fixed income	332.5	16.8	(1.2)	348.1
Short term Investments	3.5			3.5
Total	$ 336.0	$ 16.8	$ (1.2)	$ 351.6

Table of Contents

The Company classifies these financial instruments as held for trading as this most closely reflects the facts and circumstances of the investments held. The trading portfolio was established in 2009.

Gross unrealized loss. The following tables summarize as at September 30, 2010 and December 31, 2009, by type of security, the aggregate fair value and gross unrealized loss by length of time the security has been in an unrealized loss position for our available for sale portfolio.

	As at September 30, 2010					
	0-12 months		Over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	($ in millions)					
U.S. Government Securities	$ 12.9	$	$	$	$ 12.9	$
U.S. Agency Securities						
Foreign Government Securities	45.9	(0.1)	4.8		50.7	(0.1)
Municipal Securities	2.5				2.5	
Corporate Securities	35.7	(0.1)	4.2		39.9	(0.1)
Asset-backed Securities	0.3	(0.1)			0.3	(0.1)
Non-agency Residential Mortgage-backed Securities			0.3		0.3	
Non-agency Commercial Mortgage-backed Securities	5.0		0.9		5.9	
Agency Mortgage-backed Securities	29.9	(0.1)	1.0		30.9	(0.1)
Total	$ 132.2	$ (0.4)	$ 11.2	$	$ 143.4	$ (0.4)

	As at December 31, 2009					
	0-12 months		Over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	($ in millions)					
U.S. Government Securities	$ 121.2	$ (2.0)	$	$	$ 121.2	$ (2.0)
U.S. Agency Securities	9.9	(0.2)			9.9	(0.2)
Municipal Securities	15.1	(0.5)			15.1	(0.5)
Foreign Government Securities	113.2	(1.5)			113.2	(1.5)
Corporate Securities	319.5	(3.6)	20.0	(0.2)	339.5	(3.8)
Asset-backed Securities	0.5				0.5	
Agency Mortgage-backed Securities	307.5	(3.5)	1.2		308.7	(3.5)
Non-agency Residential Mortgage-backed Securities			6.5	(0.6)	6.5	(0.6)
	14.6	(0.1)	43.8	(0.9)	58.4	(1.0)

Non-agency Commercial Mortgage-backed Securities						
Total	$ 901.5	$ (11.4)	$ 71.5	$ (1.7)	$ 973.0	$ (13.1)

As at September 30, 2010, the Company held 56 fixed maturities (December 31, 2009 277 fixed maturities) in an unrealized loss position with a fair value of $143.4 million (December 31, 2009 $973.0 million) and gross unrealized losses of $0.4 million (December 31, 2009 $13.1 million).

Other-than-temporary impairments. The Company recorded other-than-temporary impairments for the three and nine months ended September 30, 2010 of $Nil (2009 $1.8 million) and $0.3 million (2009 $19.9 million), respectively. We review all of our investments in fixed maturities designated available for sale for potential impairment each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions. The process of determining

whether a decline in value is other-than-temporary requires considerable judgment. As part of the assessment process we evaluate whether it is more likely than not that we will sell any fixed maturity security in an unrealized loss position before its market value recovers to amortized cost. Once a security has been identified as other-than-temporarily impaired, the amount of any impairment included in net income is determined by reference to that portion of the unrealized loss that is considered to be credit related. Non-credit related unrealized losses are included in other comprehensive income.

U.S. Government and Agency Securities. U.S. government and agency securities are composed of bonds issued by the U.S. Treasury, Government National Mortgage Association (GNMA) and government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal Farm Credit Bank.

Corporate Securities. Corporate securities are composed of short-term, medium-term and long-term debt issued by corporations and supra-national securities.

Foreign Government. Foreign government securities are composed of bonds issued and guaranteed by foreign governments such as the U.K., Canada, and France.

Municipals. Municipal securities are composed of bonds issued by U.S. municipalities.

Asset-Backed Securities. Asset-backed securities are securities backed by notes or receivables against assets other than real estate.

Mortgage-Backed Securities. Mortgage-backed securities are securities that represent ownership in a pool of mortgages. Both principal and income are backed by the group of mortgages in the pool.

Short-Term Investments. Short-term investments comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase and are held as part of the investment portfolio of the Company. Short-term investments are classified as either trading or available-for-sale according to the facts and circumstances of the investment held, and carried at estimated fair value.

Other Investments. On May 19, 2009, Aspen Holdings invested $25.0 million in Cartesian Iris 2009A L.P. through our wholly-owned subsidiary, Acorn Limited. Cartesian Iris 2009A L.P. is a Delaware Limited Partnership formed to provide capital to Iris Re, a Class 3 Bermudian reinsurer focusing on insurance-linked securities. On June 1, 2010, the investment in Cartesian Iris 2009A L.P. matured and was reinvested in the Cartesian Iris Offshore Fund L.P. The Company s involvement with Cartesian Iris Offshore Fund L.P. is limited to its investment in the fund, and it is not committed to making further investments in Cartesian Iris Offshore Fund L.P.; accordingly, the carrying value of the investment represents the Company s maximum exposure to a loss as a result of its involvement with the partnership at each balance sheet date.

In addition to returns on our investment, we provide services on risk selection, pricing and portfolio design in return for a percentage of profits from Iris Re. In the three and nine months ended September 30, 2010, fees of $Nil and $0.2 million, respectively, were payable to us.

The Company has determined that Cartesian Iris Offshore Fund L.P. has the characteristics of a variable interest entity that are addressed by the guidance in ASC 810, *Consolidation*. Cartesian Iris Offshore Fund L.P. is not consolidated by the Company. The Company has no decision-making power, those powers having been reserved for the general partner. The arrangement with Cartesian Iris Offshore Fund L.P. is simply that of an investee to which the Company

provides additional services.

The Company accounts/accounted for its investments in Cartesian Iris 2009A L.P. and Cartesian Offshore Fund L.P. in accordance with the equity method of accounting. Adjustments to the carrying value of this investment are made based on our share of capital including our share of income and expenses, which is provided in the quarterly management accounts of the partnership. The adjusted carrying value approximates fair value. In the three and nine months ended September 30, 2010, our share of gains and losses increased the value of our investment by $0.9 million (2009 reduction of $0.3 million) and $1.4 million (2009 reduction of $0.3 million), respectively. The increase in value has been recognized in realized and unrealized gains and losses in the condensed consolidated statement of operations.

Investment Purchases and Sales. The following table sets out an analysis of investment purchases/(sales) and maturities:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	($ in millions)		($ in millions)	
Purchase of fixed maturity investments	$ 776.7	$ 691.6	$ 1,883.2	$ 2,064.7
(Proceeds) from sales and maturities of fixed maturity investments	(693.7)	(563.8)	(1,709.3)	(1,536.6)
Net purchases/(proceeds) from other investments sold		(277.2)		(412.2)
Net (sales)/purchases of short-term investments	(19.3)	125.1	(78.5)	217.0
Net (sales)/purchases	$ 63.7	$ (24.3)	$ 95.4	$ 332.9

Investment Income. The following is a summary of investment income:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	($ in millions)		($ in millions)	
Fixed maturity investments Available-for-sale	$ 54.1	$ 56.4	$ 163.7	$ 158.5
Fixed maturity investments Trading portfolio	4.5	3.7	13.3	5.0
Short-term investments Available-for-sale	0.5	(3.1)	1.2	3.3
Short-term investments Trading portfolio		0.1		0.1
Fixed term deposits (included in cash and cash equivalents)	0.7	2.9	2.0	7.6
Other investments				20.2
Total	$ 59.8	$ 60.0	$ 180.2	$ 194.7
Investments expenses	(1.7)	(1.1)	(5.2)	(4.4)
Net investment income	$ 58.1	$ 58.9	$ 175.0	$ 190.3

Table of Contents

The following table summarizes the pre-tax realized investment gains and losses, and the change in unrealized gains and losses on investments recorded in shareholders equity and in comprehensive income.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	($ in millions)		($ in millions)	
Pre-tax realized and unrealized investment gains and losses included in income statement:				
Available-for-sale short-term investments and fixed maturities:				
Gross realized gains	$ 8.5	$ 11.4	$ 21.1	$ 28.3
Gross realized (losses)	(0.3)	(2.1)	(0.9)	(12.2)
Trading portfolio short-term investments and fixed maturities:				
Gross realized gains	5.1	0.9	8.5	0.9
Gross realized (losses)	(0.6)	(0.1)	(1.7)	(0.1)
Net change in gross unrealized gains	8.5	5.2	12.0	9.1
Impairments:				
Total other-than-temporary impairments		(1.8)	(0.3)	(19.9)
Equity accounted investments:				
Gross realized gains in Cartesian Iris	0.9	1.1	1.4	1.1
Total pre-tax realized and unrealized investment gains and losses included in income statement:	$ 22.1	$ 14.6	$ 40.1	$ 7.2
Change in available-for-sale unrealized gains:				
Fixed maturities	68.2	106.3	175.9	151.3
Short-term investments		8.7		15.6
Total change in pre-tax available-for-sale unrealized gains	68.2	115.0	175.9	166.9
Change in taxes	(6.7)	(24.3)	(14.5)	(37.6)
Total change in unrealized gains, net of taxes	$ 61.5	$ 90.7	$ 161.4	$ 129.3

Table of Contents

7. Fair Value Measurements

Fair Value Methodology. Our estimates of fair value for financial assets and liabilities are based on the framework established in the fair value accounting guidance. The framework prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in more detail below.

We consider prices for actively traded Treasury (U.S. Government and Foreign Government) securities to be derived based on quoted prices in active markets for identical assets, which are Level 1 inputs in the fair value hierarchy. We consider prices for other securities priced via vendors, indices, or broker-dealers to be derived based on inputs that are observable for the asset, either directly or indirectly, which are Level 2 inputs in the fair value hierarchy.

We consider securities, other financial instruments and derivative insurance contracts subject to fair value measurement whose valuation is derived by internal valuation models to be based largely on unobservable inputs, which are Level 3 inputs in the fair value hierarchy. There have been no changes in our use of valuation techniques during the year.

Our fixed income securities are traded on the over-the-counter market, based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasury securities, over the yield curve. We use a variety of pricing sources to value our fixed income securities including those securities that have pay down/prepay features such as mortgage-backed securities and asset-backed securities in order to ensure fair and accurate pricing. The fair value estimates of the investment grade securities in our portfolio do not use significant unobservable inputs or modeling techniques.

The following table presents our investments within the fair value hierarchy at which the Company s financial assets are measured on a recurring basis at September 30, 2010.

	September 30, 2010		
	Level 1	Level 2	Level 3
	($ in millions)		
Fixed income maturities available-for-sale, at fair value	$ 1,272.3	$ 4,265.4	$ 15.3
Short-term investments available-for-sale, at fair value	179.0	118.5	
Fixed income maturities, trading at fair value	47.0	363.1	
Short-term investments, trading at fair value		2.0	
Derivatives at fair value		0.3	1.2
Total	$ 1,498.3	$ 4,749.3	$ 16.5

In the second quarter, we transferred $109.6 million of foreign government agency securities from Level 1 to Level 2 to bring our classification in line with the presentation for other government agency securities. No other transfers have occurred during the year.

	December 31, 2009		
	Level 1	Level 2	Level 3
		($ in millions)	
Fixed income maturities available-for-sale, at fair value	$ 1,029.8	$ 4,205.2	$ 14.9
Short-term investments available-for-sale, at fair value	293.1	75.1	
Fixed income maturities, trading at fair value	11.6	336.5	
Short-term investments, trading at fair value		3.5	
Derivatives at fair value			6.7
Total	$ 1,334.5	$ 4,620.3	$ 21.6

Fixed income maturities classified as Level 3 include holdings where there are significant unobservable inputs in determining the assets fair value and also securities of Lehman Brothers Holdings, Inc. (Lehman Brothers). Although the market value of Lehman Brothers bonds was based on

Table of Contents

broker dealer quoted prices, management believes that the valuation is based, in part, on market expectations of future recoveries out of bankruptcy proceedings, which involve significant unobservable inputs to the valuation. Derivatives at fair value consist of the credit insurance contract and foreign exchange contracts as described in Note 9.

The following table presents a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using Level 3 inputs for the three and nine months ended September 30, 2010.

	Three Months Ended September 30, 2010		
	Fixed Maturity Investments	Derivatives at Fair Value	Total
	($ in millions)		
Level 3 assets as of July 1, 2010	$ 14.7	$ 3.1	$ 17.8
Total unrealized gains or (losses):			
Included in comprehensive income	0.6		0.6
Included in earnings		(1.9)	(1.9)
Level 3 assets as of September 30, 2010	$ 15.3	$ 1.2	$ 16.5

	Nine Months Ended September 30, 2010		
	Fixed Maturity Investments	Derivatives at Fair Value	Total
	($ in millions)		
Level 3 assets as of January 1, 2010	$ 14.9	$ 6.7	$ 21.6
Total unrealized gains or (losses):			
Included in comprehensive income	0.4		0.4
Included in earnings		(5.5)	(5.5)
Level 3 assets as of September 30, 2010	$ 15.3	$ 1.2	$ 16.5

The following table presents a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using Level 3 inputs for the three and nine months ended September 30, 2009.

	Three Months Ended September 30, 2009		
	Fixed Maturity Investments	Derivatives at Fair Value	Total
	($ in millions)		

Level 3 assets as of July 1, 2009	$ 18.3	$ 5.4	$ 23.7
Total unrealized gains or (losses):			
Included in earnings		(1.8)	(1.8)
Included in comprehensive income	1.5		1.5
Sales	(5.8)		(5.8)
Level 3 assets as of September 30, 2009	$ 14.0	$ 3.6	$ 17.6

Table of Contents

	Nine Months Ended September 30, 2009		
	Fixed Maturity Investments	Derivatives at Fair Value	Total
		($ in millions)	
Level 3 assets as of January 1, 2009	$ 2.8	$ 11.8	$ 14.6
Securities transferred in/(out) of Level 3	14.0		14.0
Total unrealized gains or (losses):			
Included in earnings		(5.5)	(5.5)
Included in comprehensive income	3.0		3.0
Sales	(5.8)		(5.8)
Settlements		(2.7)	(2.7)
Level 3 assets as of September 30, 2009	$ 14.0	$ 3.6	$ 17.6

The following table presents our liabilities within the fair value hierarchy at which the Company s financial liabilities are measured on a recurring basis at September 30, 2010 and December 31, 2009.

	September 30, 2010		
	Level 1	Level 2	Level 3
		($ in millions)	
Liabilities under derivative contracts:			
Credit insurance contract	$	$	$ 3.7
Interest rate swap		0.1	
Liabilities under derivative contracts as of September 30, 2010	$	$ 0.1	$ 3.7

	December 31, 2009		
	Level 1	Level 2	Level 3
		($ in millions)	
Liabilities under derivative contracts:			
Credit insurance contract	$	$	$ 9.2

The following table presents a reconciliation of the beginning and ending balances for the liabilities under derivative contracts measured at fair value on a recurring basis using Level 3 inputs during the three and nine months ended September 30, 2010.

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
	($ in millions)	
Beginning Balance	$ 5.6	$ 9.2
Total realized losses/(gains) included in earnings	2.4	2.4
Settlements	(4.3)	(7.8)
Ending Balance	$ 3.7	$ 3.8

The following table presents a reconciliation of the beginning and ending balances for the liabilities under derivative contracts measured at fair value on a recurring basis using Level 3 inputs during the three and nine months ended September 30, 2009.

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	($ in millions)	
Beginning Balance	$ 7.7	$ 11.1
Settlements	(1.7)	(5.1)
Ending Balance	$ 6.0	$ 6.0

Table of Contents

8. Reinsurance

We purchase retrocession and reinsurance to limit and diversify our own risk exposure and to increase our own insurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss expenses from reinsurers. As is the case with most reinsurance treaties, we remain liable to the extent that reinsurers do not meet their obligations under these agreements, and therefore, in line with our risk management objectives, we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk.

