

August 24, 2006

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 55

File Reference No. 1325-100 – Financial Accounting Standards Board Invitation to Comment on Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting

Platinum Underwriters Holdings, Ltd. is pleased to respond to the May 26, 2006 FASB Invitation to Comment on *Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting* (the “Invitation to Comment” or “ITC”).

We support the Board in its efforts to consider alternatives to current insurance and reinsurance contract accounting and to provide clarity and interpretation for existing guidance. We understand the Board’s goal is to achieve reporting consistency and comparability with reliable information in financial statements. However, we do not believe that the bifurcation proposals of the ITC, if adopted, would improve the financial statements of insurers, reinsurers or commercial buyers of insurance. The premise of bifurcation is that in each contract a point or narrow range can be identified where risk is transferred. We do not believe this to be true and expect that implementation of bifurcation would require significant contract specific judgments. The consequence would be a higher degree of judgment and variability within financial statements than exists with present insurance accounting literature and would not benefit the users of financial statements.

We support the principles based definitions and risk-transfer rules of Statement of Financial Account Standards No. 113. However, we also support the prospect of further guidance on measures of risk-transfer that consider different structures of insurance and reinsurance contracts that achieve economic risk-transfer.

We appreciate your consideration regarding our concerns. The appendix to this letter contains our responses to selected issues raised in the Invitation to Comment. If you have any questions concerning our comments, please contact me.

Yours truly,

James A. Krantz
Senior Vice President and
Chief Accounting Officer

Page 2
August 24, 2006
File Reference No. 1325-100

Appendix
Platinum Underwriters Holdings, Ltd.
Responses to Issues in Invitation to Comment

Issue 1: Does the IFRS 4 definition of insurance contract identify insurance contracts and sufficiently distinguish those contracts from other financial contracts? Does the GAAP definition of insurance risk identify and separate that risk from other risks such as financial risk? Do the descriptions of finite insurance and reinsurance contracts, including the risk-limiting features, identify those contracts? How could the definitions and descriptions be improved?

We believe the U.S. GAAP definition of *insurance risk* which uses indemnification within the definition is adequate and provides guidance for management to make judgments based on facts and circumstances as required throughout GAAP. Indemnification limits the compensation to the amount of policyholder loss and better represents the nature of insurance products purchased to mitigate the risks of losses due to an insured event. We recognize that IFRS 4 uses the broader term of compensation in its definition, however, we believe that potential inconsistencies or issues can be addressed in the broader effort of convergence of U.S. GAAP and IFRS.

We believe that definitions and descriptions in Statement of Financial Account Standards (SFAS) No. 113 of risks in an insurance/reinsurance contract are adequate. SFAS 113 is, by design, a principles based rule that, for a contract to be accounted for as reinsurance, it must be reasonably possible that the reinsurer realize a significant loss from a contract. While there is an absence of formal rules or measures of "reasonable possibility of significant loss", the industry has generally accepted the measure of a 10% chance of a 10% loss as a sufficient measure to achieve risk-transfer. This 10/10 measure, however, is not universally applicable to all contracts of insurance or reinsurance. We would welcome more formal guidance regarding the evaluation of risk-transfer from the Board, however, we also believe that such guidance, in order to be useful, will need varying measures and /or approaches for the different structures of insurance and reinsurance that achieve economic risk-transfer.

Issue 3: Does classifying an entire contract as insurance or bifurcating that contract into insurance and deposit components provide more understandable and decision-useful information? Which qualitative characteristics most influence your decision? Which approach more faithfully represents the economic substance of the contract? Why?

We do not believe that bifurcating insurance and reinsurance contracts into insurance and deposit components will provide more understandable financial information or decision-useful information. We believe that current insurance accounting rules for insurance contracts, when properly applied to contracts that have elements of "dollar-trading", results in a fair presentation of financial position of results of operations. An insured entity may very well be paying for bundled services of claim handling and some level of "dollar-trading", however, we do not believe that accounting for these services separately would be meaningful enhancements to financial statements. We believe recording liabilities on the financial statements for the insuring entity for all obligations of insurance contracts is the better presentation as the insuring entity has been paid the premium, assumed the obligation and bears the risk that such estimates will vary. The insured entity generally has no right to recovery of premium or profits as a deposit might suggest to a user of financial statements. We believe current accounting rules adequately address

Page 3
August 24, 2006
File Reference No. 1325-100

the accounting for contracts where profits are shared. We expect that the financial results of both insureds and insurers would become less comparable as estimates of bifurcation will result in varying estimates of deposits versus premiums.

Further, we are certain that there would be costs significantly greater than any benefits derived from bifurcating all insurance contracts. Information systems would require extensive re-programming, prior history of loss development would require re-structuring and various premium and loss leverage measures would become inconsistent among insurance entities. We strongly believe that bifurcation of insurance contracts into deposit and insurance elements would create significantly greater complexities and inconsistencies for users of financial statements than it would solve.

Issue 11: In view of the IASB's project on insurance contracts, should the FASB be considering bifurcation of insurance contracts based on transfer of insurance risk?

The IASB does not appear to be moving at all in the direction of bifurcation of insurance contracts, and therefore, we do not believe that it is prudent to make these significant changes to current U.S. GAAP. We believe it would ultimately create greater inconsistencies between U.S. GAAP and IFRS when the objective should be greater consistency.