



ASPEN

Sustaining
the ●

right
underwriting
culture

Aspen Insurance Holdings Limited

Annual Report & Accounts

2006



ASPEN

ASPEN RE
ASPEN INSURANCE

Property Re Property Treaty Reinsurance and
Facultative Reinsurance

Casualty Re International Casualty Treaty Reinsurance,
US Casualty Treaty Reinsurance and
Casualty Facultative Reinsurance

Insurance UK and US Commercial Property, UK/Eire
and US Commercial Liability and
International Property Facultative

Specialty Specialty Reinsurance, Aviation Insurance
and Marine, Liability and Energy Insurance

Aspen at a glance

About Aspen

Formed in 2002, Aspen Insurance Holdings Limited ('Aspen') is a specialty insurance and reinsurance company.

Aspen, a Bermudian holding company, has been listed on the New York Stock Exchange since December 2003 (ticker symbol: AHL). We operate through our wholly-owned subsidiaries based in London, Bermuda and the US; Aspen Insurance UK Limited ('Aspen Re'), Aspen Insurance Limited ('Aspen Bermuda') and Aspen Specialty Insurance Company ('Aspen Specialty').

Aspen provides property and casualty reinsurance for clients worldwide; property and liability insurance for clients principally in the UK and the US and specialty insurance and reinsurance in the global market, consisting mainly of marine, liability, energy and aviation.

Aspen's competitive advantages include strong capitalization, strategic agility and recognized underwriting expertise in high value-added markets.

Key strengths

- Investment in people and development of talent
- Strong presence in select markets
- Informed and disciplined approach to underwriting to deliver consistent shareholder returns
- Provision of intelligent solutions to clients
- Development of long-term relationships with clients
- Focus on business that complements our specialized skills
- Diversified trading platform that reduces volatility
- Focus on enhancing book value per share rather than top line growth
- Enterprise risk management as a core strategic enabler

Strategic priorities

- Improving returns while reducing earnings volatility through targeted management of underlying drivers
- Proactive management of insurance cycles
- Organization of business around the most client-focused and cost-effective trading and operating platforms
- Enhancing investment income, while sustaining security, liquidity and a strong rating profile
- Improving financial leverage and returns for shareholders
- Optimizing risk-return from 'core' risks such as underwriting and investment, while minimizing 'non-core' risks such as credit and operational risk

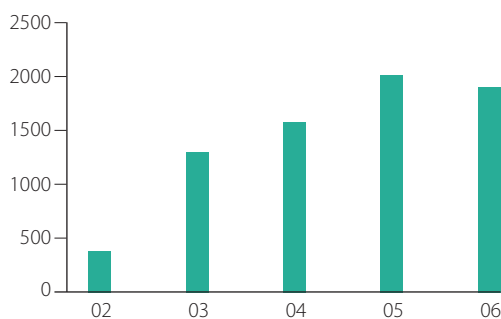
Record year

Financial highlights for year ended December 31, 2006

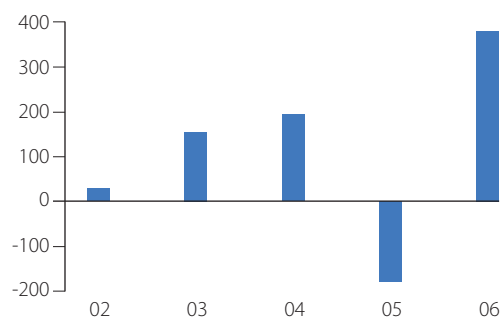
- Record annual net income of \$378.1 million
- Net income per diluted ordinary share adjusted for preference share dividends of \$3.75
- Combined ratio of 82.4%
- Shareholders' equity up 17.1% to \$2,389.3 million
- 18.5% return on average equity ¹
- Net investment income up 68.5% to \$204.4 million

¹ For a reconciliation of average equity to closing shareholders' equity please see page 15 of the Earnings Release Financial Supplement for the 12 months ended December 31, 2006, as posted on the 'Financial Results' section of the Investor Relations page of Aspen's website at www.aspen.bm.

2002 - 2006 Gross Written Premiums (\$m)



2002 - 2006 Net Income (\$m)



Aspen at a glance

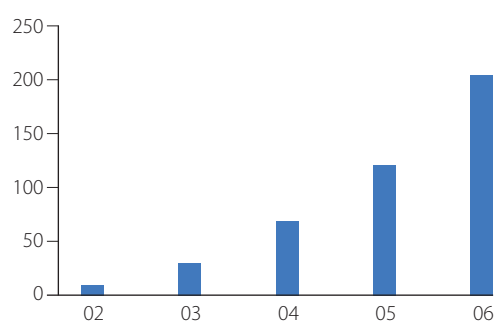
Financial Highlights

Full year data for the 12 months ended December 31; balance sheet data as of December 31.