Balances pertaining to reinsurance transactions are reported gross on the consolidated balance sheet, meaning that reinsurance recoverables on unpaid losses and ceded unearned premiums are not deducted from insurance reserves but are recorded as assets.

The largest concentrations of reinsurance recoverables as at September 30, 2010, were with Lloyd s on Lloyd s syndicates which are all rated A (Excellent) by A.M. Best and A+ (Strong) by S&P and with Munich Re which is rated A+ (Superior) by A.M. Best and AA- (Very Strong) by S&P, for their financial strength. Balances with Lloyd s and Munich Re represented 29.5% and 12.2%, respectively, of reinsurance recoverables.

9. Derivative Contracts

The following tables summarize information on the location and amounts of derivative fair values on the consolidated balance sheet as at September 30, 2010 and December 31, 2010:

As at September 30, 2010:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Notional Amount ($ in millions)	Asset Derivatives Balance Sheet Location	Asset Derivatives Fair Value ($ in millions)	Liability Derivatives Balance Sheet Location	Liability Derivatives Fair Value ($ in millions)
Credit insurance contract	$ 452.0	Derivatives at fair value	$ 1.2	Liabilities under derivatives	$ 3.7
Interest rate swaps	$ 105.0	Derivatives at fair value	$ 0.3	Liabilities under derivatives	$ 0.1

As at December 31, 2009:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Notional Amount ($ in millions)	Asset Derivatives Balance Sheet Location	Asset Derivatives Fair Value ($ in millions)	Liability Derivatives Balance Sheet Location	Liability Derivatives Fair Value ($ in millions)

Credit insurance contract	$ 452.4	Derivatives at fair value	$ 6.7	Liabilities under derivatives	$ 9.2

Table of Contents

The following table provides the unrealized and realized gains/(losses) recorded in earnings for the three and nine months ended September 30, 2010 and 2009:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Recognized in Income Three Months Ended September 30, 2010	September 30, 2009
		($ millions)	
Credit Insurance Contract	Change in Fair Value of Derivatives	$ (1.7)	$ (2.0)
Interest Rate Swap	Change in Fair Value of Derivatives	$ (2.0)	$

Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Recognized in Income Nine Months Ended September 30, 2010	September 30, 2009
		($ millions)	
Credit Insurance Contract	Change in Fair Value of Derivatives	$ (5.7)	$ (5.9)
Interest Rate Swap	Change in Fair Value of Derivatives	$ (2.1)	$
Foreign Exchange Contract	Net Foreign Exchange Gains and Losses	$ 1.2	$ 1.8

Credit insurance contract. On November 28, 2006, the Company entered into a credit insurance contract which, subject to its terms, insures the Company against losses due to the inability of one or more of our reinsurance counterparties to meet their financial obligations to the Company.

The Company considers the contract to be a derivative instrument because the final settlement is expected to take place two years after expiry of cover and include an amount attributable to outstanding and IBNR claims which may not at that point in time be due and payable to the Company.

As a result of the application of derivative accounting guidance, the contract is treated as an asset or a liability and measured at the directors estimate of its fair value. Changes in the estimated fair value from time to time will be included in the consolidated statement of operations.

The contract is for a maximum of five years and provides 90% cover for a named panel of reinsurers up to individual defined sub-limits. The contract does allow, subject to certain conditions, for substitution and replacement of panel members if the Company s panel of reinsurers changes. Payments are made on a quarterly basis throughout the period of the contract based on the aggregate limit, which was set initially at $477 million but is subject to adjustment. The carrying value of the derivative is the Company s maximum exposure to loss.

On October 26, 2010, we gave notice of our intention to cancel our credit insurance contract with effect from November 28, 2010. The notice of cancellation will trigger a final payment of $1.9 million to the contract counter-parties.

Foreign exchange contract. The Company uses forward exchange contracts to manage foreign currency risk. A forward foreign currency exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our assets and liabilities denominated in foreign currencies but rather allow us to establish a rate of exchange for a future point in time. The foreign currency contracts are recorded as derivatives at fair value with changes recorded as a net foreign exchange gain or loss in the Company s statement of operations. As at September 30, 2010, the Company had no forward contracts outstanding.

Interest rate swaps. The Company selectively hedges its exposure in its investment portfolio to interest rates by entering into interest rate swaps with financial institution counterparties in the ordinary course of its investment activities. As at September 30, 2010, the Company held a number of standard fixed for floating interest rate swaps with a total notional amount of $105.0 million that are due to mature between August 2, 2012 and August 2, 2020. As at September 30, 2010, there was a charge in respect of the interest rate swaps for the quarter and the year of $2.0 million (2009 $Nil) and $2.1 million (2009 $Nil), respectively.

Table of Contents

10. Reserves for Losses and Adjustment Expenses

The following table represents a reconciliation of beginning and ending consolidated loss and loss adjustment expenses (LAE) reserves:

	As at September 30, 2010	As at December 31, 2009
	($ in millions)	
Provision for losses and LAE at start of year	$ 3,331.1	$ 3,070.3
Less reinsurance recoverable	(321.5)	(283.3)
Net loss and LAE at start of year	3,009.6	2,787.0
Net loss and LAE expenses disposed of	(43.3)	(10.0)
Provision for losses and LAE for claims incurred:		
Current year	950.1	1,032.5
Prior years	(8.8)	(84.4)
Total incurred	941.3	948.1
Losses and LAE payments for claims incurred:		
Current year	(51.1)	(131.6)
Prior years	(432.2)	(677.0)
Total paid	(483.3)	(808.6)
Foreign exchange (gains)/losses	(15.9)	93.1
Net losses and LAE reserves at period end	3,408.4	3,009.6
Plus reinsurance recoverable on unpaid losses at period end	263.8	321.5
Loss and LAE reserves at September 30, 2010 and December 31, 2009	$ 3,672.2	$ 3,331.1

For the nine months ended September 30, 2010, there were reserve releases of $8.8 million compared to $71.0 million for the nine months ended September 30, 2009 in our estimate of the ultimate claims to be paid in respect of prior accident years. For additional information on our reserve releases please refer to the section titled Reserves for Losses and Loss Adjustment Expenses.

The $43.3 million loss reserve portfolio transfer in the nine months ended September 30, 2010 relates to the commutation of structured contracts.

11. Capital Structure

The following table provides a summary of the Company s authorized and issued share capital at September 30, 2010 and December 31, 2009.

	As at September 30, 2010		As at December 31, 2009	
	Number	$ in Thousands	Number	$ in Thousands
Authorized Share Capital				
Ordinary shares 0.15144558¢ per share	969,629,030	$ 1,469	969,629,030	$ 1,469
Non-Voting shares 0.15144558¢ per share	6,787,880	10	6,787,880	10
Preference shares 0.15144558¢ per share	100,000,000	152	100,000,000	152

30

	Number	$ in Thousands	Number	$ in Thousands
Issued Share Capital				
Issued ordinary shares of 0.15144558¢ per share	76,642,007	$ 116	83,327,594	$ 126
Issued preference shares of 0.15144558¢ each with a liquidation preference of $50 per share	4,600,000	7	4,600,000	7
Issued preference shares of 0.15144558¢ each with a liquidation preference of $25 per share	5,327,500	8	5,327,500	8
Total issued share capital		$ 131		$ 141

	As at September 30, 2010 $ in millions	As at December 31, 2009 $ in millions
Additional paid-in capital	$ 1,561.5	$ 1,763.0

Ordinary Shares. The following table summarizes transactions in our ordinary shares during the nine month period ended September 30, 2010.

	Number of Shares
Shares in issue at December 31, 2009	83,327,594
Share transactions in the nine months ended September 30, 2010:	
Shares issued to the Names trust upon exercise of investor options (refer to Note 12)	5,819
Shares issued to employees under the share incentive plan	760,098
Shares issued to non-employee directors	49,970
Repurchase of ordinary shares from shareholders	(7,501,474)
Shares in issue at September 30, 2010	76,642,007

Ordinary Share Repurchase. On June 23, 2010, an agreement was signed to repurchase 10,835 shares from the Names Trustee. The shares were repurchased on July 7, 2010 and subsequently cancelled.

On February 9, 2010, our Board of Directors authorized a new repurchase program for up to $400 million of our ordinary shares. The authorization for the repurchase program covers the period to March 1, 2012. This share repurchase program was in addition to the completed accelerated share repurchase program entered into on January 5, 2010. On September 22, 2010, we initiated an open market purchase program to purchase ordinary shares in the open market. During the third quarter of 2010, we repurchased in the open market and subsequently cancelled a total of

264,555 ordinary shares under the repurchase program.

On January 5, 2010, we entered into an accelerated share repurchase program with Goldman Sachs & Co. (Goldman Sachs) to repurchase $200 million of our ordinary shares. The transaction was completed on May 26, 2010, when a total of 7,226,084 ordinary shares were received and cancelled. The repurchase completes the share repurchase program authorized by our Board of Directors and announced on February 6, 2008. The purchase was funded with cash available and the sale of investment assets.

12. Share Based Payments

The Company has issued options and other equity incentives under four arrangements: investor options, employee awards, non-employee director awards and the employee share purchase plans. When options are exercised or other equity awards have vested, new shares are issued as the Company does not currently hold treasury shares. The Company applies a fair value based measurement method and an estimate of future forfeitures in the calculation of the compensation costs of stock options and restricted share units.

Investor Options. The investor options were issued on June 21, 2002 to Wellington Investment Holdings (Jersey) Limited (Wellington Investment) and members of Syndicate 2020 who were not

corporate members of Syndicate 2020. The options conferred to the members of Syndicate 2020 are held for their benefit by Appleby Services (Bermuda) Ltd. (formerly Appleby Trust (Bermuda) Limited) (Names Trustee). The subscription price payable under the options is initially £10 and increases by 5% per annum, less any dividends paid. Option holders are not entitled to participate in any dividends prior to exercise and would not rank as a creditor in the event of liquidation. If not exercised, the options will expire on June 21, 2012. During the three and nine months ended September 30, 2010, the Names Trustee exercised 9,549 and 24,560 options on a cash and cashless basis, respectively (2009 627 and 4,469 options, respectively).

Employee and Non-Executive Director Awards. Employee options and other awards are granted under the Aspen 2003 Share Incentive Plan and non-executive director awards are granted under the 2006 Stock Option Plan for Non-Employee Directors.

Stock options are granted with an exercise price equivalent to the fair value of the share on the grant date. The weighted average value at grant date is determined using the Black-Scholes option pricing model. Stock options typically vest over a three-year period with a ten-year contract period (except for options granted in 2007 which have a 7-year exercise period) with vesting dependent on time and performance conditions established at the time of grant. No options were granted in the three and nine months ended September 30, 2010 (2009 Nil); 215,068 options were exercised during the three months ended September 30, 2010 (2009 106,166); and 736,879 options were exercised during the nine months ended September 30, 2010 (2009 164,625). Compensation costs credited against income in respect of employee options for the three and nine months ended September 30, 2010 were $Nil and $0.5 million, respectively (2009 charges of $0.5 million and $1.6 million, respectively).

Restricted share units (RSU s) to employees vest equally over a two or three-year period. Some of the grants vest at year-end, while some other grants vest on the anniversary of the date of grant or when the Compensation Committee of the Board agrees to deliver them. The fair value of the restricted share units is based on the closing price on the date of the grant. The fair value is expensed through the income statement evenly over the vesting period. During the three and nine months ended September 30, 2010, the Company granted to employees 45,134 and 153,589 restricted share units, respectively (2009 Nil and 42,291). In the case of non-employee directors, one-twelfth of the RSU s vest on each one month anniversary of the date of grant, with 100% of the RSU s becoming vested on the first anniversary of the date of grant. On February 9, 2010 (with a grant date of February 11, 2010), the Board of Directors approved a total of 28,640 RSU s for the non-employee directors (April 29, 2009 Nil) and 17,902 RSU s to the Chairman (April 29, 2009 8,439). Compensation costs charged against income in respect of restricted share units for the three and nine months ended September 30, 2010 were $1.0 million and $2.6 million, respectively (2009 $0.7 million and $2.1 million).

The fair value of performance share awards is based on the value of the average of the high and low of the share price on the date of the grant less a deduction for expected dividends which would not accrue during the vesting period. Performance shares vest over a three or four-year period with shares eligible for vesting dependent on the achievement of performance targets at the end of specified periods as established at the time of grant. Compensation costs charged against income in the three and nine months ended September 30, 2010 in respect of performance shares were a charge of $2.7 million and a charge of $5.0 million, respectively (2009 $5.5 million and $11.9 million).

On February 8, 2010, the Compensation Committee approved the grant of 720,098 performance shares with a grant date of February 11, 2010. The performance shares will be subject to a three-year vesting period with a separate annual Return on Equity (ROE) test for each year. One-third of the grant will be eligible for vesting each year based on the following formula, and will only be issuable at the end of the three-year period. If the ROE achieved in any given year is less than 7%, then the portion of the performance shares subject to the vesting conditions in such year will be forfeited (i.e., 33.33% of the initial grant). If the ROE achieved in any given year is between 7% and 12%,

then the percentage of the performance shares eligible for vesting in such year will be between 10% and 100% on a straight-line basis. If the ROE achieved in any given year is between 12% and 22%, then the percentage of the performance shares eligible for vesting in such year will be between 100% and 200% on a straight-line

basis. Notwithstanding the vesting criteria for each given year, if in any given year, the shares eligible for vesting are greater than 100% for the portion of such year s grant (i.e., the ROE was greater than 12% in such year) and the average ROE over such year and the preceding year is less than 7%, then only 100% (and no more) of the shares that are eligible for vesting in such year shall vest. If the average ROE over the two years is greater than 7%, then there will be no diminution in vesting and the shares eligible for vesting in such year will vest in accordance with the vesting schedule without regard to the average ROE over the two-year period.

Employee Share Purchase Plans. On April 30, 2008, the shareholders of the Company approved the Employee Share Purchase Plan (the ESPP), the 2008 Sharesave Scheme and the International Employee Share Purchase Plan, which are implemented by a series of consecutive offering periods as determined by the Board. In respect of the ESPP, employees can save up to $500 per month over a two-year period, at the end of which they will be eligible to purchase Company shares at a discounted price. In respect of the 2008 Sharesave Scheme, employees can save up to £250 per month over a three-year period, at the end of which they will be eligible to purchase Company shares at a discounted price. The purchase price will be eighty-five percent (85%) of the fair market value of a share on the offering date which may be adjusted upon changes in capitalization of the Company. Under the plan, 1,582 shares were issued during the three and nine months ended September 30, 2010 (2009 Nil). Compensation costs charged against income in the three and nine months ended September 30, 2010 in respect of the ESPP were $0.1 million and $0.5 million, respectively (2009 $Nil and $Nil).

13. Intangible Assets

	Three Months Ended September 30, 2010				Three Months Ended September 30, 2009			
	Trade Mark	Insurance Licenses	Other	Total	Trade Mark	Insurance Licenses	Other	Total
	($ in millions)				($ in millions)			
Intangible Assets								
Beginning of the period	$ 1.6	$ 6.6	$ 3.3	$ 11.5	$ 1.6	$ 6.6	$	$ 8.2
Additions		10.0		10.0				
Amortization			(0.1)	(0.1)				
End of the period	$ 1.6	$ 16.6	$ 3.2	$ 21.4	$ 1.6	$ 6.6	$	$ 8.2

	Nine Months Ended September 30, 2010				Nine Months Ended September 30, 2009			
	Trade Mark	Insurance Licenses	Other	Total	Trade Mark	Insurance Licenses	Other	Total
	($ in millions)				($ in millions)			
Intangible Assets								
Beginning of the period	$ 1.6	$ 6.6	$ 3.6	$ 11.8	$ 1.6	$ 6.6	$	$ 8.2
Additions		10.0		10.0				

Amortization			(0.4)	(0.4)				
End of the period	$ 1.6	$ 16.6	$ 3.2	$ 21.4	$ 1.6	$ 6.6	$	$ 8.2

On January 22, 2010, we entered into a sale and purchase agreement to purchase APJ Continuation Limited and its subsidiaries (APJ) for an aggregate consideration of $4.8 million. We closed the transaction on March 22, 2010. The business writes a specialist account of K&R insurance which complements our existing political and financial risk line of business. The directors of Aspen Holdings have assessed the fair value of the net tangible and financial assets acquired at $1.2 million. The $3.6 million intangible asset represents our assessment of the value of renewal rights, distribution channels and employees associated with the business.

