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## Section 1: 10-Q (10-Q)

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

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**Form 10-Q**

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

For the Quarterly Period Ended March 31, 2016

Or

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

Commission file number 001-31909

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**ASPEN INSURANCE HOLDINGS LIMITED**

(Exact name of registrant as specified in its charter)

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**Bermuda**  
(State or other jurisdiction of  
incorporation or organization)

Not Applicable  
(I.R.S. Employer  
Identification No.)

**141 Front Street**  
**Hamilton, Bermuda**  
(Address of principal executive offices)

**HM 19**  
(Zip Code)

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

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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  No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

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

As of April 26, 2016, there were 60,723,134 outstanding ordinary shares, with a par value of 0.15144558¢ per ordinary share, outstanding.

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Unaudited Condensed Consolidated Financial Statements**

**ASPEN INSURANCE HOLDINGS LIMITED**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

**As at March 31, 2016 and December 31, 2015**  
**(\$ in millions, except share and per share amounts)**

	<b>As at March 31, 2016</b>	<b>As at December 31, 2015</b>
<b>ASSETS</b>		
Investments:		
Fixed income securities, available for sale at fair value (amortized cost — \$5,895.1 and \$5,867.5)	\$ 6,063.7	\$ 5,951.1
Fixed income securities, trading at fair value (amortized cost — \$877.7 and \$794.2)	896.8	788.0
Equity securities, trading at fair value (cost — \$700.1 and \$722.5)	757.8	736.4
Short-term investments, available for sale at fair value (amortized cost — \$135.3 and \$162.9)	135.3	162.9
Short-term investments, trading at fair value (amortized cost — \$7.7 and \$9.5)	7.7	9.5
Catastrophe bonds, trading at fair value (cost — \$46.1 and \$55.2)	46.1	55.4
Other investments, equity method	8.9	8.9
Total investments	7,916.3	7,712.2
Cash and cash equivalents (including \$142.8 and \$243.3 within consolidated variable interest entities)	903.1	1,099.5
Reinsurance recoverables		
Unpaid losses	366.0	354.8
Ceded unearned premiums	243.6	168.9
Receivables		
Underwriting premiums	1,339.1	1,115.6
Other	117.9	94.3
Funds withheld	39.6	36.0
Deferred policy acquisition costs	407.7	361.1
Derivatives at fair value	10.9	9.2
Receivable for securities sold	1.9	0.6
Office properties and equipment	83.2	70.6
Deferred taxation	—	3.7
Other assets	1.8	4.1
Intangible assets and goodwill	74.3	18.2
Total assets	\$ 11,505.4	\$ 11,048.8

See accompanying notes to unaudited condensed consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

As at March 31, 2016 and December 31, 2015

(\$ in millions, except share and per share amounts)

	As at March 31, 2016	As at December 31, 2015
<b>LIABILITIES</b>		
<b>Insurance reserves</b>		
Losses and loss adjustment expenses	\$ 5,011.5	\$ 4,938.2
Unearned premiums	1,804.0	1,587.2
Total insurance reserves	6,815.5	6,525.4
<b>Payables</b>		
Reinsurance premiums	148.9	92.7
Current taxation	8.2	10.8
Deferred taxation	11.0	—
Accrued expenses and other payables	293.3	343.8
Liabilities under derivative contracts	17.6	4.0
Total payables	479.0	451.3
Loan notes issued by variable interest entities, at fair value	104.5	103.0
Long-term debt	549.3	549.2
Total liabilities	\$ 7,948.3	\$ 7,628.9
Commitments and contingent liabilities (see Note 16)	—	—
<b>SHAREHOLDERS' EQUITY</b>		
<b>Ordinary shares:</b>		
60,675,142 shares of par value 0.15144558¢ each (December 31, 2015 — 60,918,373)	\$ 0.1	\$ 0.1
<b>Preference shares:</b>		
11,000,000 5.95% shares of par value 0.15144558¢ each (December 31, 2015 — 11,000,000)	—	—
5,327,500 7.401% shares of par value 0.15144558¢ each (December 31, 2015 — 5,327,500)	—	—
6,400,000 7.250% shares of par value 0.15144558¢ each (December 31, 2015 — 6,400,000)	—	—
Non-controlling interest	1.1	1.3
Additional paid-in capital	1,055.9	1,075.3
Retained earnings	2,375.9	2,283.6
Accumulated other comprehensive income, net of taxes	124.1	59.6
Total shareholders' equity	3,557.1	3,419.9
Total liabilities and shareholders' equity	\$ 11,505.4	\$ 11,048.8