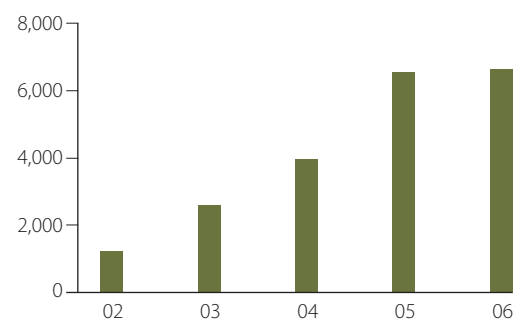
US \$ million except ratios	2006	2005	2004	2003
Summary Income Statement Data				
Gross premiums written	1,945.5	2,092.5	1,586.2	1,306.8
Net premiums earned	1,676.2	1,508.4	1,232.8	812.3
Net investment income	204.4	121.3	68.3	29.6
Net income (loss) - before tax	470.4	(160.4)	263.2	206.6
Net income (loss) - after tax	378.1	(177.8)	195.1	152.1
Selected Ratios (based on US GAAP income statement data)				
	%	%	%	%
Loss ratio ¹	53	90	59	53
Expense ratio ¹	29	27	25	25
Combined ratio ¹	82	117	84	78
Summary balance sheet data				
Cash and investments	5,176.1	4,437.4	3,020.8	1,847.1
Total assets	6,640.1	6,537.8	3,943.1	2,578.5
Bank debt	—	—	—	40.0
Long-term debt	249.4	249.3	249.3	—
Total shareholders' equity	2,389.3	2,039.8	1,481.5	1,298.7

¹ Based on net premiums earned

2002 - 2006 Net Investment Income (\$m)



2002 - 2006 Total Assets as of December 31 (\$m)



US \$	2006	2005	2004	2003
Per share data				
Basic earnings per share	3.82	(2.40)	2.82	2.63
Fully diluted earnings per share	3.75	(2.40)	2.74	2.56
Book value per share	22.44	19.39	21.37	18.77
Diluted book value per share (treasury stock method)	21.92	18.81	20.79	18.17
Cash dividend declared per ordinary share	0.60	0.60	0.12	0.00
Basic weighted average shares outstanding (m)	94.8	74.0	69.2	57.8
Diluted weighted average shares outstanding (m)	96.7	74.0	71.1	59.5

Ratings Summary

Ratings by independent agencies are an important factor in establishing the competitive position of insurance and reinsurance companies and hence our ability to market and sell our products.

As of March 15, 2007, our Insurance Subsidiaries* are rated as follows:

Aspen Insurance UK Limited ('Aspen Re')	
Standard & Poor's	A (Strong)
A.M. Best	A (Excellent)
Moody's	A2 (Good)
Aspen Insurance Limited ('Aspen Bermuda')	
Standard & Poor's	A (Strong)
A.M. Best	A- (Excellent)
Moody's	A2 (Good)
Aspen Specialty Insurance Company ('Aspen Specialty')	
A.M. Best	A- (Excellent)

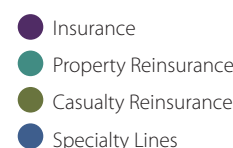
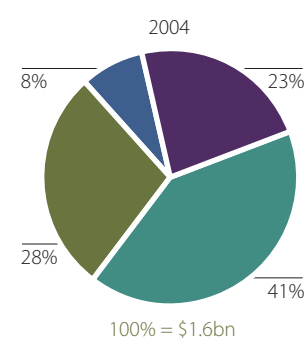
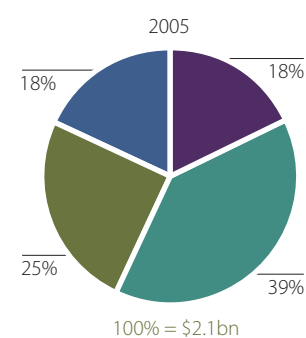
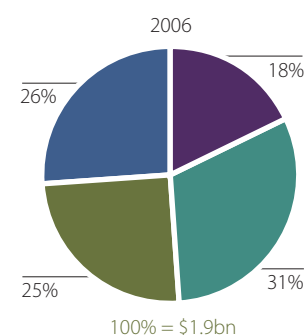
* 'Insurance Subsidiaries' means Aspen Re, Aspen Bermuda and Aspen Specialty

Aspen at a glance

Business Lines	Property Reinsurance	Casualty Reinsurance
How we organize ourselves	<p>Property reinsurance is conducted through Aspen Re in the UK and Aspen Bermuda.</p> <p>Our reinsurance intermediary, Aspen Re America, Inc., provides property reinsurance in the US exclusively on behalf of Aspen Re.</p>	<p>Casualty reinsurance is conducted through Aspen Re in the UK and Aspen Bermuda.</p> <p>Our reinsurance intermediary, Aspen Re America, Inc., provides facultative and treaty casualty reinsurance in the US exclusively on behalf of Aspen Re.</p>
Clients	<p>US</p> <p>Regional and national insurance companies</p> <p>International</p> <p>Insurance companies principally in Japan, Europe, Canada and Latin America</p>	<p>US</p> <p>Regional US and mutual companies for professionals</p> <p>Single state medium size insurance companies</p> <p>International</p> <p>UK, Australian, European and Canadian insurance companies</p>
Product Offering	<ul style="list-style-type: none"> ○ Catastrophe treaty ○ Risk excess treaty ○ Proportional treaty ○ Facultative 	<ul style="list-style-type: none"> ○ US treaty ○ Non-US treaty ○ Facultative