On February 4, 2010, we entered into a stock purchase agreement to purchase a U.S. insurance company with licenses to write insurance business on an admitted basis in the U.S. The value of these licenses was $10.0 million. We closed the transaction on August 16, 2010.

14. Commitments and Contingencies

(a) Restricted assets

We are obliged by the terms of our contractual obligations to U.S. policyholders and by undertakings to certain regulatory authorities to facilitate the issue of letters of credit or maintain certain balances in trust funds for the benefit of policyholders.

The following table shows the forms of collateral or other security provided to policyholders as at September 30, 2010 and December 31, 2009.

	As at September 30, 2010	As at December 31, 2009
	($ in millions, except percentages)	
Assets held in multi-beneficiary trusts	$ 1,753.7	$ 1,495.8
Assets held in single-beneficiary trusts	58.6	55.7
Secured letters of credit(1)	504.2	528.3
Total	$ 2,316.5	$ 2,079.8
Total as % of cash and invested assets	32.1%	30.8%

(1) As of September 30, 2010, the Company had funds on deposit of $703.7 million and £19.2 million (December 31, 2009 $667.1 million and £18.8 million) as collateral for the secured letters of credit.

On April 29, 2009, Aspen Bermuda replaced its existing letter of credit facility with Citibank Europe dated October 29, 2008 in a maximum aggregate amount of up to $450 million with a new letter of credit facility in a maximum aggregate amount of up to $550 million. The Company had $361.7 million of outstanding collateralized letter of credit under this facility at September 30, 2010.

On October 6, 2009, Aspen U.K. and Aspen Bermuda entered into a $200 million secured letter of credit facility with Barclays Bank plc. All letters of credit issued under the facility are used to support reinsurance obligations of the parties to the agreement and their respective subsidiaries. The Company had $46.0 million of outstanding collateralized letters of credit under this facility at September 30, 2010.

On July 31, 2010, Aspen Holdings and its various subsidiaries replaced its then existing $450 million revolving credit facility with a three year $280 million revolving credit facility.

Funds at Lloyd s. AUL operates in Lloyd s as the corporate member for Syndicate 4711. Lloyd s determines Syndicate 4711 s required regulatory capital principally based on the syndicate s annual business plan. Such capital, called Funds at Lloyd s, comprises: cash, investments and a fully collateralized letter of credit. The amounts of cash, investments and letter of credit at September 30, 2010 amount to $220.1 million (December 31, 2009 $219.8 million).

(b) Operating leases

Amounts outstanding under operating leases net of subleases as of September 30, 2010 were:

	2010	2011	2012	2013	2014	Later Years	Total
				($ in millions)			
Operating Lease Obligations	2.3	6.6	5.7	5.6	5.6	19.4	45.1

(c) Variable interest entities

Cartesian Iris 2009A L.P and Cartesian Iris Offshore Fund L.P. As disclosed in Note 6, on May 19, 2009, Aspen Holdings invested $25.0 million in Cartesian Iris 2009A L.P. through our wholly-owned subsidiary, Acorn Limited. Cartesian Iris 2009A L.P. is a Delaware Limited Partnership formed to provide capital to Iris Re, a Class 3 Bermudian reinsurer focusing on insurance-linked securities. On June 1, 2010, the investment in Cartesian Iris 2009A L.P. matured and was reinvested in the Cartesian Iris Offshore Fund L.P. The Company s involvement with Cartesian Iris Offshore Fund L.P. is limited to its investment in the fund, and it is not committed to making further investments in Cartesian Iris Offshore Fund L.P.; accordingly, the carrying value of the investment represents the Company s

maximum exposure to a loss as a result of its involvement with the partnership at each balance sheet date.

In addition to returns on our investment, we provide services on risk selection, pricing and portfolio design in return for a percentage of profits from Iris Re. In the three and nine months ended September 30, 2010, fees of $Nil and $0.2 million, respectively, were payable to us.

The Company has determined that Cartesian Iris Offshore Fund L.P. has the characteristics of a variable interest entity that are addressed by the guidance in ASC 810, *Consolidation*. Cartesian Iris Offshore Fund L.P. is not consolidated by the Company. The Company has no decision-making power, those powers having been reserved for the general partner. The arrangement with Cartesian Iris Offshore Fund L.P. is simply that of an investee to which the Company provides additional services.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our financial condition and results of operations for the three and nine months ended September 30, 2010 and 2009. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes contained in this Form 10-Q and the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2009, as well as the discussions of critical accounting policies, contained in our Financial Statements in our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business and in Outlook and Trends below, includes forward-looking statements that involve risk and uncertainties. Please see the section captioned Cautionary Statement Regarding Forward-Looking Statements in this report and the Risk Factors in Item 1A of our 2009 Annual Report on Form 10-K for more information on factors that could cause actual results to differ materially from the results described in or implied by any forward-looking statements contained in this discussion and analysis.

Recent Developments

On October 5, 2010, we announced the appointment of John Cavoores as co-chief executive officer of our insurance operations, Aspen Insurance. Mr. Cavoores has been a member of our Board of Directors since 2006 and will be sharing executive oversight of Aspen Insurance with co-chief executive officer Rupert Villers. Mr. Cavoores has a particular focus on Aspen Insurance s casualty and professional lines business while Mr. Villers concentrates on transportation related lines and financial lines with joint responsibility for property business. Geographically, Mr. Cavoores has executive oversight over Aspen Insurance s U.S. platform, while Mr. Villers is responsibly for non-U.S. operations.

Effective October 8, 2010, we entered into five interest rate swaps with a notional amount of $100.0 million due to mature between October 8, 2012 and October 8, 2020. The swaps are part of the Company s ordinary course of investment activities to hedge its exposure to interest rates.

On October 26, 2010 we gave notice of our intention to cancel our credit insurance contract with effect from November 28, 2010. The notice of cancellation will trigger a final payment of $1.9 million to the contract counter-parties.

On October 29, 2010, we received regulatory approval to establish a branch in Zurich, Switzerland to write insurance business (in addition to our currently existing branch which writes reinsurance business).

On November 4, 2010, the Company announced the appointment of Mr. Albert J. Beer to the board of directors in a non-executive capacity with effect from February 1, 2011. Mr. Beer has also been appointed to the Company s Risk Committee and the Audit Committee, where he will serve as an additional financial expert.

Effective November 9, 2010, we entered into five interest rate swaps with a notional amount of $100.0 million due to mature between November 9, 2012 and November 9, 2020. The swaps are part of the Company s ordinary course of investment activities to hedge its exposure to interest rates. This brings the Company s total notional value of interest rate swaps to $305.0 million, maturing between August 2, 2012 and November 9, 2020.

Overview

We are a Bermuda holding company. We write insurance and reinsurance business through our wholly-owned subsidiaries in three major jurisdictions: Aspen U.K. and AUL, corporate member of Syndicate 4711 at Lloyd s of London (United Kingdom), Aspen Bermuda (Bermuda), Aspen Specialty and Aspen America Insurance Company(United States). Aspen U.K. also has branches in Paris, France; Zurich, Switzerland; Dublin, Ireland; Cologne, Germany; Singapore; Australia; and Canada. We operate in global markets for property and casualty insurance and reinsurance.

Table of Contents

The most significant features of our results for the three and nine months ended September 30, 2010 were:

Diluted book value per share of $38.22, up 15.3% over the end of the third quarter of 2009 and up 3.4% from the end of the second quarter in 2010;

Diluted earnings per share of $1.08 for the quarter, down from $1.63 for the third quarter of 2009;

Third quarter net income after tax of $92.8 million, down from $145.8 million in the same quarter last year due to the combination of large losses and relative prior year reserve movement;

Completed the accelerated share repurchase transaction on May 21, 2010, resulting in the repurchase and cancellation of 7,226,084 shares during the first half of 2010; and

An increase of $68.3 million and $176.0 million in unrealized gains in the available for sale investment portfolio for the three and nine months ended September 30, 2010.

Diluted book value per ordinary share is based on total shareholders equity less preference shares (liquidation preference less issue expenses), divided by the number of diluted ordinary shares at the end of the period.

Shareholders equity and ordinary shares in issue as at September 30, 2010 and September 30, 2009 were:

	As at September 30, 2010	As at September 30, 2009
	($ in millions, except for share amounts)	
Total shareholders equity	$ 3,440.7	$ 3,212.1
Preference shares less issue expenses	(353.6)	(353.6)
Net assets attributable to ordinary shareholders	$ 3,087.1	$ 2,858.5
Ordinary shares	76,642,007	83,094,615
Diluted ordinary shares	80,808,977	86,192,623

The following overview of our results for the three months ended September 30, 2010 and 2009 and of our financial condition at September 30, 2010, is intended to identify important trends and should be read in conjunction with the more detailed discussion further below.

Gross written premiums. Total gross written premiums decreased to $415.8 million in the third quarter of 2010 when compared to 2009 with reductions in both the insurance and reinsurance segments but more significantly in reinsurance where we wrote more property reinsurance business in the first half of the year, and in our specialty and casualty divisions due to reductions in business written as a result of market conditions. The table below shows our gross written premiums for each segment for the three months ended September 30, 2010 and 2009, and the percentage change in gross written premiums for each segment.

	For the Three Months	For the Three Months

Business Segment	Ended September 30, 2010			Ended September 30, 2009	
	($ in millions)		% increase/ (decrease)	($ in millions)	
Reinsurance	$	236.0	(20.3)%	$	296.1
Insurance		179.8	(7.4)%		194.2
Total	$	415.8	(15.2)%	$	490.3

Gross written premiums in the insurance segment have decreased by 7.4% to $179.8 million when compared to the third quarter of 2009 with the reduction due predominantly to our decision to write less casualty insurance business in the current difficult trading environment.

Reinsurance. Total reinsurance ceded for the quarter of $38.8 million has increased by $10.6 million from the third quarter of 2009 mainly in the insurance segment and specifically reinsurance for our new U.S professional lines business and reinstatement costs in our marine, energy and transportation division.

Table of Contents

Loss ratio. We monitor the ratio of losses and loss adjustment expenses to net earned premium (the loss ratio) as a measure of relative underwriting performance where a lower ratio represents a better result than a higher ratio. The loss ratios for our two business segments for the three months ended September 30, 2010 and 2009 were as follows:

Business Segment	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009
Reinsurance	53.6%	44.1%
Insurance	77.3%	59.2%
Total Loss Ratio	63.3%	49.9%

The loss ratio for the quarter of 63.3% has increased by 13.4 percentage points compared to the third quarter of 2009. The increase is due mainly to $6.2 million of prior year reserve strengthening in the current quarter compared with $44.2 million of reserve releases in the third quarter of 2009. Reserve releases in our reinsurance segment reduced from $33.2 million in the third quarter of 2009 to $3.3 million in the current period. The $29.9 million change in reserve releases in this segment from the prior year is equivalent to an 11.2 percentage point reduction in the current year loss ratio. The insurance segment had a $9.5 million reserve strengthening this quarter compared to an $11.0 million release in the third quarter of 2009. The $20.5 million variance is equivalent to an 11.1 percentage points increase in the insurance segment loss ratio for the third quarter of 2010.

We have presented loss ratios excluding the impact from prior year reserve adjustments and catastrophic losses to aid in the analysis of the underlying performance of our segments. We have defined catastrophic losses as losses associated with the Chilean earthquake in the first quarter of 2010 and the New Zealand earthquake in the third quarter of 2010. Our current pre tax estimate of loss for these events is $125.3 million for the Chilean earthquake and $20.4 million for the New Zealand earthquake. The underlying changes in accident year loss ratios by segment are also shown in the table below. The prior year claims adjustment in the table below reflects prior- year reserve movement and excludes premium adjustments. The current year claims adjustments represent catastrophic loss events.

For the Three Months Ended September 30, 2010	Total Loss Ratio	Prior Year Claims Adjustment	Current Year Claims Adjustment	Accident Year Loss Ratio Excluding Prior and Current Year Claims Adjustments
Reinsurance	53.6%	1.2%	(7.6)%	47.2%
Insurance	77.3%	(5.2)%	%	72.1%
Total	63.3%	1.4%	(4.5)%	57.4%

For the Three Months Ended September 30, 2009	Total Loss Ratio	Prior Year Claims Adjustment	Current Year Claims Adjustment	Accident Year Loss Ratio Excluding Prior and Current Year Claims Adjustments
Reinsurance	44.1%	11.5%	%	55.6%
Insurance	59.2%	6.0%	%	65.2%
Total	49.9%	9.4%	%	59.3%

Reserve releases. The loss ratios take into account changes in our assessments of reserves for unpaid claims and loss adjustment expenses arising from earlier years. In the three months ended September 30, 2010 and 2009, we recorded a reduction in the level of reserves for prior years. The amounts of these reductions and their effect on the loss ratio in each period are shown in the following table:

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009
Reserve (strengthening)/releases ($ in millions)	$ (6.2)	$ 44.2
% of net premiums earned	1.4%	9.4%

Table of Contents

The $50.4 million variance is mainly due to a reduction in the size of reserve releases from the reinsurance segment compared to the third quarter in 2009 in particular from our other property reinsurance and casualty reinsurance divisions. The insurance reserve strengthening in the third quarter of 2010, of $9.5 million is mainly attributable to adverse development in our financial and professional lines while in the third quarter of 2009 we recognized a $11.0 million reserve release due to favorable experience across a number of lines. Further information relating to the movement of prior year reserves can be found below under Reserves for Loss and Loss Adjustment Expenses.

Expense ratio. We monitor the ratio of expenses to net earned premium (the expense ratio) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for each of the three months ended September 30, 2010 and 2009:

	For the Three Months Ended September 30, 2010	**For the Three Months Ended September 30, 2009**
Policy acquisition expenses	16.7%	16.9%
Operating and administrative expenses	14.4%	13.5%
Expense ratio	31.1%	30.4%

The policy acquisition expense ratio of 16.7% for the quarter has reduced from 16.9% in the third quarter of 2009. The decrease is due to a combination of reduced profit related commissions and a change in the mix of business written where we have written a greater proportion of business in divisions with a lower average commission rate.

Operating and administrative expenses have increased to $65.0 million for the quarter compared with $63.7 million in the third quarter of 2009 with the operating and administrative expense ratio, as a percentage of net earned premium, increasing from 13.5% to 14.4% for the same period. The increase in the operating and administrative expense ratio is mainly due to lower gross earned premiums in our reinsurance segment, while the increase in costs overall is due to our investment in infrastructure and capabilities to support our expansion, in the U.K., U.S., Switzerland, and Germany.

Net investment income. Net investment income for the quarter of $58.1 million has decreased from $58.9 million in the third quarter of 2009 due to reductions in portfolio yields.

Change in fair value of derivatives. In the three months ended September 30, 2010, we recorded a reduction of $1.7 million (2009 $2.0 million reduction) in the estimated fair value of our credit insurance contract including an interest expense credit of $0.2 million (2009 charge of $0.2 million) and a charge of $2.1 million (2009 $Nil) for the interest rate swap. Further information on these contracts can be found in Note 9 to the financial statements.

Other revenues and expenses. Other revenues and expenses in the three months ended September 30, 2010 included $3.4 million of foreign currency exchange gains. Realized and unrealized gains included $8.2 million (2009 $9.3 million) of net realized gains from the fixed income maturities available-for-sale portfolio, $4.5 million (2009 $0.8 million) of net realized gains from our fixed income maturities trading portfolio, $8.5 million (2009 $5.2 million) of net unrealized gains from our fixed income maturities trading portfolio, a charge of $Nil (2009 $1.8 million) for investments we believe to be other-than-temporarily impaired and $0.9 million (2009 $1.1 million) representing our share of earnings from our investment in Cartesian Iris.