See accompanying notes to unaudited condensed consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND OTHER COMPREHENSIVE INCOME**  
(\$ in millions, except share and per share amounts)

	Three Months Ended March 31,	
	2016	2015
<b>Revenues</b>		
Net earned premium	\$ 663.1	\$ 593.6
Net investment income	49.5	47.4
Realized and unrealized investment gains	65.6	57.4
Other income	1.4	3.9
Total revenues	779.6	702.3
<b>Expenses</b>		
Losses and loss adjustment expenses	357.4	306.1
Amortization of deferred policy acquisition costs	130.2	119.3
General, administrative and corporate expenses	119.8	102.2
Interest on long-term debt	7.4	7.4
Change in fair value of derivatives	7.2	7.8
Change in fair value of loan notes issued by variable interest entities	4.4	2.9
Realized and unrealized investment losses	20.6	14.5
Net realized and unrealized foreign exchange losses	15.7	6.4
Other expenses	—	2.6
Total expenses	662.7	569.2
Income from operations before income tax	116.9	133.1
Income tax expense	(2.5)	(5.1)
Net income	\$ 114.4	\$ 128.0
Amount attributable to non-controlling interest	0.2	—
<b>Net income attributable to Aspen Insurance Holdings Limited's ordinary shareholders</b>	<b>\$ 114.6</b>	<b>\$ 128.0</b>
<b>Other Comprehensive Income:</b>		
Available for sale investments:		
Reclassification adjustment for net realized (gains) on investments included in net income	\$ (4.2)	\$ (32.3)
Change in net unrealized gains on available for sale securities held	89.2	32.4
Net change from current period hedged transactions	(2.1)	(2.4)
Change in foreign currency translation adjustment	(13.5)	(27.7)
Other comprehensive income, gross of tax	69.4	(30.0)
Tax thereon:		
Reclassification adjustment for net realized gains on investments included in net income	0.5	0.4
Change in net unrealized gains on available for sale securities held	(8.6)	(3.3)
Net change from current period hedged transactions	0.7	—
Change in foreign currency translation adjustment	2.5	1.6
Total tax on other comprehensive income	(4.9)	(1.3)
Other comprehensive income/(loss) net of tax	64.5	(31.3)
<b>Total comprehensive income attributable to Aspen Insurance Holdings Limited's ordinary shareholders</b>	<b>\$ 179.1</b>	<b>\$ 96.7</b>
<b>Per Share Data</b>		
Weighted average number of ordinary share and share equivalents		
Basic	60,867,815	62,159,303
Diluted	62,483,938	63,532,662
Basic earnings per ordinary share adjusted for preference share dividends	\$ 1.73	\$ 1.91
Diluted earnings per ordinary share adjusted for preference share dividends	\$ 1.68	\$ 1.87

See accompanying notes to unaudited condensed consolidated financial statements.