Specialty Insurance and Reinsurance	Property and Casualty Insurance
<p>Specialty insurance and reinsurance, principally consists of marine, liability and energy and aviation worldwide, conducted through Aspen Re in the UK.</p>	<p>Insurance operations are conducted through Aspen Re in the UK and Aspen Specialty in the US.</p>
<p>Insurance</p> <p>Aviation</p> <p>Airlines, smaller operators of airline equipment, airports and associated businesses and non-critical component part manufacturers.</p> <p>Marine, Liability and Energy</p> <p>A diverse international client base ranging from single vessel owner operators to Fortune 500 multi-national corporations.</p> <p>Reinsurance</p> <p>A diverse international client base, ranging from small domestic mono-line insurers to multi-national insurance companies.</p> <p>Focus is on structuring specialized reinsurance programs for these clients.</p>	<p>UK</p> <p>Commercial Property</p> <p>UK middle market corporate and public sector clients and property owners.</p> <p>Commercial Liability</p> <p>Manufacturing, servicing and contracting companies, and care home businesses.</p> <p>US</p> <p>Commercial Property and Casualty</p> <p>Principally mercantile, manufacturing and commercial real estate companies and contractors.</p>
<ul style="list-style-type: none"> ○ Marine, liability and energy insurance including coverage in respect of hull, ship-owners' liability and offshore energy property risks ○ Non-marine specialty liability coverage ○ Aviation insurance consisting of physical damage to hulls and spares and comprehensive legal liability (including war and associated perils) ○ Specialty reinsurance, consisting of marine and aviation as well as terrorism, nuclear, personal accident, crop and satellite 	<ul style="list-style-type: none"> ○ UK commercial property insurance ○ UK commercial liability insurance ○ US commercial property and casualty insurance, primarily written through the US wholesale surplus lines broker network

Gross Written Premiums by Class of Business



The strength to deliver sustainable value

Chief Executive Officer's and Chief Financial Officer's review of the year

Aspen delivered record annual net income and attractive combined ratio and return on equity results in 2006, while reinforcing its focus on reducing volatility, enhancing shareholder returns and strengthening risk and operational management. While our investment in underwriting and operational effectiveness is ongoing, we believe we have laid the foundations for delivering favorable and consistent long-term value to our clients, shareholders and business partners.

Aspen achieved its best ever annual net income of \$378.1 million in 2006, on gross written premium (GWP) of \$1.95 billion. This equates to a return on average equity (ROAE) of 18.5%. Our overall combined ratio for the year was 82.4%.

This strong performance included an especially encouraging final quarter marked by record net income of \$119.5 million and an annualized ROAE of 22.4%.

These results are particularly rewarding as they were achieved in what was a year of considerable change within our business. Our corporate agenda for 2006 included a number of modifications to our strategy in response to the evident increase in the frequency and

severity of natural catastrophes. Delivering our agenda has led to a number of significant developments including a reduction in our risk tolerances and our exposure to US peak zone natural catastrophe risk in particular. We also recalibrated the model assumptions used in our catastrophe modeling of natural hazards and further diversified our portfolio in line with this more conservative risk appetite.

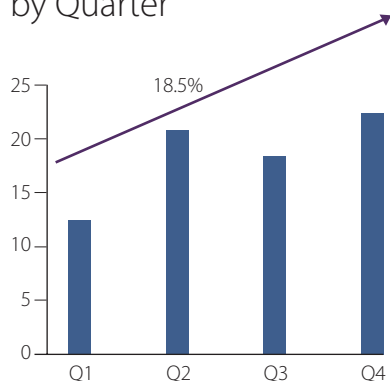
As a result, we have been able to reduce our spend on retrocessional protection at a time of continuing pressure on capacity and pricing in the 'retro' market.

Our ability to deliver strong and consistent shareholder returns is further underpinned by the strengthening and closer integration of our decision-making, strategic execution and enterprise risk management (ERM) frameworks.