Taxes. The estimated effective rate of tax for the quarter is 10.0% (2009 14.8%). The reduction in the tax rate when compared to the third quarter of 2009 was due to the relative performance of our Bermuda, U.S. and U.K. operations. The effective tax rate for the year is subject to revision in future periods if circumstances change and in particular, depending on the relative claims experience of those parts of business underwritten in Bermuda where the rate of tax on corporate profits is zero while the U.K. corporate tax rate is 28% and the U.S. corporate tax rate is 35%.

Dividends. The dividend on our ordinary shares has been maintained at $0.15 per ordinary share for the quarter.

Dividends paid on our preference shares in the three months ended September 30, 2010 were $5.7 million (2009 $5.6 million).

Shareholders equity and financial leverage. Total shareholders equity increased by $136.8 million to $3,440.7 million for the three months ended September 30, 2010. The most significant movements were:

- unrealized appreciation on investments, net of taxes, of $61.5 million; and
- net retained income after tax for the period of $75.6 million.

As at September 30, 2010, total ordinary shareholders equity was $3,087.1 million compared to $2,951.8 million at December 31, 2009. The remainder of our total shareholders equity, as at September 30, 2010, was funded by two classes of preference shares with a total value as measured by their respective liquidation preferences of $353.6 million net of share issuance costs (December 31, 2009 $353.6 million).

The amount outstanding under our senior notes, less amortization of expenses, of $249.7 million (December 31, 2009 $249.6 million) was the only material debt that we had outstanding as of September 30, 2010 and December 31, 2009.

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders equity plus outstanding debt. At September 30, 2010, this ratio was 6.8% (December 31, 2009 7.0%).

Our preference shares are classified on our balance sheet as equity but may receive a different treatment in some cases under the capital adequacy assessments made by certain rating agencies. Such securities are often referred to as hybrids as they have certain attributes of both debt and equity. We also monitor the ratio of the total of debt and hybrids to total capital which was 16.3% as of September 30, 2010 (December 31, 2009 17.0%)

Capital Management. On January 5, 2010, we entered into an accelerated share repurchase program with Goldman Sachs to repurchase $200 million of our ordinary shares. This transaction was completed on May 26, 2010 resulting in the repurchase and cancellation of 7,226,084 ordinary shares in the first half of 2010. The repurchase completes the share repurchase program authorized by the Board of Directors and announced on February 6, 2008. The purchase was funded with cash available and the sale of investment assets.

On February 9, 2010, our Board of Directors authorized a new repurchase program for up to $400 million of ordinary shares. The authorization for the repurchase program covers the period to March 1, 2012. This share repurchase program is in addition to the accelerated share repurchase completed on May 26, 2010. As at September 30, 2010, a total of 264,555 ordinary shares were repurchased and cancelled for a total cost of $7.7 million.

Liquidity. Management monitors the liquidity of Aspen Holdings and of each of its Insurance Subsidiaries. With respect to Aspen Holdings, management monitors its ability to service debt, to finance dividend payments and to provide financial support to the Insurance Subsidiaries. As at September 30, 2010, Aspen Holdings held $54.5 million (December 31, 2009 $33.5 million) in cash and cash equivalents which, taken together with dividends declared or expected to be declared by subsidiary companies and our credit facilities, management considered sufficient to provide Aspen Holdings liquidity at such time.

As at September 30, 2010, our subsidiaries held $848.8 million (December 31, 2009 $701.5 million) in cash and cash equivalents that are readily realizable securities. Management monitors the value, currency and duration of the cash and investments within its Insurance Subsidiaries to ensure that they are able to meet their insurance and other

liabilities as they become due and was satisfied that there was a comfortable margin of liquidity as at September 30, 2010 and for the foreseeable future.

As of September 30, 2010, we had in issue $504.2 million in letters of credit to cedants, for which the Company had funds on deposit of $734.2 million as collateral for the secured letters of credit. Further information relating to letters of credit is found below under Liquidity.

Outlook and Trends

Market conditions are difficult with terms and conditions under pressure but for the most part pricing is broadly stable. As a result, we are scaling back the amount of business that we write in those areas where rates or terms have been most affected. Our diversified model allows us to concentrate on lines of business where business is better priced. In 2010 we have taken advantage of market timing; for example in property catastrophe reinsurance, we chose to write business earlier in the year giving us better rates as we anticipated prices would be weakening in April and July. We have also been able to benefit from increased bank lending and trade flow in financial and political risks insurance. Pricing in casualty business continues to be difficult, particularly given the current investment outlook, and we are reducing our exposure in this sector.

Reinsurance: We have seen price declines accelerating on property catastrophe business at the July renewals reflecting both ample capacity and reduced demand from cedants through higher retentions and decreased exposures although we continue to view this as adequately priced business. We saw rate increases on international accounts affected by the Chile Earthquake loss, however, these were lower than we would have liked. We also anticipate rate increases in Marine Energy reinsurance following Deepwater Horizon.

Casualty reinsurance remains challenging with sustained rate pressure on original business although reinsurance markets generally continue to remain disciplined to date. Our international casualty reinsurance account held up well in the third quarter, with rates being flat on renewal business in Australia. In general terms, we do not expect the environment to improve until there is broader recognition of the challenges posed by lower interest rates and future claims. Within our specialty reinsurance division we have experienced good results in credit and surety reinsurance and in our agriculture reinsurance account, which we formed earlier this year.

Insurance: Casualty lines continue to experience significant competitive pressures and now represent less than 15% of our third quarter gross written premiums for this segment, down from just over 27% in the comparable period last year. Property insurance is characterized by ample capacity and aggressive competitor behavior. In energy property insurance, the Deepwater Horizon loss had the effect of reversing the downward rating trend. The loss of the Aban Pearl drilling unit in Venezuela, at a cost to the market of $270 million to date, shortly afterwards acted as a further brake, and there is also continued uncertainty surrounding the ongoing regulation of the offshore drilling industry. These three factors should result in a positive rating environment but may be partly offset by surplus capacity in the market. In aviation, we believe that there could be some removal of capacity in 2011 for airline business but currently rates remain under pressure. We continue to underwrite very selectively in aviation and have focused on areas of the market such as deductible buy-back insurance. We have seen new entrants in the financial and political risk market and we expect price increases to be more muted as a result. Nevertheless pricing, particularly on the credit side, remains attractive and demand reflects banks growing appetite to lend.

Application of Critical Accounting Policies

Our condensed consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, which require management to make significant estimates and assumptions. We believe that some of the more critical judgments in the areas of accounting estimates and assumptions that affect our financial condition and results of operations are related to reserves for property and liability losses, premiums receivable in respect of assumed reinsurance, the fair value of derivatives and the value of investments, including the extent of any other-than-temporary impairment. For a detailed discussion of our critical accounting policies please

refer to our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission and the notes to the financial statements contained in this report.

Table of Contents

We have discussed the application of these critical accounting estimates with our Board of Directors and Audit Committee.

Results of Operations for the Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

The following is a discussion and analysis of our consolidated results of operations for the three months ended September 30, 2010 and 2009 starting with a discussion of segmental results and then summarizing our consolidated results under Total Income Statement Third quarter below.

Underwriting Results by Operating Segments

We are organized into two business segments: Reinsurance and Insurance. We have considered similarities in economic characteristics, products, customers, distribution, the regulatory environment of our operating segments and quantitative thresholds to determine our reportable segments.

We historically have managed our business in four segments: property reinsurance, casualty reinsurance, international insurance and U.S. insurance. On January 14, 2010, we announced a new organizational structure where we intend to manage our insurance and reinsurance businesses as two underwriting segments, Aspen Insurance and Aspen Reinsurance, to enhance and better serve our global customer base. As a result of our organizational changes, in 2010 we now manage our underwriting business in two operating segments: Insurance and Reinsurance. The reinsurance segment consists of four principal lines of business: property catastrophe reinsurance, other property reinsurance, casualty reinsurance and specialty reinsurance. The insurance segment consists of property insurance, casualty insurance, marine, energy and transportation insurance and financial and professional lines insurance.

Management measures segment results on the basis of the combined ratio, which is obtained by dividing the sum of the losses and loss expenses, acquisition expenses and operating and administrative expenses by net premiums earned. Other than corporate expenses, indirect operating and administrative expenses are allocated to segments based on each segment s proportional share of gross earned premiums.

We have provided additional disclosures for corporate and other (non-underwriting) income and expenses. Corporate and other income includes net investment income, net realized and unrealized investment gains or losses, corporate expense, interest expense, net realized and unrealized foreign exchange gains or losses and income taxes, which are not allocated to the underwriting segments.

Please refer to the tables in Note 5 in our unaudited financial statements of this report for a summary of gross and net written and earned premiums, underwriting results and combined ratios and reserves for our two business segments for the three months ended September 30, 2010 and 2009. The contributions of each segment to gross written premiums in the three months ended September 30, 2010 and 2009 were as follows:

	Gross Written Premiums	
Business Segment	**For the Three Months Ended September 30, 2010**	**For the Three Months Ended September 30, 2009**
	% of total gross written premiums	
Reinsurance	56.8%	60.4%

Insurance	43.2%	39.6%
Total	100.0%	100.0%

Business Segment	Gross Written Premiums For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009
	($ in millions)	
Reinsurance	$ 236.0	$ 296.1
Insurance	179.8	194.2
Total	$ 415.8	$ 490.3

Table of Contents

Reinsurance

Our reinsurance segment consists of property catastrophe reinsurance, other property reinsurance (risk excess of loss, pro rata, risk solutions and facultative), casualty reinsurance (U.S. treaty, international treaty, and global facultative) and specialty reinsurance (credit and surety, structured, agriculture and specialty). Please see Note 5 to the financial statements for further descriptions of the lines of business within this segment.

Gross written premiums. Gross written premiums in our reinsurance segment decreased by 20.3% compared to the three months ended September 30, 2009. The decrease in gross written premiums has come across lines, but in particular specialty reinsurance. In 2009, we wrote a specific contract within this division which was not available for renewal in 2010 and we have also reduced our appetite in certain accounts due to prevailing market profitability.

The table below shows our gross written premiums for each line of business for the three months ended September 30, 2010 and 2009, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross Written Premiums For the Three Months Ended September 30, 2010 ($ in millions)	For the Three Months Ended September 30, 2010 % increase/ (decrease)	For the Three Months Ended September 30, 2009 ($ in millions)
Property catastrophe reinsurance	$ 51.3	(11.7)%	$ 58.1
Other property reinsurance	66.3	(12.2)	75.5
Casualty reinsurance	70.0	(11.5)	79.1
Specialty reinsurance	48.4	(42.0)	83.4
Total	$ 236.0	(20.3)%	$ 296.1

Losses and loss adjustment expenses. The net loss ratio for the three months ended September 30, 2010 was 53.6% compared to 44.1% in the equivalent period in 2009. The increase in the loss ratio is attributable to a combination of catastrophe losses of $20.4 million from the New Zealand earthquake and to the reduction in the reserve releases which reduced from $33.2 million in the third quarter of 2009 to $3.3 million in the current period. Reserve releases in the third quarter of 2009 were significantly higher than past trend, driven by better than expected development on outstanding claims, particularly in our risk excess and property pro-rata books.

Further information relating to the movement of prior year reserves is found below under Reserves for Losses and Loss Adjustment Expenses.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses were $43.9 million for the three months ended September 30, 2010 equivalent to 16.4% of net premiums earned (2009 $49.3 million or 17.1% of net premiums earned). The reduction is mainly due to lower profit-related commissions and higher earned premium particularly from property catastrophe which has a lower average commission rate and which has provided a greater contribution to the total premiums earned. An increase in operating and administrative expenses of $1.4 million from the third quarter of 2009 is attributable mainly to an increase in general expenses as we continue to invest in the development of the business with new offices and new teams.

Insurance

Our insurance segment consists of property insurance, casualty insurance, marine, energy and transportation insurance and financial and professional lines insurance. See Note 5 of the financial statements for descriptions of the lines of business within this segment.

Gross written premiums. Overall premiums have decreased by 7.4% to $179.8 million for the quarter from $194.2 million in the equivalent period in 2009. The reduction in gross written premium is attributable to our casualty insurance lines where we have declined business that did not meet our profitability requirements coupled with higher client retention in some classes. Increases in property insurance and financial and professional lines mainly in our financial and political risk lines are due to new business opportunities and improving conditions in financial and political risk.

The table below shows our gross written premiums for each line of business for the three months ended September 30, 2010 and 2009, and the percentage change in gross written premiums for each line:

Lines of Business	Gross Written Premiums — For the Three Months Ended September 30, 2010 ($ in millions)	% increase/ (decrease)	For the Three Months Ended September 30, 2009 ($ in millions)
Property insurance	$ 37.0	21.3%	$ 30.5
Casualty insurance	23.6	(55.6)	53.1
Marine, energy and transportation insurance	70.1	(6.5)	75.0
Financial and professional lines insurance	49.1	37.9	35.6
Total	$ 179.8	(7.4)%	$ 194.2

Losses and loss adjustment expenses. The loss ratio for the quarter was 77.3% compared to 59.2% for the three months ended September 30, 2009. Losses for the three months ended September 30, 2010 include $35.9 million of net losses ($40.0 million including reinstatement premiums) from two oil pipeline spills and a gas explosion in California. The first oil pipeline loss affected the Kalamazoo River in Michigan and we are reserved for our full participation for this event. The second Enbridge loss in Romeoville is a second event cover for Enbridge. Our exposure for Romeoville is $10 million with the potential for very modest deterioration (less than $5 million) if the loss amount for the first event (Kalamazoo river) improves. Our maximum net exposure to the gas explosion for PG&E is $8.25 million, and we have currently reserved $5.9 million as we believe it is unlikely that the top layer of the cover will be affected.

Coverage for pipelines forms an integral part of an energy account and typically does not extend beyond bodily injury and/or property damage emanating from gas explosions or oil leaks. The losses we incurred from the Enbridge oil pipeline leaks and PG&E gas explosion were in line with our expectations for these types of events, although frequency was abnormally high. We commenced writing energy liability insurance in the second half of 2004 and since that time we have had fourteen pipeline related losses of which three occurred during the last quarter. Our maximum potential net line size for these types of coverage is $20 million. However our average line any one risk for

our in-force business is $6.7 million.

Prior year reserve strengthening was $9.5 million compared to a release of $11.0 million in the three months ended September 30, 2009. The strengthening in the current quarter was due largely to our financial and professional lines where we have claims from financial institutions that have exposure to the financial crisis. The comparative period benefited from favorable loss experience across a number of lines of business which had experienced better than expected favorable development.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses of $31.7 million for the three months ended September 30, 2010 equivalent to 17.2% of net premiums earned (2009 $30.3 million or 16.6% of net earned premium) were broadly in line with those in the third quarter of 2009. Operating and administrative expenses of $23.6 million in the third quarter of 2010 are broadly in line with the comparative period in 2009 due to both periods including reorganization costs from our U.S. operations and an allocation of Lloyd s start-up costs.

Total Income Statement Third quarter

Our statements of operations consolidate the underwriting results of our two segments and include certain other revenue and expense items that are not allocated to the business segments.

Gross written premiums. Total gross written premiums decreased by 15.2% to $415.8 million in the third quarter of 2010 when compared to 2009 with the decrease arising primarily from our reinsurance segment. The decrease in gross written premium in our reinsurance segment is attributable mainly to specialty reinsurance following the repositioning of the account. Gross written premiums in the insurance segment have decreased by 7.4% to $179.8 million when compared to the third quarter of 2009 with lower contributions from casualty insurance, where market conditions are challenging, and marine, energy and transportation lines, where we have reduced our exposure to Gulf of Mexico business in our energy account.

Reinsurance. Total reinsurance ceded for the quarter of $38.8 million has increased by $10.6 million from the third quarter of 2009 mainly in the insurance segment where we purchased reinsurance for our new U.S. professional lines business on an excess of loss basis and have recognized $3.3 million of reinstatement costs in our marine, energy and transportation division.