**ASPEN INSURANCE HOLDINGS LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**  
(\$ in millions)

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Ordinary shares</b>		
Beginning and end of the period	\$ 0.1	\$ 0.1
<b>Preference shares</b>		
Beginning and end of the period	—	—
<b>Non-controlling interest</b>		
Beginning of the period	1.3	0.5
Net change attributable to non-controlling interest for the period	(0.2)	—
End of the period	1.1	0.5
<b>Additional paid-in capital</b>		
Beginning of the period	1,075.3	1,134.3
New ordinary shares issued	1.5	3.5
Ordinary shares repurchased and cancelled	(25.0)	(36.5)
Share-based compensation	4.1	4.7
End of the period	1,055.9	1,106.0
<b>Retained earnings</b>		
Beginning of the period	2,283.6	2,050.1
Net income for the period	114.4	128.0
Dividends on ordinary shares	(12.8)	(12.4)
Dividends on preference shares	(9.5)	(9.5)
Net change attributable to non-controlling interest for the period	0.2	—
End of the period	2,375.9	2,156.2
<b>Accumulated other comprehensive income:</b>		
<b>Cumulative foreign currency translation adjustments, net of taxes:</b>		
Beginning of the period	0.6	72.7
Change for the period, net of income tax	(11.0)	(26.1)
End of the period	(10.4)	46.6
<b>Loss on derivatives, net of taxes:</b>		
Beginning of the period	(1.2)	(3.8)
Net change from current period hedged transaction	(1.4)	(2.4)
End of the period	(2.6)	(6.2)
<b>Unrealized appreciation on investments, net of taxes:</b>		
Beginning of the period	60.2	165.4
Change for the period, net of taxes	76.9	(2.8)
End of the period	137.1	162.6
<b>Total accumulated other comprehensive income, net of taxes</b>	<b>124.1</b>	<b>203.0</b>
<b>Total shareholders' equity</b>	<b>\$ 3,557.1</b>	<b>\$ 3,465.8</b>

See accompanying notes to unaudited condensed consolidated financial statements.

ASPEN INSURANCE HOLDINGS LIMITED

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

	Three Months Ended March 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 114.4	\$ 128.0
Proportion due to non-controlling interest	0.2	—
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	10.2	11.2
Share-based compensation	4.1	4.7
Realized and unrealized investment (gains)	(65.6)	(57.4)
Realized and unrealized investment losses	20.6	14.5
Change in fair value of loan notes issued by variable interest entities	4.4	2.9
Net realized and unrealized investment foreign exchange (gains)/losses	(2.2)	21.7
Loss on derivative contracts	(1.4)	(2.4)
Changes in:		
Insurance reserves:		
Losses and loss adjustment expenses	58.5	34.1
Unearned premiums	202.4	217.8
Reinsurance recoverables:		
Unpaid losses	(9.3)	(14.5)
Ceded unearned premiums	(74.2)	(70.8)
Other receivables	(20.8)	(1.7)
Deferred policy acquisition costs	(46.9)	(37.6)
Reinsurance premiums payable	55.7	80.8
Funds withheld	(3.6)	0.8
Premiums receivable	(207.5)	(278.6)
Deferred taxes	14.4	8.7
Income tax payable	—	(5.2)
Accrued expenses and other payables	(8.7)	16.9
Fair value of derivatives and settlement of liabilities under derivatives	11.9	3.1
Long-term debt and loan notes issued by variable interest entities	1.6	—
Other assets	2.3	(5.0)
<b>Net cash generated from operating activities</b>	<b>\$ 60.5</b>	<b>\$ 72.0</b>

See accompanying notes to unaudited condensed consolidated financial statements.