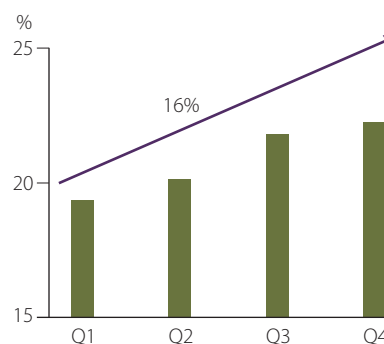
The outlook in our key markets is expected to remain attractive, though rates have peaked or are already softening in most classes of insurance and reinsurance. Our focus on enhancing shareholder value and growing tangible book value rather than volume growth is clearly evident from the speed and discipline with which we



2006 Annualized ROAE by Quarter



2006 Growth in Book Value per share



can identify weakening market conditions and reduce or withdraw capacity in areas where returns fall below our target. This agility and market insight also enables us to pinpoint and benefit from opportunities that may be missed by our competitors. For example, we were able to take advantage of the rapid rate rises in UK Employers' Liability in 2002 and 2003 at a time when many other companies were reluctant to enter the market. We have subsequently scaled back the writing of new business to take account of the increasing price pressures in this segment, while sustaining our focus on supporting longstanding clients and brokers.

Developing long-term relationships with clients and brokers is key to our business. These relationships enable us to build a close understanding of our partners' requirements and from this create solutions to address their needs over the long-term. The quality and effectiveness of our risk management also means that we can offer reasonably priced cover across the insurance cycle, while remaining within our risk tolerances.

We are continuing to refine our investment strategy to enhance yields and improve returns. Our net investment income was up 68.5% in 2006 to \$204.4 million.

Progress against strategy

1. Realizing ambitious financial objectives

Targets	Definition	Target range	2006
Financial Leverage	Long term debt + hybrid equity / Total capital	20% - 30%	25.3% ¹
Operating Ratio	Net written premiums / Ordinary shareholders' equity	0.85 - 0.95	0.84 ¹
Property / Specialty combined ratio ²	Losses + expenses / Net earned premiums	81% - 85%	82.5% ⁴
Casualty combined ratio ³	Losses + expenses / Net earned premiums	92% - 97%	82.1% ⁴
Expense Ratio	Total expenses / Gross earned premiums	< 26%	24.5%
Investment Leverage	Cash + investments / Ordinary shareholders' equity	2.5x - 2.7x	2.6x ¹
Tax Rate	Income tax expense / Income before income tax	15% to 20%	19.6%

¹ December 31, 2006

² Property reinsurance and property insurance and all specialty lines (marine, aviation etc)

³ Casualty reinsurance and casualty insurance

⁴ Includes prior year reserve changes

We recognize that we operate in an increasingly competitive capital marketplace. 2006 has seen a strong return to profitability and a 17.1% increase in our shareholders' equity to \$2,389.3 million. Our confidence is further reflected in our share repurchase program, which underscores our commitment to be effective custodians of capital.

2. Maintaining consistent returns

The cyclical fluctuation of the insurance industry's earnings has been heightened by climatic instability, as highlighted by the industry-wide hurricane losses of 2004 and 2005. Aspen's strategy to reduce earnings volatility and deliver consistent long-term returns centers on four closely-aligned elements:

○ Increasing diversification

Between 2003 and 2006, we diversified our business by increasing specialty lines from 12% to 26% of GWP and reducing property reinsurance from 43% to 31% of GWP.

○ Tighter catastrophe limits

2006 saw an approximate 50% reduction in our catastrophe limits in peak US exposure zones.

○ Recalibration of catastrophe model assumptions and upgrading of price and aggregation analysis

Pricing and risk selection have been enhanced by the development of advanced in-house aggregation tools.

○ Strengthened enterprise risk management

2006 saw the development of a more systematic company-wide enterprise risk management framework that draws on best practice from each operating unit. Standard & Poor's rated our ERM as 'strong' in 2006 as part of an improved overall outlook for the company.

3. Enhanced information framework

The introduction of a centralized data warehouse and new company-wide analytical tools, underpinned by closer integration of our risk, finance and underwriting systems, have enhanced the speed, consistency and transparency of management information. These developments are paving the way for more streamlined

Enterprise risk management



real-time performance 'dashboards' that aim to enable senior management to judge and respond more quickly to opportunities, weaknesses and ensure progress is made against key strategic objectives. Better and more timely information can be drilled down through the organization to allow underwriters a clearer understanding of how their current writing affects our combined ratio, return on equity and other company-wide indicators.

4. Strengthening and deepening the management team

2006 saw the appointment of Stuart Sinclair as President and Chief Operating Officer. Stuart has extensive experience in financial services, including most recently, eight years as CEO with GE Capital Financial Services in China and the UK. His responsibilities at Aspen include developing the company's execution framework, organizational design, IT and business performance management.

5. Enhanced returns for investors

Aspen has now repurchased approximately \$200 million of shares as part of a \$300 million repurchase program announced in November 2006. The program forms part of a carefully balanced approach to capital management that seeks to maintain our target rating profile and give assurance to clients, while enhancing returns to ordinary shareholders.

6. Improved return on investment

Our investment strategy seeks to optimize returns while maintaining the security and liquidity needed to meet claims and provide the necessary cash flow for our business. While the vast majority of our portfolio continues to be held in highly-rated fixed income securities, 2006 saw a measured increase in higher target yield investments including funds of hedge funds. Investment income rose to \$204.4 million in 2006.