Gross premiums earned. Gross premiums earned reflect the portion of gross premiums written which are recorded as revenues over the policy periods of the risks we write. The earned premium recorded in any year includes premium from policies incepting in prior years and excludes premium to be earned subsequent to the reporting date. Gross premiums earned in the third quarter of 2010 decreased by 3.6% compared to the third quarter of 2009 as a result of the reduction in gross written premiums particularly in the reinsurance segment.

Net premiums earned. Net premiums earned have decreased by $19.2 million or 4.1% in the third quarter of 2010 compared to 2009 which is consistent with the decrease in gross earned premiums and the increase in reinsurance ceded for the quarter.

Losses and loss adjustment expenses. The loss ratio for the quarter has increased by 13.4 percentage points compared to the third quarter of 2009 due to $6.2 million reserve strengthening in the current quarter compared to $44.2 million reserve releases in the third quarter of 2009, losses associated with the New Zealand earthquake and pipeline losses in the marine, energy and transportation division. Reserve releases in our reinsurance segment reduced from $33.2 million in the third quarter of 2009 to $3.3 million in the current period. The insurance segment had a $9.5 million reserve strengthening this quarter compared to an $11.0 million release in the third quarter of 2009.

Expenses. We monitor the ratio of expenses to gross earned premium (the gross expense ratio) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for the three months ended September 30, 2010 and 2009. We also show the effect of reinsurance which impacts on the reported net expense ratio by expressing the expenses as a proportion of net earned premiums.

	Expense Ratios	
	For the Three Months Ended September 30, 2010	**For the Three Months Ended September 30, 2009**
Policy acquisition expenses	15.0%	15.2%

Operating and administrative expenses	12.9%	12.2%
Gross expense ratio	27.9%	27.4%
Effect of reinsurance	3.2%	3.0%
Total net expense ratio	31.1%	30.4%

Changes in the acquisition and operating and administrative ratios to gross earned premiums and the impact of reinsurance on net earned premiums by segment for each of the three months ended September 30, 2010 and 2009 are shown in the following table:

Ratios Based on Gross Earned Premium	For the Three Months Ended September 30, 2010			For the Three Months Ended September 30, 2009		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Policy acquisition expense ratio	15.8%	14.1%	15.0%	16.4%	13.7%	15.2%
Operating and administrative expense ratio	9.8	10.5	12.9%	8.5	10.6	12.2%
Gross expense ratio	25.6	24.6	27.9%	24.9	24.3	27.4%
Effect of reinsurance	0.9	5.4	3.2%	1.1	5.1	3.0%
Total net expense ratio	26.5%	30.0%	31.1%	26.0%	29.4%	30.4%

The policy acquisition expense ratio of 16.7% for the quarter has reduced from 16.9% in the third quarter of 2009. The decrease is due to a combination of reduced profit related commissions and the mix of business including more property catastrophe reinsurance which has lower acquisition expenses.

The operating and administrative expense ratio, as a percentage of net earned premium, has increased from 13.5% to 14.4% for the same period with operating and administrative expenses increasing to $50.7 million for the quarter compared with $49.0 million in the third quarter of 2009. The slight increase in operating and administrative expenses is due to building out our U.S insurance capacity, a U.K. regional platform and establishing a foothold in the Swiss market to write insurance.

Total operating expenses for the three months ended September 30, 2010 include $14.3m (2009 $14.7m) of corporate expenses which are not allocated to our underwriting segments. We consider corporate expenses to be certain holding company costs necessary to support our worldwide insurance and reinsurance operations, share based compensation expense and costs associated with operating as a publicly traded company.

Net investment income. Net investment income for the quarter of $58.1 million is broadly in line with the $58.9 million in the third quarter of 2009.

Change in fair value of derivatives. In the three months ended September 30, 2010, we recorded a reduction of $1.7 million (2009 $2.0 million) in the estimated fair value of our credit insurance contract including an interest credit of $0.2 million (2009 charge of $0.2 million) and a charge of $2.1 million (2009 $Nil) for the interest rate swaps. Further information on these contracts can be found in Note 9 to the financial statements.

Other-than-temporary impairments. We review all of our fixed maturities for potential impairment each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro economic conditions. The process of determining whether a decline in value is other-than-temporary requires considerable judgment. As part of the assessment process we also evaluate whether it is more likely than not that we will sell any fixed maturity security in an unrealized loss position before its market value recovers to amortized cost. Once a security has been identified as other-than-temporarily impaired, the amount of any impairment included in net income is determined by reference to the portion of the unrealized loss that is considered credit-related. Non-credit related unrealized losses are included in other comprehensive income. The realized investments losses in the third quarter of 2010 did not include a charge for investments we believe to be other-than-temporarily impaired (2009 $1.8 million).

Income before tax. In the third quarter of 2010, income before tax was $103.1 million comprised of $25.3 million of underwriting income, $58.1 million in net investment income, and $25.5 million of net realized and unrealized investment and foreign exchange gains. In the third quarter of 2009, income before tax was $171.1 million which comprised $92.5 million of underwriting profits, $58.9 million in net investment income, $22.5 million of net foreign exchange and investment gains.

Income tax expense. Income tax expense for the three months ended September 30, 2010 was $10.3 million. Our effective consolidated tax rate for the three months ended September 30, 2010 was 10.0% (2009 14.8%). The charge represents an estimate of the tax rate which will apply to our pre-tax income for 2010. As discussed in the Overview above, the effective tax rate for the year is subject to revision.

Net income after tax. Net income after tax for the three months ended September 30, 2010 was $92.8 million, equivalent to $1.14 basic earnings per ordinary share adjusted for the $5.7 million preference share dividends and $1.08 fully diluted earnings per ordinary share adjusted for the preference share dividends on the basis of the weighted average number of ordinary shares in issue during the three months ended September 30, 2010. The net income for the three months ended September 30, 2009 was $145.8 million equivalent to basic earnings per ordinary share of $1.69 adjusted for the $5.6 million preference share dividend and fully diluted earnings per share of $1.63.

Table of Contents

Results of Operations for the Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

The following is a discussion and analysis of our consolidated results of operations for the nine months ended September 30, 2010 and 2009 starting with a discussion of segmental results and then summarizing our consolidated results under Total Income Statement Nine Months Ended September 30, 2010 below.

Underwriting Results by Operating Segments

Please refer to the tables in Note 5 in our unaudited financial statements of this report for a summary of gross and net written and earned premiums, underwriting results and combined ratios and reserves for our two business segments for the nine months ended September 30, 2010 and 2009. The contributions of each segment to gross written premiums in the nine months ended September 30, 2010 and 2009 were as follows:

	Gross Written Premiums	
Business Segment	**For the Nine Months Ended September 30, 2010**	**For the Nine Months Ended September 30, 2009**
	% of total gross written premiums	
Reinsurance	60.7%	60.6%
Insurance	39.3%	39.4%
Total	100.0%	100.0%

	Gross Written Premiums	
Business Segment	**For the Nine Months Ended September 30, 2010**	**For the Nine Months Ended September 30, 2009**
	($ in millions)	
Reinsurance	$ 1,009.4	$ 1,006.3
Insurance	654.6	655.1
Total	$ 1,664.0	$ 1,661.4

Reinsurance

Our reinsurance segment consists of property catastrophe reinsurance, other property reinsurance (risk of loss, pro rata, risk solutions and facultative), casualty reinsurance (U.S. treaty, international treaty, and global facultative) and specialty reinsurance (credit and surety, agriculture, structured and specialty). Please see Note 5 of the Unaudited Condensed Consolidated Financial Statements for further descriptions of the lines of business within this segment.

Gross written premiums. Gross written premiums of $1,009.4 million in our reinsurance segment are in line with the nine months ended September 30, 2009 of $1,006.3 million. The increase in gross written premiums in catastrophe reinsurance is due to deploying more of our catastrophe capacity earlier in the year than in 2009 on the basis that we expected catastrophe prices to decrease during the remainder of the year and reflect also $12.8 million of reinstatement premiums associated with the Chilean earthquake. Gross written premiums have reduced by 11.8% in other property reinsurance as we reduce our appetite for proportional treaty exposures.

Table of Contents

The table below shows our gross written premiums for each line of business for the nine months ended September 30, 2010 and 2009, and the percentage change in gross written premiums for each such line:

Lines of Business	Gross Written Premiums For the Nine Months Ended September 30, 2010 ($ in millions)	% increase/ (decrease)	For the Nine Months Ended September 30, 2009 ($ in millions)
Property catastrophe reinsurance	$ 288.7	14.0%	$ 253.3
Other property reinsurance	220.7	(11.8)	250.1
Casualty reinsurance	296.0	(1.9)	301.6
Specialty reinsurance	204.0	1.3	201.3
Total	$ 1,009.4	0.3%	$ 1,006.3

Losses and loss adjustment expenses. The net loss ratio for the nine months ended September 30, 2010 was 64.3% compared to 43.0% in the equivalent period in 2009. The increase in the loss ratio is attributable to losses of $145.7 million ($132.9 million net of reinstatement premiums) relating to the earthquakes in Chile and New Zealand compared to an absence of significant catastrophe-related losses in the comparable period of 2009. Net reserve releases of $29.5 million (2009 $81.1 million) were due mainly to favorable claims development in most lines but are significantly lower than the comparable period of 2009 in particular for property catastrophe and specialty reinsurance.

Further information relating to the movement of prior year reserves is found below under Reserves for Losses and Loss Adjustment Expenses.

Policy acquisition, operating and administrative expenses. The policy acquisition expense ratio of 16.9% of net premiums earned for the nine months ended September 30, 2010 was 1.7 percentage points below the same period in 2009 (2009 18.6%) due largely to the mix of business with property catastrophe which attracts lower average commission rates. This line of business has lower brokerage costs and provides a greater contribution to the total amount of business written. The increase in operating and administrative expenses of $12.3 million from the same period of 2009 is attributable mainly to an increase in general expenses as we continue to invest in the development of the business and establish new offices and our new credit and surety and agriculture lines.

Insurance

Our insurance segment consists of property insurance, casualty insurance, marine, energy and transportation insurance and financial and professional lines insurance. See Note 5 of the Unaudited Condensed Consolidated Financial Statements for descriptions of the lines of business within this segment.

Gross written premiums. Overall premiums of $654.6 million for the nine months ended September 30, 2010 are in line with the $655.1 million from the equivalent period in 2009. Gross written premium has increased in both property insurance lines and financial and professional business where we saw opportunities to write business that met our profitability requirements. This has compensated for difficult trading conditions in our casualty insurance and marine,

energy and transportation lines.

Table of Contents

The table below shows our gross written premiums for each line of business for the nine months ended September 30, 2010 and 2009, and the percentage change in gross written premiums for each line:

Lines of Business	Gross Written Premiums For the Nine Months Ended September 30, 2010 ($ in millions)	% increase/ (decrease)	For the Nine Months Ended September 30, 2009 ($ in millions)
Property insurance	$ 143.0	29.2%	$ 110.7
Casualty insurance	105.5	(28.8)	148.2
Marine, energy and transportation insurance	298.8	(6.2)	318.5
Financial and professional lines insurance	107.3	38.1	77.7
Total	$ 654.6	(0.1)%	$ 655.1

Losses and loss adjustment expenses. The loss ratio for the nine months ended September 30, 2010 was 71.8% compared to 69.9% for the nine months ended September 30, 2009. Losses for the nine months ended September 30, 2010 included $10.7 million for the Deepwater Horizon oil spill and $35.9 million of net losses ($40.0 including reinstatement premiums) from two oil pipeline spills and a gas explosion in California. Prior year reserve strengthening was $20.7 million compared to $10.1 million in the nine months ended September 30, 2009.

Policy acquisition, operating and administrative expenses. Policy acquisition expenses were $94.3 million for the nine months ended September 30, 2010 equivalent to 17.2% of net premiums earned (2009 $86.5 million or 16.4% of net earned premium), with the increase due mainly to a reduction in ceding commission income for U.S. property insurance following the cancellation of a reinsurance quota share. Operating and administrative expenses of $65.9 million for the nine months ended September 30, 2010 are $4.8 million less than the comparative period in 2009 due to the prior year including reorganization costs from our U.S. operations, set up cost for our new U.K. regional platform and Cologne offices and an allocation of Lloyd s start-up costs.

Total Income Statement Nine Months Ended September 30, 2010

Our statements of operations consolidate the underwriting results of our two segments and include certain other revenue and expense items that are not allocated to the business segments.

Gross written premiums. Gross written premiums for the first nine months of 2010 have increased by 0.2% to $1,664.0 million when compared to the same period of 2009 with both segments in line with last year. Gross written premiums in the reinsurance segment contain an additional $26.5 million from new teams (credit and surety and agriculture) and $35.3 additional catastrophe premium which includes $12.8 million of reinstatement premiums from the Chilean earthquake. These increases are compensated for by reductions in other property reinsurance and other specialty lines of business. Gross written premiums in the insurance segment of $654.6 million for the first nine months of 2010 are in line with the same period of 2009 with additional contributions from property insurance and financial and professional lines where we saw opportunities to write business that met our profitability requirements compensating for reductions in casualty and marine, energy and transportation.

Reinsurance ceded. Total reinsurance ceded of $168.1 million has decreased by $39.9 million from the first nine months of 2009, due mainly to the insurance segment following the cancellation of a reinsurance quota share for U.S. property insurance, reduced exposures and higher retentions.

Gross premiums earned. Gross premiums earned reflect the portion of gross premiums written which are recorded as revenues over the policy periods of the risks we write. The earned premium recorded in any year includes premium from policies incepting in prior years and excludes premium to be earned subsequent to the reporting date. Gross premiums earned in the first nine months of 2010 increased by 2.5% compared to the same period of 2009 reflecting the higher written premium earlier in the year and the $12.8 million of reinstatement premiums from the Chilean earthquake.

Table of Contents

Net premiums earned. Net premiums earned have increased by $52.4 million or 3.9% in the first nine months of 2010 compared to 2009 which is consistent with the increase in gross earned premiums and the reduction in the cost of our reinsurance purchased in that period.

Losses and loss adjustment expenses. Losses and loss adjustment expenses have increased by 30.6% from $720.6 million in 2009 to $941.3 million in 2010 primarily due to $145.7 million of losses from the Chilean earthquake in the first quarter of 2010. Reserve releases were $62.2 million lower in the current period due to less favorable development impacting international casualty reinsurance, professional lines and marine and transportation insurance.

We have defined catastrophic losses as losses associated with the Chilean earthquake in the first quarter of 2010 and the New Zealand earthquake in the third quarter of 2010. Our current estimate of loss for these events is $125.3 million for the Chilean earthquake and $20.4 million for the New Zealand earthquake. The underlying changes in accident year loss ratios by segment are shown in the table below. The prior year claims adjustment in the table below reflects claims development and excludes premium adjustments.

The current year claims adjustments represent catastrophic loss events.

For the Nine Months Ended September 30, 2010	**Total Loss Ratio**	**Prior Year Claims Adjustment**	**Current Year Claims Adjustment**	**Accident Year Loss Ratio Excluding Prior and Current Year Claims Adjustments**
Reinsurance	64.3%	3.5%	(16.4)%	51.4%
Insurance	71.8%	(3.8)%	%	68.0%
Total	67.3%	0.6%	(9.9)%	58.0%

For the Nine Months Ended September 30, 2009	**Total Loss Ratio**	**Prior Year Claims Adjustment**	**Current Year Claims Adjustment**	**Accident Year Loss Ratio Excluding Prior and Current Year Claims Adjustments**
Reinsurance	43.0%	9.9%	%	52.9%
Insurance	69.9%	(1.9)%	%	68.0%
Total	53.5%	5.3%	%	58.8%

Expenses. We monitor the ratio of expenses to gross earned premium (the gross expense ratio) as a measure of the cost effectiveness of our policy acquisition, operating and administrative processes. The table below presents the contribution of the policy acquisition expenses and operating and administrative expenses to the expense ratio and the total expense ratios for the three months ended September 30, 2010 and 2009. We also show the effect of reinsurance which impacts on the reported net expense ratio by expressing the expenses as a proportion of net earned premiums.