ASPEN INSURANCE HOLDINGS LIMITED

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

	Three Months Ended March 31,	
	2016	2015
<b>Cash flows (used in) investing activities:</b>		
(Purchases) of fixed income securities — Available for sale	\$ (682.9)	\$ (483.7)
(Purchases) of fixed income securities — Trading	(215.9)	(153.4)
Proceeds from sales and maturities of fixed income securities — Available for sale	640.0	540.7
Proceeds from sales and maturities of fixed income securities — Trading	132.2	133.8
(Purchases) of equity securities — Trading	(60.3)	(186.7)
Net proceeds of catastrophe bonds — Trading	8.9	1.8
Proceeds from sales of equity securities — Available for sale	—	108.6
Proceeds from sales of equity securities — Trading	59.1	83.7
(Purchases) of short-term investments — Available for sale	(57.4)	(62.1)
Proceeds from sales of short-term investments — Available for sale	88.7	123.4
(Purchases) of short-term investments — Trading	—	(12.8)
Proceeds from sales of short-term investments — Trading	2.1	12.3
Net change in receivable for securities sold	23.6	15.9
Net (purchases) of equipment	(4.8)	(5.6)
Payments for acquisitions and investments, net of cash acquired	(52.7)	(0.8)
<b>Net cash (used in)/from investing activities</b>	<b>(119.4)</b>	<b>115.1</b>
<b>Cash flows (used in) financing activities:</b>		
Proceeds from the issuance of ordinary shares, net of issuance costs	1.5	3.5
Ordinary shares repurchased	(25.0)	(36.5)
Repayment of long-term debt issued by Silverton	(87.4)	(64.9)
Dividends paid on ordinary shares	(12.8)	(12.4)
Dividends paid on preference shares	(9.5)	(9.5)
<b>Net cash (used in) financing activities</b>	<b>(133.2)</b>	<b>(119.8)</b>
Effect of exchange rate movements on cash and cash equivalents	(4.3)	(19.9)
(Decrease)/increase in cash and cash equivalents	(196.4)	47.4
Cash and cash equivalents at beginning of period	1,099.5	1,178.5
<b>Cash and cash equivalents at end of period</b>	<b>\$ 903.1</b>	<b>\$ 1,225.9</b>
<b>Supplemental disclosure of cash flow information:</b>		
Net cash paid/(received) during the period for income tax	\$ 0.4	\$ (3.9)
Cash paid during the period for interest	\$ —	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

## ASPEN INSURANCE HOLDINGS LIMITED

### 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 Bermuda Limited (“Aspen Bermuda”), Aspen Specialty Insurance Company (“Aspen Specialty”), Aspen American Insurance Company (“AAIC”) and Aspen Underwriting Limited (corporate member of Lloyd’s Syndicate 4711, “AUL”) (collectively, the “Operating Subsidiaries”). We also established Aspen Capital Management, Ltd and other related entities (collectively, “ACM”) to leverage our existing underwriting franchise, increase our operational flexibility in the capital markets and provide investors direct access to our underwriting expertise. In such regard, Silverton Re Ltd. (“Silverton”), a sidecar, was established in 2013 to attract third-party capital and to provide additional collateralized capacity to support Aspen Re’s global reinsurance business. References to the “Company,” “we,” “us” or “our” refer to Aspen Holdings or Aspen Holdings and its 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 (“U.S. 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 U.S. 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 months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ended December 31, 2016. The unaudited condensed consolidated financial statements include the accounts of Aspen Holdings and its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

The balance sheet as at December 31, 2015 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. 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, 2015 contained in the Company’s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission on February 19, 2016 (File No. 001-31909). There have been no changes to significant accounting policies from those disclosed in the Company’s Annual Report on Form 10-K.

Assumptions and estimates made by management have a significant effect on the amounts reported within the unaudited condensed 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.

#### *Accounting Pronouncements Adopted in 2016*

On May 21, 2015, the Financial Accounting Standards Board (“FASB”) issued ASU 2015-09, “*Financial Services - Insurance (Topic 944) Disclosures About Short-Duration Contracts*” which requires insurance entities to disclose additional information about the liability for unpaid claims and claim adjustment expenses, disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses and disclose a roll forward of the liability for unpaid claims and claims adjustment expenses. ASU 2015-09 is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. The Company does not expect this ASU to have a material impact on its consolidated financial results but it will have an impact on the disclosures in the Company’s 2016 Annual report on Form 10-K and its Quarterly reports on Form 10-Q throughout 2017.