Property reinsurance

While we reduced line sizes in peak catastrophe zones consistent with our reduced risk appetite, our underwriting profit benefited from the marked increases in rates following the hurricane losses of 2004 and 2005 and a benign loss environment in 2006. Property reinsurance produced an underwriting profit of \$105.4 million in 2006. The overall combined ratio in 2006 was 78.5%.

GWP	\$609.2 m
Underwriting profit	\$105.4 m
Combined ratio	78.5%

Casualty reinsurance

Casualty reinsurance produced an underwriting profit of \$81.3 million in 2006. The casualty segment's overall combined ratio was 83.4%. The casualty class also generates substantial investment income from the reserves of approximately \$1 billion relating to this segment.

GWP	\$485.5 m
Underwriting profit	\$ 81.3 m
Combined ratio	83.4%

Specialty insurance and reinsurance

Our specialty lines segment has performed well, producing an underwriting profit of \$89.1 million in 2006. The segment produced a combined ratio of 78.2%.

GWP	\$511.1 m
Underwriting profit	\$ 89.1 m
Combined ratio	78.2%

Property and casualty insurance

The property and casualty insurance segment produced an underwriting profit of \$19.8 million in 2006 and a combined ratio of 93.1%. We reduced premium volumes in this segment by 11.6% as a result of strong competition, particularly in the UK.

GWP	\$339.7 m
Underwriting profit	\$ 19.8 m
Combined ratio	93.1%

Although we expect rates to come under some pressure in 2007, we anticipate rating adequacy will be maintained and market conditions will allow a strong underwriting performance.

Disciplined approach

Reducing earnings volatility and delivering consistent shareholder returns continue to be the cornerstone of our objectives. Our ability to preserve underwriting margins across the cycle in certain classes of business is a function of our strong client relationships and expertise in selected markets. However, we will not hesitate to scale back underwriting in underperforming classes in order to maintain returns.

Our growth strategy will continue to focus on enhancing book value per share, rather than revenues. Looking ahead, we may seek to capture tactical opportunities in new business lines as long as they complement our underwriting and operational capabilities, while meeting our return objectives. We remain committed to sustaining the right underwriting culture to deliver superior client service and strong results for you our shareholders.



Christopher O'Kane, CEO



Julian Cusack, CFO

Capitalizing on our strengths:

An interview with **Chris O’Kane,**
Chief Executive Officer

Chris O’Kane, Chief Executive Officer, explains what sets Aspen apart from its competitors.

How would you characterize Aspen’s strengths?

A: Ours is a company built on a combination of underwriting excellence, operational effectiveness, strategic agility and talent management. I believe that these qualities have enabled us to emerge stronger than before from the wind storm challenges of 2004 and 2005. In particular, our business is now diversified across different perils, territories and business lines, reducing our susceptibility to any particular risk or event and making it more likely that a downturn in a specific market can be counteracted by an upturn in another. Our goal to deliver consistent returns is underpinned by our information and control framework and disciplined underwriting management that enable us to respond swiftly to emerging threats and opportunities.



What marks Aspen out from its peers?

A: The quality of our underwriting expertise enables us to provide intelligent customized solutions for even the most complex risks. We are now taking this further through the development of our analytical capabilities. For example, we continue to evolve our in-house marginal pricing system for property catastrophe business, which will enable underwriters to evaluate individual treaties against our company-wide return on equity (ROE) and risk aggregation parameters. The communication, teamwork and responsiveness to new ideas that are integral to our culture also mean that such capabilities can be quickly and effectively embedded into our underwriting operations.

How would you characterize Aspen’s approach to performance management and strategic execution?

A: Improvements in management information have enabled us to move to a more focused approach to strategic execution that targets the underlying drivers of ROE. We can evaluate the return on risk-adjusted capital (RORAC) of each business against a clear and consistent performance ‘grid’. Meeting or exceeding targets is a cue to continue, or where appropriate, step up investment. Failure to meet targets is a cue to rein in, review and fix it. The benefits of this approach are its simplicity and our ability to respond quickly to changing market conditions.

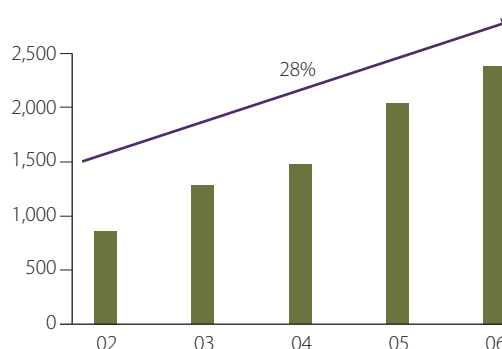
How does enterprise risk management act as a strategic enabler?

A: Effective ERM is a combination of good information and a secure control environment capable of instilling risk awareness and accountability into the mindset and day-to-day operations of the company. Such capabilities can help safeguard our business in the face of an increasingly complex and uncertain risk environment. Crucially, they can also help us to allocate capital more effectively and enhance underwriting through a better understanding of the balance between risk and reward. The benefits of our risk information systems include the ability to pinpoint opportunities that competitors may miss. In addition, we have been able to reduce the need to purchase expensive and capacity-constrained retrocessional cover.