	Expense Ratios	
	For the Nine Months Ended September 30, 2010	**For the Nine Months Ended September 30, 2009**
Policy acquisition expenses	15.4%	15.9%
Operating and administrative expenses	11.7%	11.4%
Gross expense ratio	27.1%	27.3%
Effect of reinsurance	2.8%	3.2%
Total net expense ratio	29.9%	30.5%

Table of Contents

Changes in the acquisition and operating and administrative ratios to gross earned premiums and the impact of reinsurance on net earned premiums by segment for each of the three months ended September 30, 2010 and 2009 are shown in the following table:

Ratios Based on Gross Earned Premium	For the Nine Months Ended September 30, 2010			For the Nine Months Ended September 30, 2009		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
Policy acquisition expense ratio	16.3%	14.3%	15.4%	17.8%	13.3%	15.9%
Operating and administrative expense ratio	9.0	10.0	11.7	7.8	10.9	11.4
Gross expense ratio	25.3	24.3	27.1	25.6	24.2	27.3
Effect of reinsurance	1.0	4.9	2.8	1.2	5.6	3.2
Total net expense ratio	26.3%	29.2%	29.9%	26.8%	29.8%	30.5%

The policy acquisition ratio, gross of the effect of reinsurance, has reduced marginally to 15.4% for the nine months ended September 30, 2010 from 15.9% for the comparative period in 2009. The current year includes a higher contribution from property catastrophe reinsurance which attracts a lower average commission charge. The increase in acquisition costs for insurance is due to changes in business mix which changed the relative contributions from business lines that have different average acquisition costs. Overall operating costs have remained consistent as a percentage of gross earned premiums when compared to last year although a small increase is due to the continued investment in new teams.

Between the two periods, we have experienced a $7.5 million increase in our operating and administrative expenses. The increase is due mainly to staff and reorganization costs as we continue to invest in the development of our business.

Total operating expenses for the nine months ended September 30, 2010 include $34.7 million (2009 $34.2 million) of corporate expenses which are not allocated to our underwriting segments. We consider corporate expenses to be certain holding company costs necessary to support our worldwide insurance and reinsurance operations, share based compensation expense and costs associated with operating as a publicly traded company.

Net investment income. Net investment income of $175.0 million is down from $190.3 million last year as the first half of 2009 benefited from a positive return from our investment in funds of hedge funds and higher book yields. Book yield on our fixed income portfolio of 3.9% has decreased from the second quarter of 2010 and the third quarter of 2009 due mainly to the persisting low interest rate environment. The portfolio duration has decreased to 3.1 years from 3.3 years at the end of 2009 and 3.3 years in the third quarter of 2009. The average credit quality of our fixed income portfolio is AA+ , with 72% (2009 73%) of the portfolio being rated AA or higher.

Change in fair value of derivatives. In the nine months ended September 30, 2010, we recorded a reduction of $5.7 million (2009 $5.8 million) in the estimated fair value of our credit insurance contract including $0.2 million (2009 $0.4 million) of interest expense and a charge of $2.1 million (2009 $Nil) for interest rate swaps. Further information on these contracts can be found in Note 9 to the financial statements.

Other-than-temporary impairments. We review all of our fixed maturities for potential impairment each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro economic conditions. The process of determining whether a decline in value is other-than-temporary requires considerable judgment. As part of the assessment process we also evaluate whether it is more likely than not that we will sell any fixed maturity security in an unrealized loss position before its market value recovers to amortized cost. Once a security has been identified as other-than-temporarily impaired, the amount of any impairment included in net income is determined by reference to the portion of the unrealized loss that is considered credit-related. Non-credit related unrealized losses are included in other comprehensive income. The realized investments losses for the first nine months of 2010 include a $0.3 million charge for investments we believe to be other-than-temporarily impaired (2009 $19.9 million). These losses were credit related and therefore are included in the income statement.

Income before tax. In the first nine months of 2010, income before tax was $244.4 million and comprised $39.9 million of underwriting income, $175.0 million of net investment income, $42.4 million of net realized and unrealized investment and foreign exchange gains, $1.2 million of other expenses and $11.7 million of interest expense. In the first nine months of 2009, income before tax was $408.6 million which comprised $215.1 million of underwriting profits, $190.3 million of net investment income, $15.9 million of net foreign exchange and investment gains, $0.9 million of other expenses and $11.8 million of interest expense. Our decrease in underwriting income in 2010 was mainly due to $132.9 million of losses (net of reinstatements) associated with the Chilean and New Zealand earthquakes and a $62.2 million reduction in reserve releases. The change in net foreign exchange and investment gains when compared to the first nine months of 2009 was due predominantly to the reduction in charges relating to other-than-temporary impairments of $0.3 million (2009 $19.9 million).

Income tax expense. Income tax expense for the nine months ended September 30, 2010 was $24.4 million. Our effective consolidated tax rate for the nine months ended September 30, 2010 was 10.0% (2009 15.0%). The charge represents an estimate of the tax rate which will apply to our pre-tax income for 2010. As discussed in the Overview above, the effective tax rate for the year may be subject to revision.

Net income after tax. Net income after tax for the nine months ended September 30, 2010 was $220.0 million, equivalent to $2.63 basic earnings per ordinary share adjusted for the $17.1 million preference share dividends and $2.51 fully diluted earnings per ordinary share adjusted for the preference share dividends on the basis of the weighted average number of ordinary shares in issue during the nine months ended September 30, 2010. Net income for the nine months ended September 30, 2009 was $347.6 million equivalent to basic earnings per ordinary share of $4.37 adjusted for the $18.3 million preference share dividend and fully diluted earnings per share of $4.25.

Reserves for Losses and Loss Adjustment Expenses

As of September 30, 2010, we had total net loss and loss adjustment expense reserves of $3,408.4 million (December 31, 2009 $3,009.6 million). This amount represented our best estimate of the ultimate liability for payment of losses and loss adjustment expenses. Of the total gross reserves for unpaid losses of $3,672.2 million at the balance sheet date of September 30, 2010, a total of $2,264.8 million or 61.7% represented IBNR claims (December 31, 2009 $1,946.3 million and 58.4%, respectively). The following tables analyze gross and net loss and loss adjustment expense reserves by segment.

	As at September 30, 2010		
Business Segment	**Gross**	**Reinsurance Recoverable**	**Net**
		($ in millions)	
Reinsurance	$ 2,307.9	$ (65.0)	$ 2,242.9
Insurance	1,364.3	(198.8)	1,165.5
Total losses and loss expense reserves	$ 3,672.2	$ (263.8)	$ 3,408.4

	As at December 31, 2009		
Business Segment	**Gross**	**Reinsurance Recoverable**	**Net**
		($ in millions)	

Reinsurance	$ 2,069.4	$ (81.0)	$ 1,988.4
Insurance	1,261.7	(240.5)	1,021.2
Total losses and loss expense reserves	$ 3,331.1	$ (321.5)	$ 3,009.6

The reduction in reinsurance recoverables is due to settlements in our insurance segment related mainly to losses in our marine, energy and transportation lines from gross losses associated with Hurricane Ike and Hurricane Gustav.

Table of Contents

For the nine months ended September 30, 2010, there was a reduction of our estimate of the ultimate net claims to be paid in respect of prior accident years of $8.8 million. An analysis of this reduction by business segment is as follows for each of the three and nine months ended September 30, 2010 and 2009:

Business Segment	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
	($ in millions)		($ in millions)	
Reinsurance	$ 3.3	$ 33.2	$ 29.5	$ 81.1
Insurance	(9.5)	11.0	(20.7)	(10.1)
Total Losses and loss expense reserves reductions	$ (6.2)	$ 44.2	$ 8.8	$ 71.0

The key elements which gave rise to the net adverse development during the three months ended September 30, 2010 were as follows:

Reinsurance. Net reserve releases of $3.3 million in the current quarter were spread across two of four reinsurance lines, with releases in other property reinsurance and casualty reinsurance partially offset by some small strengthening in both property catastrophe and specialty reinsurance. The largest strengthening in the quarter was $5.0 million from property catastrophe reinsurance.

Insurance. The net reserve strengthening of $9.5 million in the quarter in the insurance segment was due largely to our financial and professional lines where we have isolated claims from financial institutions that have exposure to Madoff and the financial crisis.

This included one new development with the potential to result in professional indemnity claims against a bank which advised hedge fund investors in respect of Madoff. Our participation in this program is 20% of two excess layers with a total exposure for us of $10 million of which we have reserved 50%. In addition, there are two other Madoff related notifications where we have established precautionary reserves in our insurance segment in previous quarters. One of these notifications is now fully reserved for our participation and the other is reserved fully on the lower of two layers. There is only $5 million of exposure on the higher layer.

Our financial and professional lines account includes financial institutions, professional indemnity and D&O which we commenced underwriting in late 2007. The account is mainly written on a claims made basis and as a result insureds are required to inform underwriters of any circumstances which may develop into claims in the form of notifications. Notifications are distinct from actual claims in that they are often made by insureds at an early stage and on a cautionary basis, often before material facts or circumstances which impact on liability have become known. As a result, the majority of notifications typically do not lead to covered claims. Accordingly, a reserving decision based on notifications is an assessment made based on our knowledge of the facts of a specific case as notified at the time and our general understanding of similar matters. As a result, it does not constitute an acknowledgement or admission either that a claim has arisen or that such a claim is covered by the terms of the relevant policy. Our reserving approach to financial and professional lines as part of our reserving process however has been appropriately conservative and includes a thorough quarterly review of notified circumstances.

As regards losses to financial institutions emanating from the sub-prime litigation, the credit crisis and associated exposures, we held net reserves of $153.0 million, plus $18 million of paid losses. These reserves are as at September 30, 2010 and cover both our insurance and reinsurance segments.

We did not make any significant changes in assumptions used in our reserving process. However, because the period of time we have been in operation is relatively short, for longer tail lines in particular, our loss experience is limited and reliable evidence of changes in trends of numbers of claims incurred, average settlement amounts, numbers of claims outstanding and average losses per claim will necessarily take years to develop.

In 2011, we intend to publish loss triangles to further enhance understanding of our reserving position and financial performance by segment and lines of business when data is available.

For a more detailed description see Management s Discussion and Analysis Critical Accounting Policies and Management s Discussion and Analysis Reserves for Losses and Loss Adjustment

Table of Contents

Expenses, included in our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Balance Sheet

Total cash and investments

At September 30, 2010 and December 31, 2009, total cash and investments, including accrued interest receivable, were $7.3 billion and $6.8 billion, respectively. The composition of our investment portfolio is summarized below:

	As at September 30, 2010		As at December 31, 2009	
	Estimated Fair Value	**Percentage of Fixed Income Portfolio**	**Estimated Fair Value**	**Percentage of Fixed Income Portfolio**
Marketable Securities Available for Sale				
U.S. Government Securities	$ 794.5	10.9%	$ 507.5	7.4%
U.S. Government Agency Securities	344.0	4.7%	389.1	5.7%
Municipal Securities	34.1	0.5%	19.5	0.3%
Corporate Securities	2,417.2	33.3%	2,264.6	33.2%
Foreign Government Securities	594.0	8.2%	522.3	7.7%
Asset-backed Securities	76.3	1.1%	115.1	1.7%
Mortgage-backed Securities	1,292.9	17.8%	1,431.8	21.0%
Total Fixed Income Available for Sale	**5,553.0**	**76.5%**	**5,249.9**	**77.0%**
Marketable Securities Trading				
U.S. Government Securities	42.8	0.6%	6.5	0.1%
U.S. Government Agency Securities	0.6		0.4	
Municipal Securities	3.0		1.8	
Corporate Securities	349.2	4.8%	329.4	4.8%
Foreign Government Securities	9.5	0.1%	5.0	0.1%
Asset-backed Securities	5.0	0.1%	5.0	0.1%
Total Fixed Income Trading	**410.1**	**5.6%**	**348.1**	**5.1%**
Total Other Investments	28.7	0.4%	27.3	0.4%
Total Short-term Investments Available-for-Sale	297.5	4.1%	368.2	5.4%
Total Short-term Investments Trading	2.0		3.5	0.1%
Total Cash and Cash Equivalents	914.3	12.6%	748.4	11.0%
Total Receivable for Securities Sold	2.1		11.9	0.2%
Total Accrued Interest Receivable	57.2	0.8%	54.6	0.8%
Total Cash and Investments	**$ 7,264.9**	**100.0%**	**$ 6,811.9**	**100.0%**

Fixed maturities. At September 30, 2010, the average credit quality of our fixed income portfolio is AA+, with 96% of the portfolio being rated A or higher. At December 31, 2009, the average credit quality of our fixed income portfolio was AA+, with 95% of the portfolio being rated A or higher. Our fixed income portfolio duration has decreased as at September 30, 2010 to 3.1 years from 3.3 years as at December 31, 2009 as we have taken a more defensive duration stance in light of the prevailing interest rate environment.

Table of Contents

Mortgage-Backed Securities. The following table summarizes the fair value of our mortgage-backed securities (MBS) by rating and class at September 30, 2010:

	AAA	AA and Below	Total
Agency	$ 1,102.0	$	$ 1,102.0
Non-agency Residential	4.9	35.5	40.4
Non-agency Commercial	124.0	26.5	150.5
Total Mortgage-backed Securities	**$ 1,230.9**	**$ 62.0**	**$ 1,292.9**

Our mortgage-backed portfolio is supported by loans diversified across a number of geographic and economic sectors.

Alternative-A securities. We define Alternative-A (alt-A) mortgages as those considered less risky than sub-prime mortgages, but with lower credit quality than prime mortgages. At September 30, 2010, we had $8.8 million invested in alt-A securities (December 31, 2009 $9.3 million).

Other investments. As disclosed in Note 6, on May 19, 2009, Aspen Holdings invested $25.0 million in Cartesian Iris 2009A L.P. through our wholly-owned subsidiary, Acorn Limited. Cartesian Iris 2009A L.P. is a Delaware Limited Partnership formed to provide capital to Iris Re, a Class 3 Bermudian reinsurer focusing on insurance-linked securities. On June 1, 2010, the investment in Cartesian Iris 2009A L.P. matured and was reinvested in the Cartesian Iris Offshore Fund L.P. The Company s involvement with Cartesian Iris Offshore Fund L.P. is limited to its investment in the fund, and it is not committed to making further investments in Cartesian Iris Offshore Fund L.P.; accordingly, the carrying value of the investment represents the Company s maximum exposure to a loss as a result of its involvement with the partnership at each balance sheet date.

In addition to returns on our investment, we provide services on risk selection, pricing and portfolio design in return for a percentage of profits from Iris Re. In the three and nine months ended September 30, 2010, fees of $Nil and $0.2 million, respectively, were payable to us.

The Company has determined that Cartesian Iris Offshore Fund L.P. has the characteristics of a variable interest entity that are addressed by the guidance in ASC 810, *Consolidation*. Cartesian Iris Offshore Fund L.P. is not consolidated by the Company. The Company has no decision-making power, those powers having been reserved for the general partner. The arrangement with Cartesian Iris Offshore Fund L.P. is simply that of an investee to which the Company provides additional services.

	Aspen s Investment	Realized Gain	Fair Value	Funds Distributed	Undistributed Fair Value of Investment
			($ in millions)		
Cartesian Iris 2009 A L.P.	$ 25.0	$ 2.8	$ 27.8	$ (27.8)	$

Cartesian Iris Offshore Fund L.P.	27.8	0.9	28.7		28.7

Valuation of Investments

Valuation of Fixed Income and Short Term Available for Sale Investments and Fixed Income and Short-Term Trading Investments. We use quoted values and other data provided by internationally recognized independent pricing sources as inputs into our process for determining the fair value of our fixed income investments. Where multiple quotes or prices are obtained, a price source hierarchy is maintained in order to determine which price source provides the fair value (i.e., a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy prioritizes pricing services based on availability and reliability and assigns the highest priority to index providers.