On September 25, 2015, the FASB issued ASU 2015-16, “*Business Combinations (Topic 805)*” which requires an acquirer to adjust retrospectively to provisional amounts recognized in a business combination. ASU 2015-16 is effective for annual periods beginning after December 15, 2015 and will impact the Company’s provisional amounts booked in respect to the acquisition of AG Logic Holdings LLC (“AgriLogic”).

Other accounting pronouncements were adopted during the three months ended March 31, 2016 which were either not relevant to the Company or did not impact the Company’s consolidated financial statements.

### Accounting Pronouncements Not Yet Adopted

On January 5, 2016, the FASB issued ASU 2016-1, “*Financial Instruments - Overall (Subtopic 825-10)*” which enhances the reporting model for financial instruments. In particular, the ASU requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The amendments required as a result of this update are effective for fiscal years beginning after December 15, 2017. The Company does not expect this ASU to have a material impact on the Company’s consolidated financial statements as the Company’s equity portfolio is classified as held for trading with changes in fair value recognized through net income.

On February 25, 2016, the FASB issued ASU 2016-2, “*Leases (Topic 842)*” which supersedes the leases requirements in Topic 840 and establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The amendments of this update are effective for fiscal years beginning after December 15, 2018. The ASU is expected to have a material impact on the Company’s consolidated financial statements, specifically increasing the Company’s assets and liabilities as all leases greater than twelve months will be recognized on the balance sheet as a right of use asset and lease liability. The ASU will not have a material impact on the Company’s consolidated income statement.

On March 30, 2016, the FASB issued ASU 2016-9, “*Compensation - Stock Compensation (Topic 718)*” which forms part of the simplification initiative to reduce complexity in accounting standards. The areas for simplification in this ASU involve several aspects of the accounting for share-based payment transactions and the amendments of this update are effective for fiscal years beginning after December 15, 2016. The Company does not expect this ASU to have a material impact on its consolidated financial results but expects that it will have an impact on the disclosures in the Company’s Quarterly reports on Form 10-Q and Annual report on Form 10-K.

Other accounting pronouncements were issued during the three months ended March 31, 2016 which were not relevant to the Company.

### 3. Reclassifications from Accumulated Other Comprehensive Income

The following table sets out the components of the Company’s accumulated other comprehensive income (“AOCI”) that are reclassified into the unaudited condensed consolidated statement of operations for the three months ended March 31, 2016 and 2015:

Details about the AOCI Components	Amount Reclassified from AOCI		Affected Line Item in the Unaudited Condensed Consolidated Statement of Operations
	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	
	(\$ in millions)		
Available for sale securities:			
Realized gains on sale of securities	\$ 7.1	\$ 33.5	Realized and unrealized investment gains
Realized (losses) on sale of securities	(2.9)	(1.2)	Realized and unrealized investment losses
	4.2	32.3	Income from operations before income tax
Tax on net realized gains of securities	(0.5)	(0.4)	Income tax expense
	<u>\$ 3.7</u>	<u>\$ 31.9</u>	Net income
Realized derivatives:			
Net realized (losses) on settled derivatives	1.1	\$ 2.8	General, administrative and corporate expenses
	<u>\$ 1.1</u>	<u>\$ 2.8</u>	Net income
Total reclassifications from AOCI to the statement of operations, net of income tax	<u>\$ 4.8</u>	<u>\$ 34.7</u>	Net income