How does Aspen set out to be an effective custodian of capital?

A: This custodianship goes to the heart of how we operate our business. This means setting the increase in our book value per share rather than volume growth as our key strategic objective and embedding these targets into our risk appetite and performance management framework. During 2006, we also set out to return surplus capital through a \$300 million share repurchase program. The program aims to enhance financial leverage and earnings per share. To date, we have repurchased shares for approximately \$200 million. The repurchased shares were funded principally from the proceeds of our issuance of preference shares, which are considered 'hybrid' securities, as they have characteristics of both equity and debt securities.

2002 - 2006 Total Shareholders' Equity (\$m)
Cumulative Average Growth Rate



Looking ahead, how do you see Aspen developing in the future?

A: We have built a solid platform for future success and I am confident of our ability to go from strength to strength. Our growth target is first and foremost enhancing book value per share. We will continue to achieve this by being an underwriting-led company capable of providing intelligent solutions for clients and pricing our business accurately. While we will continue to review opportunities for tactical expansion, new business lines will need to complement our underwriting and operational strengths.

What do you see as the key operational objectives for 2007?

A: While we have made considerable strides in areas such as ERM in 2006, there is still much to be done. This includes rolling out and embedding our new management information systems to provide a more consistent and effective basis for decision-making and performance management. We will also exchange more information electronically with brokers and other partners, thereby improving the speed and efficiency of our quotes.

Effective custodians of capital:

An interview with **Julian Cusack**,
Chief Financial Officer

Julian Cusack, Chief Financial Officer, outlines how Aspen's active capital, investment and balance sheet management strategy can help to enhance returns for shareholders.

How are Aspen's capital management priorities evolving?

A: In 2005 we needed to raise additional capital to support our target credit ratings. Our priority now is to ensure that we do not carry excess capital which would dilute shareholder returns. In November 2006, our Board of Directors approved a program to return \$300 million to our ordinary shareholders and we completed the first \$200 million of this program by the end of 2006.

How is this program being funded?

A: The first part of our share repurchase program was funded by the issue of high equity content 'hybrid' securities, which has enabled us to enhance leverage for ordinary shareholders, while sustaining our credit and financial strength ratings. Our balance sheet funding is now shared between four different types of security ranging from long-term debt to ordinary shares. This flexibility enables us to target discrete investor markets for our capital needs.



What are the underlying priorities of Aspen's investment strategy and how is it evolving?

A: Our investment strategy provides a growing contribution to return on equity while maintaining liquidity for the payment of claims. We also manage investment risk with a view to the preservation of balance sheet strength. Aspen commenced operations and made its first investments at a time of near record low bond yields and credit spreads. We elected at that time to maintain a short duration position and high credit quality in the expectation that we could pick up yield as interest rates rose and take advantage of opportunities in the credit markets when these became more attractive. This strategy has been successful. In 2006 we took the first step to move beyond fixed income securities with our first investment in funds of hedge funds.

How do capital, investment and balance sheet management fit into Aspen's wider strategy?

A: Like any insurer we need to balance the expectations of our customers, regulators and the rating agencies for liquidity and financial strength with our objective of optimizing returns for shareholders. Our capital management strategies are designed to achieve this balance using a range of sometimes innovative funding techniques, but without taking undue market risk.

Full year return on average equity ¹	18.5%
Net income per diluted ordinary share ²	\$3.75

¹ See footnote 1 on page 3.

² Adjusted for preference share dividends.

A bridge to Aspen's future:

An interview with **Stuart Sinclair**,
President and Chief Operating Officer

Stuart Sinclair, President and Chief Operating Officer, joined the company in 2006. His responsibilities include enhancing the company's execution and performance management frameworks.

What are the key priorities for Aspen management at this time?

A: Aspen is moving into a new phase, building on our risk management, management information and underwriting team structure allowing us to start developing our business again with confidence. To achieve this, we are evolving a streamlined firm-wide control framework. We are also refining our measurement, evaluation and reporting systems. Armed with a single transparent set of facts we can move more quickly and decisively.

What practical benefits have you already seen?

A: Our new underwriting control framework which explicitly allocates control responsibilities to underwriting teams, internal audit and the risk committee of our Board of Directors is in place. On the information side, all risk, finance, actuarial and underwriting data will be fed into a new company-wide data warehouse. Each team will then be able to integrate this data to populate its own 'dashboards' through which they can judge the risk-reward profile of their decisions and keep tracking closer to plan. For example, underwriters can benefit from metrics that translate the overall company risk appetite into explicit parameters for their business.

What do you see as the benefits going forward?

A: The enhancement of our analytical capabilities is already leading to more dynamic pricing and greater precision in our capital allocation. Our new systems will also provide more efficiency through the sharing of data with brokers via peer-to-peer information exchange. The benefits of all this work will be felt in the UK, Bermuda and in our US businesses.