We consider prices for actively traded Treasury securities to be derived based on quoted prices in active markets for identical assets, which are Level 1 inputs in the fair value hierarchy. We consider prices for other securities priced via vendors, indices, or broker-dealers to be derived based on inputs that

are observable for the asset, either directly or indirectly, which are Level 2 inputs in the fair value hierarchy.

We consider securities, other financial instruments and derivative insurance contracts subject to fair value measurement whose valuation is derived by internal valuation models to be based largely on unobservable inputs, which are Level 3 inputs in the fair value hierarchy. There have been no changes in our use of valuation techniques during the year.

Pricing Services and Index Providers. Pricing services provide pricing for less complex, liquid securities based on market quotations in active markets. For securities that do not trade on a listed exchange, these pricing services may use matrix pricing consisting of observable market inputs to estimate the fair value of a security. These observable market inputs include: reported trades, benchmark yields, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic factors. Additionally, pricing services may use a valuation model such as an option adjusted spread model commonly used for estimating fair values of mortgage-backed and asset-backed securities.

Broker-Dealers. For the most part, we obtain quotes directly from broker-dealers who are active in the corresponding markets when prices are unavailable from independent pricing services or index providers. Generally, broker-dealers value securities through their trading desks based on observable market inputs. Their pricing methodologies include mapping securities based on trade data, bids or offers, observed spreads and performance on newly issued securities. They may also establish pricing through observing secondary trading of similar securities. Quotes from broker-dealers are non-binding.

To validate the techniques or models used by third-party pricing sources, we review process, in conjunction with the processes completed by the third-party accounting service provider, include, but are not limited to:

quantitative analysis (e.g., comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated);

initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and

comparison of the fair value estimates to its knowledge of the current market.

Prices obtained from brokers and pricing services are not adjusted by us; however, prices provided by a broker or pricing service in certain instances may be challenged based on market or information available from internal sources, including those available to our third-party investment accounting service provider. Subsequent to any challenge, revisions made by the broker or pricing service to the quotes are supplied to our investment accounting service provider.

At September 30, 2010, we obtained an average of 3.1 quotes per investment, compared to 3.4 quotes at December 31, 2009. Pricing sources used in pricing our fixed income investments at September 30, 2010 and December 31, 2009, respectively, were as follows:

	As at September 30, 2010	As at December 31, 2009
Index providers	82.5%	81.5%
Pricing services	12.8%	13.2%

Broker-dealers	4.7%	5.3%
Total	100.0%	100.0%

Valuation of Other Investments. The value of our investments in funds of hedge funds was based upon monthly net asset values reported by the underlying funds to our funds of hedge fund managers. The financial statements of our funds of hedge funds were subject to annual audits evaluating the net asset positions of the underlying investments.

The value of our investment in Cartesian Iris 2009A L.P. is based on our shares of the capital position of the partnership which includes income and expenses reported by the limited partnership as provided in its quarterly management accounts. Cartesian Iris 2009A L.P. is subject to annual audit

evaluating the financial statements of the partnership. We periodically review the management accounts of Cartesian Iris 2009A L.P. and evaluate the reasonableness of the valuation of our investment.

Guaranteed Investments. The following table presents the breakdown of investments which are guaranteed by mono-line insurers (Wrapped Credit disclosure) and those that have explicit government guarantees. The standalone rating is determined as the senior unsecured debt rating of the issuer. Where the credit ratings were split between the three main rating agencies (S&P s, Moody s, and Fitch), the lowest rating was used.

As at September 30, 2010			As at December 31, 2009		
Rating With Guarantee	**Rating without Guarantee**	**Market Value ($ in millions)**	**Rating With Guarantee**	**Rating without Guarantee**	**Market Value ($ in millions)**
AAA	AAA	$ 100.4	AAA	AAA	$ 141.9
	AA	16.3		AA	16.2
	AA−	12.6		AA−	3.0
	A+	64.0		A+	69.8
	A	34.0		A	34.1
	A−	95.9		A−	107.0
	BBB+	15.7		BBB+	7.7
	BBB	3.1		BBB	
	BBB−	22.4		BBB−	20.9
AA+	AA+	30.5	AA+	AA+	15.0
	AA			AA	27.8
	AA−	1.9		AA−	
	A+	9.2		A+	
	A	6.5		A	17.3
AA	AA	1.4	AA	AA	3.2
AA−	AA−	3.3	AA−	AA−	
A−	A−	1.9	A−	A−	
BBB−	BBB−	0.1	BBB−	BBB−	0.1
		$ 419.2			$ 464.0

Our exposure to mono-line insurers was limited to 1 municipal holding (2009 1 municipal holding) as at September 30, 2010 with a market value of $0.1 million (2009 $0.1 million). Our exposure to other third-party guaranteed debt is primarily to investments backed by the Federal Depository Insurance Corporation (FDIC) and non-U.S. government guaranteed issuers.

Other-than-temporary impairment. We review all of our fixed maturities for potential impairment each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions. The process of determining whether a decline in value is other-than-temporary requires considerable judgment. As part of the assessment process we also evaluate whether it is more likely than not that we will sell any fixed maturity security in an unrealized loss position before its market value recovers to amortized cost. Once a security has been identified as other-than-temporarily impaired, the amount of any impairment included in net income is determined by reference to

that portion of the unrealized loss that is considered to be credit related. Non-credit related unrealized losses are included in other comprehensive income.

For a discussion of our valuation techniques within the fair value hierarchy please see Note 7 of the financial statements included elsewhere in this report.

Table of Contents

Capital Management

Capital Management. On January 5, 2010, we entered into an accelerated share repurchase program with Goldman Sachs to repurchase $200 million of our ordinary shares. This transaction was completed on May 26, 2010 resulting in the repurchase and cancellation of 7,226,084 ordinary shares in the first half of 2010. The repurchase completed the share repurchase program authorized by the Board of Directors and announced on February 6, 2008. The repurchase was funded with cash available and the sale of investment assets.

On February 9, 2010, our Board of Directors authorized a new repurchase program for up to $400 million of ordinary shares. The authorization for the repurchase program covers the period to March 1, 2012. This share repurchase program is in addition to the accelerated share repurchase completed on May 26, 2010. As at September 30, 2010, a total of 264,555 ordinary shares were repurchased and cancelled for a total cost of $7.7 million.

On March 31, 2009, we repurchased and cancelled 2,672,500 million of our 7.401% $25 liquidation value preference shares (NYSE: AHL-PA) at a price of $12.50 per share. The repurchase resulted in a first quarter gain attributable to ordinary shareholders of approximately $31.5 million which was not recognized in the income statement but was included in the calculation of earnings per share.

The following table shows our capital structure at September 30, 2010 compared to December 31, 2009.

	As at September 30, 2010	As at December 31, 2009
	($ in millions)	
Share capital, additional paid-in capital and retained income and accumulated other comprehensive income attributable to ordinary shareholders	$ 3,087.1	$ 2,951.8
Preference shares (liquidation preference less issue expenses)	353.6	353.6
Long-term debt	249.7	249.6
Total capital	$ 3,690.4	$ 3,555.0

Management monitors the ratio of debt to total capital, with total capital being defined as shareholders equity plus outstanding debt. At September 30, 2010, this ratio was 6.8% (December 31, 2009 7.0%).

Our preference shares are classified in our balance sheet as equity but may receive a different treatment in some cases under the capital adequacy assessments made by certain rating agencies. Such securities are often referred to as hybrids as they have certain attributes of both debt and equity. We also monitor the ratio of the total of debt and hybrids to total capital which was 16.3% as of September 30, 2010 (December 31, 2009 17.0%).

Access to capital. Our business operations are in part dependent on our financial strength and the market s perception thereof, as measured by shareholders equity, which was $3,440.7 million at September 30, 2010 (December 31, 2009 $3,305.4 million). We believe our financial strength provides us with the flexibility and capacity to obtain funds through debt or equity financing. Our continuing ability to access the capital markets is dependent on, among other things, our operating results, market conditions and our perceived financial strength. We regularly monitor our capital and financial position, as well as investment and securities market conditions, both in general and with respect to

Aspen Holdings   securities. Our ordinary shares and all our preference shares are listed on the New York Stock Exchange.

Liquidity

Liquidity is a measure of a company s ability to generate cash flows sufficient to meet short-term and long-term cash requirements of its business operations. Management monitors the liquidity of Aspen Holdings and of each of its Insurance Subsidiaries and arranges credit facilities to enhance short-term liquidity resources on a stand-by basis.

Holding company. We monitor the ability of Aspen Holdings to service debt, to finance dividend payments to ordinary and preference shareholders and to provide financial support to the Insurance Subsidiaries.

As at September 30, 2010, Aspen Holdings held $54.5 million (December 31, 2009 $33.5 million) in cash and cash equivalents which management considers sufficient to provide Aspen Holdings liquidity at such time, taken together with dividends declared or expected to be declared by subsidiary companies and our credit facilities. Holding company liquidity depends on dividends, capital distributions and interest payments from our Insurance Subsidiaries.

In the nine months ended September 30, 2010, Aspen U.K. Holdings paid Aspen Holdings interest of $27.4 million (2009 $27.4 million) in respect of an intercompany loan and dividends of $15.0 million (2009 $138.0 million).

The ability of our Insurance Subsidiaries to pay us dividends or other distributions is subject to the laws and regulations applicable to each jurisdiction, as well as the Insurance Subsidiaries need to maintain capital requirements adequate to maintain their insurance and reinsurance operations and their financial strength ratings issued by independent rating agencies. For a discussion of the various restrictions on our ability and our Insurance Subsidiaries ability to pay dividends, see Part I, Item 1 Business Regulatory Matters in our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission. Also for a more detailed discussion of our Insurance Subsidiaries ability to pay dividends see Note 14 of our annual financial statements in our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Insurance subsidiaries. As of September 30, 2010, the Insurance Subsidiaries held approximately $848.8 million (December 31, 2009 $701.5 million) in cash and short-term investments that are readily realizable securities. Management monitors the value, currency and duration of cash and investments held by its Insurance Subsidiaries to ensure that they are able to meet their insurance and other liabilities as they become due and was satisfied that there was a comfortable margin of liquidity as at September 30, 2010 and for the foreseeable future.

On an ongoing basis, our Insurance Subsidiaries sources of funds primarily consist of premiums written, investment income and proceeds from sales and redemptions of investments.

Cash is used primarily to pay reinsurance premiums, losses and loss adjustment expenses, brokerage commissions, general and administrative expenses, taxes, interest and dividends and to purchase new investments.

The potential for individual large claims and for accumulations of claims from single events means that substantial and unpredictable payments may need to be made within relatively short periods of time.

We manage these risks by making regular forecasts of the timing and amount of expected cash outflows and ensuring that we maintain sufficient balances in cash and short-term investments to meet these estimates. Notwithstanding this policy, if our cash flow forecast is incorrect, we could be forced to liquidate investments prior to maturity, potentially at a significant loss.

Table of Contents

The liquidity of our Insurance Subsidiaries is also affected by the terms of our contractual obligations to policyholders and by undertakings to certain regulatory authorities to facilitate the issue of letters of credit or maintain certain balances in trust funds for the benefit of policyholders. The following table shows the forms of collateral or other security provided to policyholders as at September 30, 2010 and December 31, 2009:

	As at September 30, 2010	As at December 31, 2009
	($ in millions except percentages)	
Assets held in multi-beneficiary trusts	$ 1,753.7	$ 1,495.8
Assets held in single beneficiary trusts	58.6	55.7
Secured letters of credit(1)	504.2	528.3
Total	$ 2,316.5	$ 2,079.8
Total as % of cash and invested assets	32.1%	30.8%

(1) As of September 30, 2010, the Company had funds on deposit of $703.7 million and £19.2 million (December 31, 2009 $667.1 million and £25.3 million) as collateral for the secured letters of credit.

For more information see Note 14(a) and our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Consolidated cash flows for the nine months ended September 30, 2010. Total net cash flow from operations from December 31, 2009 through September 30, 2010 was $502.3 million, a reduction of $14.7 million over the comparative period. The reduction was due mainly to lower premium receipts and increases in net claims settlements. For the nine months ended September 30, 2010, our cash flow from operations provided us with sufficient liquidity to meet our operating requirements. On August 27, 2010, we paid a dividend of $0.15 per ordinary share to shareholders of record on August 12, 2010. On October 1, 2010, dividends totaling $3.2 million on our Perpetual Preferred Income Equity Replacement Securities (Perpetual PIERS) were paid to our dividend disbursing agent, for payment to our Perpetual PIERS holders of record on September 15, 2010. On October 1, 2010, dividends totaling $2.5 million on our Perpetual Non-Cumulative Preference Shares (Perpetual Preference Shares) were paid to our dividend disbursing agent, for payment to our Perpetual Preference Share holders of record on September 15, 2010.

Credit Facility. On July 30, 2010, we entered into a three-year $280 million revolving credit facility pursuant to a credit agreement (the credit facilities) by and among the Company, certain of our direct and indirect subsidiaries, including the Insurance Subsidiaries (collectively, the Borrowers), the lenders party thereto, Barclays Bank plc, as administrative agent, Citibank, NA, as syndication agent, Credit Agricole CIB, Deutsche Bank Securities Inc. and The Bank of New York Mellon, as co-documentation agents and The Bank of New York, as collateral agent.

The facility can be used by any of the Borrowers to provide funding for our Insurance Subsidiaries, to finance the working capital needs of the Company and our subsidiaries and for general corporate purposes of the Company and our subsidiaries. The revolving credit facility further provides for the issuance of collateralized and uncollateralized letters of credit. Initial availability under the facility is $280,000,000, and the Company has the option (subject to obtaining commitments from acceptable lenders) to increase the facility by up to $75,000,000. The facility will expire

on July 30, 2013. As of September 30, 2010, no borrowings were outstanding under the credit facilities. The fees and interest rates on the loans and the fees on the letters of credit payable by the Borrowers increase based on the consolidated leverage ratio of the Company.

Under the credit facilities, we must maintain at all times a consolidated tangible net worth of not less than approximately $2.3 billion plus 50% of consolidated net income and 50% of aggregate net cash proceeds from the issuance by the Company of its capital stock, each as accrued from January 1, 2010. The Company must also not permit its consolidated leverage ratio of total consolidated debt to consolidated debt plus consolidated tangible net worth to exceed 35%. In addition, the credit facilities

contain other customary affirmative and negative covenants as well as certain customary events of default, including with respect to a change in control. The various affirmative and negative covenants, include, among others, covenants that, subject to various exceptions, restrict the ability of the Company and its subsidiaries to; create or permit liens on assets; engage in mergers or consolidations; dispose of assets; pay dividends or other distributions, purchase or redeem the Company s equity securities or those of its subsidiaries and make other restricted payments; permit the rating of any insurance subsidiary to fall below A.M. Best financial strength rating of B++; make certain investments; agree with others to limit the ability of the Company s subsidiaries to pay dividends or other restricted payments or to make loans or transfer assets to the Company or another of its subsidiaries. The credit facilities also include covenants that restrict the ability of our subsidiaries to incur indebtedness and guarantee obligations.

On April 29, 2009, Aspen Bermuda replaced its existing letter of credit facility with Citibank Europe dated October 29, 2008 in a maximum aggregate amount of up to $450 million with a new letter of credit facility in a maximum aggregate amount of up to $550 million. As at September 30, 2010, we had $361.7 million of outstanding collateralized letters of credit under this facility.

On October 6, 2009, Aspen U.K. and Aspen Bermuda entered into a $200 million secured letter of credit facility with Barclays Bank plc, which is described on our current report on Form 8-K filed on October 7, 2009. As at September 30, 2010, we had $46.0 million of outstanding collateralized letters of credit under this facility compared to $53.8 million at the end of 2009.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations (other than our obligations to employees, our Perpetual PIERS and our Perpetual Preference Shares) under long-term debt, operating leases (net of subleases) and reserves relating to insurance and reinsurance contracts as of September 30, 2010:

	2010	2011	2012	2013	2014	Later Years	Total
				($ in millions)			
Operating Lease Obligations	$ 2.3	$ 6.6	$ 5.7	$ 5.6	$ 5.6	$ 19.4	$ 45.1
Long-Term Debt Obligations(1)					$ 249.7		$ 249.7
Reserves for Losses and loss adjustment expenses(2)	$ 299.7	$ 1,037.2	$ 657.9	$ 441.3	$ 298.9	$ 937.2	$ 3,672.2

(1) The long-term debt obligations disclosed above do not include the $15 million annual interest payments on our outstanding senior notes.