#### 4. Earnings per Ordinary Share

Basic earnings per ordinary share are calculated by dividing net income available to holders of Aspen Holdings' 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 ordinary share for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
	(\$ in millions, except share and per share amounts)	
Net income	\$ 114.4	\$ 128.0
Preference share dividends	(9.5)	(9.5)
Net amount attributable to non-controlling interest	0.2	—
Basic and diluted net income available to ordinary shareholders	\$ 105.1	\$ 118.5
Ordinary shares:		
Basic weighted average ordinary shares	60,867,815	62,159,303
Weighted average effect of dilutive securities <sup>(1)</sup>	1,616,123	1,373,359
Total diluted weighted average ordinary shares	62,483,938	63,532,662
Earnings per ordinary share:		
Basic	\$ 1.73	\$ 1.91
Diluted	\$ 1.68	\$ 1.87

<sup>(1)</sup> Dilutive securities comprise: employee options, restricted share units and performance shares associated with the Company's long-term incentive plan, employee share purchase plans and director restricted stock units and options as described in Note 14.

*Dividends.* On April 21, 2016, the Company's Board of Directors ("Board of Directors") declared the following quarterly dividends:

	Dividend	Payable on:	Record Date:
Ordinary shares	\$ 0.22	May 25, 2016	May 9, 2016
7.401% preference shares	\$ 0.462563	July 1, 2016	June 15, 2016
7.250% preference shares	\$ 0.4531	July 1, 2016	June 15, 2016
5.95% preference shares	\$ 0.3719	July 1, 2016	June 15, 2016

#### 5. Segment Reporting

The Company has two reporting business segments: Insurance and Reinsurance. In addition to the way the Company manages its business, the Company has considered similarities in economic characteristics, products, customers, distribution, the regulatory environment of the Company's business segments and quantitative thresholds to determine the Company's reportable segments. Segment profit or loss for each of the Company's business segments is measured by underwriting profit or loss. Underwriting profit is the excess of net earned premiums over the sum of losses and loss expenses, amortization of deferred policy acquisition costs and general and administrative expenses. Underwriting profit or loss provides a basis for management to evaluate the business segment's underwriting performance.

*Reinsurance Segment.* The reinsurance segment consists of property catastrophe reinsurance, other property reinsurance (risk excess, pro rata and facultative), casualty reinsurance (U.S. treaty, international treaty and global facultative) and specialty reinsurance (credit and surety, agriculture insurance and reinsurance, marine, aviation, terrorism, engineering and other specialty lines). ACM forms part of our property catastrophe reinsurance line of business as it currently focuses on property catastrophe business through the use of alternative capital. For a more detailed description of this business segment, see Part I, Item 1, "Business — Business Segments — Reinsurance" in the Company's 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Insurance Segment.* The insurance segment consists of property and casualty insurance, marine, aviation and energy insurance and financial and professional lines insurance. For a more detailed description of this business segment, see Part I,

Item 1 “Business — Business Segments — Insurance” in the Company’s 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Non-underwriting Disclosures.* The Company has provided additional disclosures for corporate and other (non-underwriting) income and expenses. Corporate and other income and expenses include net investment income, net realized and unrealized investment gains or losses, expenses associated with managing the group, certain strategic and non-recurring costs, changes in fair value of derivatives and changes in fair value of the loan notes issued by variable interest entities, interest expenses, net realized and unrealized foreign exchange gains or losses and income taxes, which are not allocated to the business segments. Corporate expenses are not allocated to the Company’s business segments as they typically do not fluctuate with the levels of premiums written and are not directly related to the Company’s business segment operations. The Company does not allocate its assets by business segment as it evaluates underwriting results of each business segment separately from the results of the Company’s investment portfolio.