How is the structure of the business evolving?

A: We are forging a closer alignment of underwriting, claims, analysis and other support teams. We have also simplified our top level decision-making by forging two groups of managers across the company, the Management Board and the Leadership Team. In summary, a number of significant investments started in 2005 and 2006 are crystallizing this year to give Aspen a robust, simple and transparent platform, which will support the next phase of our underwriting development.



ERM as a strategic enabler:

An interview with **Oliver Peterken,**
Chief Risk Officer

Oliver Peterken, Chief Risk Officer, explains how a more focused and informed approach to ERM (Enterprise Risk Management) can help safeguard the business and optimize returns.

How has Aspen's ERM program developed in 2006?

A: We were determined to act on the lessons learned from earlier hurricane seasons by ensuring that Aspen is equipped with superior risk management capabilities. These include our new in-house catastrophe risk management system, which has considerably improved our ability to detect and respond to accumulations of risk, while allowing underwriters to judge how a particular risk might impact the business as a whole. We have also strengthened our underwriting principles and control framework to provide a more precise definition of our underwriting parameters and ensure that any potential losses remain within expectations. Standard & Poor's drew particular attention to our progress in setting our initial ERM rating at 'strong'.

How has ERM contributed to improved capital management?

A: A better understanding of our risk exposures is enabling us to allocate capital more efficiently and judge whether the business is delivering an appropriate return.

How has Aspen's approach to risk changed in 2006?

A: We have made a clear distinction between 'core' risks such as underwriting and investment and 'non-core' risks such as credit and operational. As a business built on risk transfer, we believe that our priority is to optimize the risk-return on core risks, while minimizing exposure to risks that are not integral to the service we offer. An example of this approach is the insurance contract we arranged in 2006, which transfers a substantial portion of the credit risk in our portfolio of reinsurance recoverables to a highly-rated bank.

What is your criterion for judging the effectiveness of the ERM program?

A: Controls and information are redundant unless they are reflected in appropriate risk behavior. The key to achieving this is a balance that allows underwriters to provide the most effective solutions for clients, while working within agreed risk parameters. We judge the effectiveness of ERM by looking at how many critical business decisions it informs. ERM is embedded into our decision-making process and is a valuable strategic enabler, driving risk capital allocation and pricing.



Core risks
Goal: Optimize risk-return
Underwriting Investment Strategic

Non - core risks
Goal: Minimize risk
Credit Liquidity Operational Group/regulatory/reputational

Nine offices, with more
than 430 professionals

London

Bermuda

Boston

Paris

Scottsdale

Connecticut

New Jersey

Illinois

Georgia

Specialized
solutions
to complex risks.





Ian Campbell
Head of Group Finance



Karen Green
Head of Strategy



James Few
*Head of Property Reinsurance
and Chief Underwriting Officer
of Aspen Bermuda*



Brian Boornazian
*Head of Reinsurance and
President, Aspen Re America*



David Curtin
Group General Counsel



Kate Vacher
Underwriting Director

Aspen appointed a
US-based team
of **casualty treaty**
underwriters to
develop and
market a portfolio
of products.

casualty

Aspen

Under

Record net income in 2006

excellence

writing

Underwriting expertise

Operational effectiveness

Strategic agility

Relationships across cycles

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Chris Woodman,

Group Head of Human Resources, presents the

Aspen Spirit: An appropriate sense of urgency

Who we are

We are a group of professionals who have chosen to concentrate on global specialty insurance and reinsurance.

Why we are different

In an industry not renowned for recruiting or developing the best talent, Aspen stands out for its commitment to excellence in its people. Our core objective is to bring together the most talented and principled individuals, to create a company recognized both by customers and shareholders as consistently meeting the highest standards of technical excellence and fair dealing. To achieve this, Aspen recruits the highest-quality people and gives them the training and the tools they need to fulfill their potential and excel in their chosen field. In our recruitment we also strive to reflect the fact that we face a myriad of opportunities and challenges as we operate around the world. So we seek a diversity of talent, skills and perspectives to help us exploit our opportunities and overcome our challenges.



What we believe

The key to our success lies in having the best people and enabling them to work together. Aspen is committed to treating its people fairly, and offers a competitive reward structure reflecting the fact that teamwork fuels our performance. While we recognize the vital importance of the right work/life/family balance, once we get to the workplace we have no time or room for those who put their own personal interests ahead of those of our business and customers.

How we behave

Our values are demonstrated most effectively in our relationships with each other and with our customers. We treat all our colleagues and clients as we would hope to be treated ourselves. Our customers will reward us by bringing, returning and renewing profitable business because they find that our behavior – more than that of any of our competitors - embodies the highest standards of consistency, professionalism, integrity, responsiveness and customer care. The passion and commitment that we bring to our work should be reflected in everything we do. When we get it right, Aspen people go home feeling fulfilled. As do our customers.