(2) In estimating the time intervals into which payments of our reserves for losses and loss adjustment expenses fall, as set out above, we have utilized actuarially assessed payment patterns. By the nature of the insurance and reinsurance contracts under which these liabilities are assumed, there can be no certainty that actual payments will fall in the periods shown and there could be a material acceleration or deceleration of claims payments depending on factors outside our control. This uncertainty is heightened by the short time in which we have operated, thereby providing limited Company-specific claims loss payment patterns. The total amount of payments in respect of our reserves, as well as the timing of such payments, may differ materially from our current estimates for the reasons set out in our 2009 Annual Report on Form 10-K under Critical Accounting

Policies   Reserves for Losses and Loss Expenses.

Further information on operating leases is given in our 2009 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

For a discussion of derivative instruments we have entered into, please see Note 9 to our unaudited condensed consolidated financial statements for the three months ended September 30, 2010 included elsewhere in this report.

Effects of Inflation

Inflation may have a material effect on our consolidated results of operations by its effect on interest rates and on the cost of settling claims. The potential exists, after a catastrophe or other large property loss, for the development of inflationary pressures in a local economy as the demand for services such as

construction typically surges. We believe this had an impact on the cost of claims arising from the 2005 hurricanes. The cost of settling claims may also be increased by global commodity price inflation. We seek to take both these factors into account when setting reserves for any events where we think they may be material.

Our calculation of reserves for losses and loss expenses in respect of casualty business includes assumptions about future payments for settlement of claims and claims-handling expenses, such as medical treatments and litigation costs. We write casualty business in the United States, the United Kingdom and Australia and certain other territories, where claims inflation has in many years run at higher rates than general inflation. To the extent inflation causes these costs to increase above reserves established for these claims, we will be required to increase our loss reserves with a corresponding reduction in earnings. The actual effects of inflation on our results cannot be accurately known until claims are ultimately settled.

In addition to general price inflation we are exposed to a persisting long-term upwards trend in the cost of judicial awards for damages. We seek to take this into account in our pricing and reserving of casualty business.

We also seek to take into account the projected impact of inflation on the likely actions of central banks in the setting of short-term interest rates and consequent effects on the yields and prices of fixed interest securities. We consider that although inflation is currently low, in the medium-term there is a risk that inflation, interest rates and bond yields will rise with the result that the market value of certain of our fixed interest investments may reduce.

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-Q contains, and the Company may from time to time make other verbal or written, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, including statements regarding our capital needs, business strategy, expectations and intentions. Statements that use the terms believe, do not believe, anticipate, expect, plan, estimate, project, seek, will, may, aim, conti similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and because our business is subject to numerous risks, uncertainties and other factors, our actual results could differ materially from those anticipated in the forward-looking statements. The risks, uncertainties and other factors set forth in the Company s 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission and other cautionary statements made in this report, as well as the following factors, should be read and understood as being applicable to all related forward-looking statements wherever they appear in this report.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the possibility of greater frequency or severity of claims and loss activity, including as a result of natural or man-made (including economic and political risks) catastrophic or material loss events, than our underwriting, reserving, reinsurance purchasing or investment practices have anticipated;
- the reliability of, and changes in assumptions to, natural and man-made catastrophe pricing, accumulation and estimated loss models;
- evolving issues with respect to interpretation of coverage after major loss events, and any intervening legislative or governmental action;
- the effectiveness of our loss limitation methods;

changes in the total industry losses, or our share of total industry losses, resulting from past events such as the Chilean Earthquake, Hurricanes Ike and Gustav, Deepwater Horizon and, with respect to such events, our reliance on loss reports received from cedants and loss adjustors, our reliance

on industry loss estimates and those generated by modeling techniques, changes in rulings on flood damage or other exclusions as a result of prevailing lawsuits and case law;

the impact of acts of terrorism and acts of war and related legislation;

decreased demand for our insurance or reinsurance products and cyclical changes in the insurance and reinsurance sectors;

any changes in our reinsurers credit quality and the amount and timing of reinsurance recoverables;

changes in the availability, cost or quality of reinsurance or retrocessional coverage;

the continuing and uncertain impact of the current depressed lower growth environment in many of the countries in which we operate;

the level of inflation in repair costs due to limited availability of labor and materials after catastrophes;

changes in insurance and reinsurance market conditions;

increased competition on the basis of pricing, capacity, coverage terms or other factors and the related demand and supply dynamics as contracts come up for renewal;

a decline in our operating subsidiaries ratings with S&P, A.M. Best or Moody s;

our ability to execute our business plan to enter new markets, introduce new products and develop new distribution channels, including their integration into our existing operations;

changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors that could affect our investment portfolio;

the risk of a material decline in the value or liquidity of all or parts of our investment portfolio;

changes in our ability to exercise capital management initiatives or to arrange banking facilities as a result of prevailing market changes or changes in our financial position;

changes in government regulations or tax laws in jurisdictions where we conduct business;

Aspen Holdings or Aspen Bermuda becoming subject to income taxes in the United States or the United Kingdom;

loss of key personnel; and

increased counterparty risk due to the credit impairment of financial institutions.

In addition, any estimates relating to loss events involve the exercise of considerable judgment and reflect a combination of ground-up evaluations, information available to date from brokers and cedants, market intelligence, initial tentative loss reports and other sources. Due to the complexity of factors contributing to losses and the preliminary nature of the information used to prepare estimates, there can be no assurance that our ultimate losses will remain within stated amounts.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise or disclose any difference between our actual results and those reflected in such statements.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this report reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by the points made above. You should specifically consider the factors identified in this report which could cause actual results to differ before making an investment decision.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk. Our investment portfolio consists primarily of fixed income securities. Accordingly, our primary market risk exposure is to changes in interest rates. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, the market value of our fixed-income portfolio falls, and the converse is also true. Our strategy for managing interest rate risk includes maintaining a high quality portfolio with a relatively short duration to reduce the effect of interest rate changes on book value. In addition the Company selectively hedges its exposure to interest rates by entering into interest rate swaps with financial institution counterparties in the ordinary course of its investment activities.

As at September 30, 2010, our fixed income portfolio had an approximate duration of 3.1 years. The table below depicts interest rate change scenarios and the effect on our interest-rate sensitive invested assets:

Effect of Changes in Interest Rates on Portfolio Given a Parallel Shift in the Yield Curve

Movement in Rates in Basis Points	–100	–50	0	50	100
		($ in millions, except percentages)			
Market value $ in millions	$ 6,458.6	$ 6,360.6	$ 6,262.6	$ 6,164.6	$ 6,066.6
Gain/(loss) $ in millions	196.0	98.0		(98.0)	(196.0)
Percentage of portfolio	3.1%	1.6%	%	(1.6)%	(3.1)%

Equity risk. We had invested in two funds of hedge funds where the underlying hedge funds consisted of diverse strategies and securities. In February 2009, we gave notice to redeem our remaining investments in funds of hedge funds with effect on September 30, 2009, which would reduce our exposure to equity risk. As the notices of redemption have taken effect, we are no longer exposed to changes in the net asset value of the funds.

Foreign currency risk. Our reporting currency is the U.S. Dollar. The functional currencies of our segments are U.S. Dollars, British Pounds, Euros, Canadian Dollars, Swiss Francs, Australian Dollars and Singaporean Dollars. As of September 30, 2010, approximately 83% of our cash, cash equivalents and investments were held in U.S. Dollars, approximately 8% were in British Pounds and approximately 9% were in other currencies. For the nine months ended September 30, 2010, approximately 21% of our gross premiums were written in currencies other than the U.S. Dollar and the British Pound and we expect that a similar proportion will be written in currencies other than the U.S. Dollar and the British Pound in the remainder of 2010.

Other foreign currency amounts are re-measured to the appropriate functional currency and the resulting foreign exchange gains or losses are reflected in the statement of operations. Functional currency amounts of assets and liabilities are then translated into U.S. Dollars. The unrealized gain or loss from this translation, net of tax, is recorded as part of shareholders equity. The change in unrealized foreign currency translation gain or loss during the period, net of tax, is a component of comprehensive income. Both the re-measurement and translation are calculated using current exchange rates for the balance sheets and average exchange rates for the statement of operations. We may experience exchange losses to the extent our foreign currency exposure is not hedged, which in turn would adversely affect our results of operations and financial condition. Management estimates that a 10% change in the exchange rate between British Pounds and U.S. Dollars as at September 30, 2010, would have impacted reported net comprehensive income by approximately $33.4 million for the nine months ended September 30, 2010.

We manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance policies that are payable in foreign currencies with investments that are denominated in these currencies. This may involve the use of forward exchange contracts from time to time. A forward exchange contract involves an obligation to purchase or

sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our assets and liabilities denominated in foreign currencies but rather allow us to establish a rate of exchange for a future point in time. All realized gains and losses on foreign exchange forward

contracts are recognized in the Statements of Operations. There were no outstanding foreign currency contracts at September 30, 2010 or at September 30, 2009.

Credit risk. We have exposure to credit risk primarily as a holder of fixed income securities. Our risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories, business sectors and any one issuer. As at September 30, 2010 and December 31, 2009, the average rating of fixed income securities in our investment portfolio was AA+ .

In addition, we are exposed to the credit risk of our insurance and reinsurance brokers to whom we make claims payments for our policyholders, as well as to the credit risk of our reinsurers and retrocessionaires who assume business from us. Other than fully collateralized reinsurance the substantial majority of our reinsurers have a rating of A (Excellent), the third highest of fifteen rating levels, or better by A.M. Best and the minimum rating of any of our material reinsurers is A− (Excellent), the fourth highest of fifteen rating levels, by A.M. Best.

We have also entered into a credit insurance contract which, subject to its terms, insures us against losses due to the inability of one or more of our reinsurance counterparties to meet their financial obligations to the Company. Payments are made on a quarterly basis throughout the period of the contract based on the aggregate limit, which was set initially at $477 million but is subject to adjustment. The carrying value of the derivative is the Company s maximum exposure to loss.

See Note 9 to the unaudited financial statements for the three months ended September 30, 2010 above.

The table below shows our reinsurance recoverables as of September 30, 2010 and December 31, 2009, and our reinsurers ratings.

A.M. Best	**As at September 30, 2010 ($ in millions)**	**As at December 31, 2009 ($ in millions)**
A++	$ 15.9	$ 13.2
A+	66.5	57.0
A	157.0	226.2
A−	17.1	21.3
Fully collateralized		0.5
Not rated	7.3	3.3
Total	$ 263.8	$ 321.5

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the design and operation of the Company s disclosure controls and procedures as of the end of the period of this report. Our management does not expect that our disclosure controls or our internal controls 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. As a result 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. As a result of the inherent limitations in a cost-effective control system, misstatement due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure requirements are met. Based on the evaluation of the disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective in ensuring that information required to be disclosed in the reports filed or submitted to the Commission under the Exchange Act by the Company is recorded, processed, summarized and reported in a timely fashion, and is accumulated and communicated to management, including the Company s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company s management has performed an evaluation, with the participation of the Company s Chief Executive Officer and the Company s Chief Financial Officer, of changes in the Company s internal control over financial reporting that occurred during the quarter ended September 30, 2010. Based upon that evaluation, the Company s management is not aware of any change in its internal control over financial reporting that occurred during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

In common with the rest of the insurance and reinsurance industry, we are subject to litigation and arbitration in the ordinary course of our business. Such legal proceedings can arise from our underwriting or general business activities. The latter would include commercial contractual disputes or employment matters. Our Insurance Subsidiaries are regularly engaged in the investigation, conduct and defense of disputes, or potential disputes, resulting from questions of insurance or reinsurance coverage or claims activities. Pursuant to our insurance and reinsurance arrangements, many of these disputes are resolved by arbitration or other forms of alternative dispute resolution. In some jurisdictions, noticeably the U.S., a failure to deal with such disputes or potential disputes in an appropriate manner could result in an award of bad faith punitive damages against our Insurance Subsidiaries.

While any legal or arbitration proceedings contain an element of uncertainty, we do not believe that the eventual outcome of any specific litigation, arbitration or alternative dispute resolution proceedings to which we are currently a party will have a material adverse effect on the financial condition of our business as a whole.

We are not currently involved in any material pending litigation or arbitration proceedings.

Item 1A. Risk Factors

There have been no significant changes in the Company s risk factors as discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. However, also please refer to the Cautionary Statement Regarding Forward-Looking Statements provided elsewhere in this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In connection with the options held by the Names Trustee as described further in Note 12 to our financial statements, the Names Trustee may exercise the options on a monthly basis. The options were exercised on a cashless basis at the exercise price as described in Note 11 to our unaudited condensed consolidated financial statements. As a result, we issued the following unregistered shares to the Names Trustee and its beneficiaries as described below.

Date Issued	Number of Shares Issued
August 16, 2010	454
September 15, 2010	2,789

None of the transactions involved any underwriters, underwriting discounts or commissions, or any public offering and we believe that each transaction, if deemed to be a sale of a security, was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof or Regulation S for offerings of securities outside the United States. Such securities were restricted as to transfers and appropriate legends were affixed to the share certificates and instruments in such transactions.

The following table provides information about purchases by the Company during the quarter ended September 30, 2010 of the Company s equity securities.

	(a) Total Number of Share (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Share (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Share (or Units) That May Yet Be Purchased Under the Plans or Programs
July 1, 2010 to July 31, 2010				
August 1, 2010 to August 31, 2010				
September 1, 2010 to September 30, 2010	264,555(1)	$ 28.97	264,555	$ 392.3
Total	264,555	$ 28.97	264,555	$ 392.3

(1) On February 9, 2010 our Board of Directors authorized a new repurchase program for up to $400 million of our ordinary shares. The authorization for the repurchase program covers the period to March 1, 2012. This share repurchase program was in addition to the completed accelerated share repurchase program entered into on January 5, 2010. On September 2, 2010, we initiated an open market purchase program to purchase ordinary shares in the open market. The 264,555 ordinary shares we repurchased during September 2010 were purchased in the open market and subsequently cancelled.

In addition to the share repurchase program, we purchase shares offered from time to time by the Names Trustee. On June 23, 2010 an agreement was signed to repurchase 10,835 shares from the Names Trustee. The shares were repurchased on July 7, 2010 and subsequently cancelled.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) The following sets forth those exhibits filed pursuant to Item 601 of Regulation S-K:

Exhibit Number	Description

10.1	Credit agreement dated as of July 30, 2010, among Aspen Insurance Holdings Limited, various subsidiaries thereof, various lenders and Barclays Bank plc, as administrative agent (filed on From 8-K, August 4, 2010).
31.1	Officer Certification of Christopher O Kane, Chief Executive Officer of Aspen Insurance Holdings Limited, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with this report.
31.2	Officer Certification of Richard Houghton, Chief Financial Officer of Aspen Insurance Holdings Limited, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with this report.
32.1	Officer Certification of Christopher O Kane, Chief Executive Officer of Aspen Insurance Holdings Limited, and Richard Houghton, Chief Financial Officer of Aspen Insurance Holdings Limited, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, submitted with this report.
101.INS	XBRL Instance Document submitted with this report
101.SCH	XBRL Taxonomy Extension Schema Document submitted with this report
101.CAL	XBRL Taxonomy Calculation Linkbase Document submitted with this report
101.PRE	XBRL Taxonomy Presentation Linkbase Document submitted with this report

Table of Contents

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.

ASPEN INSURANCE HOLDINGS LIMITED
(Registrant)

By:
/s/ Christopher O Kane

Date: November 9, 2010

Christopher O Kane
Chief Executive Officer

By:
/s/ Richard Houghton

Date: November 9, 2010

Richard Houghton
Chief Financial Officer