The following tables provide a summary of gross and net written and earned premiums, underwriting results, ratios and reserves for each of the Company’s business segments for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016		
	Reinsurance	Insurance	Total
	(\$ in millions)		
<b>Underwriting Revenues</b>			
Gross written premiums	\$ 517.6	\$ 458.1	\$ 975.7
Net written premiums	449.5	350.2	799.7
Gross earned premiums	306.8	445.6	752.4
Net earned premiums	280.3	382.8	663.1
<b>Underwriting Expenses</b>			
Losses and loss adjustment expenses	134.5	222.9	357.4
Amortization of deferred policy acquisition costs	59.4	70.8	130.2
General and administrative expenses	44.1	58.6	102.7
Underwriting income	\$ 42.3	\$ 30.5	72.8
Corporate expenses			(17.1)
Net investment income			49.5
Realized and unrealized investment gains			65.6
Realized and unrealized investment losses			(20.6)
Change in fair value of loan notes issued by variable interest entities			(4.4)
Change in fair value of derivatives			(7.2)
Interest expense on long term debt			(7.4)
Net realized and unrealized foreign exchange (losses)			(15.7)
Other income			1.4
Income before tax			\$ 116.9
Net reserves for loss and loss adjustment expenses	\$ 2,433.0	\$ 2,212.5	\$ 4,645.5
<b>Ratios</b>			
Loss ratio	48.0%	58.2%	53.9%
Policy acquisition expense ratio	21.2	18.5	19.6
General and administrative expense ratio	15.7	15.3	18.1 <sup>(1)</sup>
Expense ratio	36.9	33.8	37.7
Combined ratio	84.9%	92.0%	91.6%

<sup>(1)</sup> The general and administrative expense ratio in the total column includes corporate expenses.

**Three Months Ended March 31, 2015**

	<u>Reinsurance</u>	<u>Insurance</u>	<u>Total</u>
	( \$ in millions)		
<b>Underwriting Revenues</b>			
Gross written premiums	\$ 484.8	\$ 434.4	\$ 919.2
Net written premiums	442.1	321.1	763.2
Gross earned premiums	265.8	415.1	680.9
Net earned premiums	249.4	344.2	593.6
<b>Underwriting Expenses</b>			
Losses and loss adjustment expenses	105.5	200.6	306.1
Amortization of deferred policy acquisition costs	53.4	65.9	119.3
General and administrative expenses	32.4	55.3	87.7
Underwriting income	<u>\$ 58.1</u>	<u>\$ 22.4</u>	80.5
Corporate expenses			(14.5)
Net investment income			47.4
Realized and unrealized investment gains			57.4
Realized and unrealized investment losses			(14.5)
Change in fair value of loan notes issued by variable interest entities			(2.9)
Change in fair value of derivatives			(7.8)
Interest expense on long term debt			(7.4)
Net realized and unrealized foreign exchange (losses)			(6.4)
Other income			3.9
Other expenses			(2.6)
Income before tax			<u>\$ 133.1</u>
Net reserves for loss and loss adjustment expenses	<u>\$ 2,410.9</u>	<u>\$ 1,927.9</u>	<u>\$ 4,338.8</u>
<b>Ratios</b>			
Loss ratio	42.3%	58.3%	51.6%
Policy acquisition expense ratio	21.4	19.1	20.1
General and administrative expense ratio	13.0	16.1	17.2 <sup>(1)</sup>
Expense ratio	<u>34.4</u>	<u>35.2</u>	<u>37.3</u>
Combined ratio	<u>76.7%</u>	<u>93.5%</u>	<u>88.9%</u>

<sup>(1)</sup> The general and administrative expense ratio in the total column includes corporate expenses.

## 6. Investments

### Income Statement

*Investment Income.* The following table summarizes investment income for the three months ended March 31, 2016 and 2015:

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
	(\$ in millions)	
Fixed income securities — Available for sale	\$ 36.6	\$ 35.2
Fixed income securities — Trading	7.4	7.0
Short-term investments — Available for sale	0.1	0.4
Fixed term deposits (included in cash and cash equivalents)	0.5	1.1
Equity securities — Trading	6.9	6.2
Catastrophe bonds — Trading	0.6	0.4
<b>Total</b>	<b>\$ 52.1</b>	<b>\$ 50.3</b>
Investment expenses	(2.6)	(2.9)
<b>Net investment income</b>	<b>\$ 49.5</b>	<b>\$ 47.4</b>