How we succeed

We will succeed as a business when every single decision is taken with a sense of the goals of our company as a whole. This requires every decision to be made with rigor – first analyzing the issues at hand, then drawing on all our resources, and finally making the right call. Once a decision has been taken we will all execute it just as if it were our own personal one. Our customers will recognize the quality of our service by providing appropriate returns; and all of us will share in the wealth we create collectively for our shareholders. We will always strive to be the best. But we will do so while recognizing that new or other ways can be better, meaning we will always be open to change.

Getting things done quickly that can or should be done quickly is a quality we value. Aspen people will, like the company as a whole, proceed with an appropriate sense of urgency - but never at the expense of our quality or integrity.

Directors and Officers

Board of Directors

Paul Myners

Chairman of Aspen Insurance Holdings Limited and Aspen Insurance UK Limited

Christopher O'Kane

Chief Executive Officer of Aspen Insurance Holdings Limited and Aspen Insurance UK Limited

Julian Cusack

Chief Financial Officer of Aspen Insurance Holdings Limited, Chief Executive Officer and Chairman of Aspen Insurance Limited

Stuart Sinclair

President and Chief Operating Officer of Aspen Insurance Holdings Limited

Julian Avery

Director

John Cavoores

Director

Ian Cormack

Director

Heidi Hutter

Director

Glyn Jones

Director

David Kelso

Director

Prakash Melwani

Director

Norman L. Rosenthal

Director

Kamil M. Salame

Director

Management Team

Christopher O'Kane

Chief Executive Officer of Aspen Insurance Holdings Limited and Aspen Insurance UK Limited

Julian Cusack

Chief Financial Officer of Aspen Insurance Holdings Limited, Chief Executive Officer and Chairman of Aspen Insurance Limited

Brian Boornazian

Head of Reinsurance and President, Aspen Re America

Ian Campbell

Head of Group Finance

David Curtin

Group General Counsel

James Few

Head of Property Reinsurance and Chief Underwriting Officer of Aspen Insurance Limited

Karen Green

Head of Strategy

Oliver Peterken

Chief Risk Officer

Stuart Sinclair

President and Chief Operating Officer of Aspen Insurance Holdings Limited

Kate Vacher

Underwriting Director

Chris Woodman

Group Head of Human Resources

Contacts

Aspen Insurance Holdings Limited Aspen Insurance Limited

Maxwell Roberts Building
1 Church Street
Hamilton HM11
Bermuda
T +1 441 295 8201
F +1 441 295 1829
E info@aspen.bm
W aspen.bm

Aspen Insurance UK Limited

30 Fenchurch Street
London EC3M 3BD
UK
T +44 (0) 20 7184 8000
F +44 (0) 20 7184 8500
E info@aspen-re.com
W aspen-re.com
W aspeninsurance.co.uk

Aspen Insurance UK Limited

54-56 Avenue Hoche
75008 Paris
France
T +33 (0)1 73 04 50 50
F +33 (0)1 73 04 50 55
E info@aspen-re.com
W aspen-re.com

Aspen Specialty Insurance Company

600 Atlantic Avenue
Boston
Massachusetts 02210
USA
T +1 617 532 7300
F +1 617 532 7314
E info@aspenspecialty.com
W aspenspecialty.com

Aspen Specialty Insurance Company

Northsight Financial Center
14500 N Northsight Blvd
Suite 208
Scottsdale
Arizona 85260
USA
T +1 480 612 8800
F +1 480 612 8810
E info@aspenspecialty.com
W aspenspecialty.com

Aspen Specialty Insurance Company

1125 Sanctuary Parkway
Suite 140
Alpharetta
Georgia 30004
USA
T +1 678 250 5400
F +1 678 250 5410
E info@aspenspecialty.com
W aspenspecialty.com

Aspen Re America, Inc.

175 Capital Boulevard
Suite 300
Rocky Hill
Connecticut 06067
USA
T +1 860 258 3500
F +1 860 571 0520
E info@aspen-re.com
W aspen-re.com

Aspen Re America, Inc.

5 Greentree Center
Suite 216
Marlton
New Jersey 08053
USA
T +1 856 810 8880
F +1 856 810 8881
E info@aspen-re.com
W aspen-re.com

Aspen Re America, Inc.

Oakbrook Terrace Tower
One Tower Lane
Suite 1700
Oakbrook Terrace
Illinois 60181
USA
T +1 630 928 3720
F +1 630 928 3722
E info@aspen-re.com
W aspen-re.com

Tania Kerno

Head of Communications
Aspen Insurance UK Limited
30 Fenchurch Street
London EC3M 3BD
UK
T +44 (0) 20 7184 8000
F +44 (0) 20 7184 8500
E info@aspen-re.com
W aspen-re.com

Noah Fields

Head of Investor Relations
Aspen Insurance Limited
Maxwell Roberts Building
1 Church Street
Hamilton HM11
Bermuda
T +1 441 295 8201
F +1 441 295 1829
E info@aspen.bm
W aspen.bm