The following table summarizes the net realized and unrealized investment gains and losses recorded in the statement of operations and the change in unrealized gains and losses on investments recorded in other comprehensive income for the three months ended March 31, 2016 and 2015:

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
	(\$ in millions)	
<b>Available for sale:</b>		
Fixed income securities — gross realized gains	\$ 7.1	\$ 6.2
Fixed income securities — gross realized (losses)	(2.4)	(0.5)
Equity securities — gross realized gains	—	31.9
Equity securities — gross realized (losses)	—	(3.0)
Cash and cash equivalents — gross realized (losses)	(0.7)	—
<b>Trading:</b>		
Fixed income securities — gross realized gains	1.2	2.0
Fixed income securities — gross realized (losses)	(5.8)	(2.2)
Equity securities — gross realized gains	5.9	16.5
Equity securities — gross realized (losses)	(11.5)	(8.8)
Catastrophe bonds	(0.2)	—
<b>Net change in gross unrealized gains</b>	<b>51.4</b>	<b>0.8</b>
<b>Total net realized and unrealized investment gains recorded in the statement of operations</b>	<b>\$ 45.0</b>	<b>\$ 42.9</b>
<b>Change in available for sale net unrealized gains:</b>		
Fixed income securities	85.0	27.3
Short-term investments	—	0.1
Equity securities	—	(27.3)
<b>Total change in pre-tax available for sale unrealized gains</b>	<b>85.0</b>	<b>0.1</b>
<b>Change in taxes</b>	<b>(8.1)</b>	<b>(2.9)</b>
<b>Total change in net unrealized gains, net of taxes, recorded in other comprehensive income</b>	<b>\$ 76.9</b>	<b>\$ (2.8)</b>

*Other-than-temporary Impairments.* A security is potentially impaired when its fair value is below its amortized cost. The Company reviews its available for sale fixed income and equity portfolios on an individual security basis for potential other-than-temporary impairment (“OTTI”) each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions. For a more detailed description of OTTI, please refer to Note 2(c) of the “Notes to the Audited Consolidated Financial Statements” in the Company’s 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission. There was no OTTI charge recognized for the three months ended March 31, 2016 (2015 — \$Nil).

## Balance Sheet

*Fixed Income Securities, Short-Term Investments and Equities — Available For Sale.* The following tables present the cost or amortized cost, gross unrealized gains and losses and estimated fair market value of available for sale investments in fixed income securities, short-term investments and equity securities as at March 31, 2016 and December 31, 2015:

	As at March 31, 2016			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(\$ in millions)			
U.S. government	\$ 1,084.5	\$ 27.2	\$ —	\$ 1,111.7
U.S. agency	145.4	4.5	—	149.9
Municipal	30.8	2.3	(0.2)	32.9
Corporate	2,599.8	83.7	(2.6)	2,680.9
Non-U.S. government-backed corporate	71.4	1.1	—	72.5
Foreign government	660.4	14.3	(0.2)	674.5
Asset-backed	75.2	1.1	—	76.3
Non-agency commercial mortgage-backed	21.6	1.0	—	22.6
Agency mortgage-backed	1,206.0	37.2	(0.8)	1,242.4
Total fixed income securities — Available for sale	5,895.1	172.4	(3.8)	6,063.7
Total short-term investments — Available for sale	135.3	—	—	135.3
Total	\$ 6,030.4	\$ 172.4	\$ (3.8)	\$ 6,199.0

As at March 31, 2016 the Company no longer held equity investments in its available for sale portfolio. All equities are held in the trading portfolio.



As at December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
(\$ in millions)				
U.S. government	\$ 1,113.9	\$ 13.0	\$ (3.8)	\$ 1,123.1
U.S. agency	154.5	4.3	(0.1)	158.7
Municipal	25.0	1.6	—	26.6
Corporate	2,626.2	49.5	(15.1)	2,660.6
Non-U.S. government-backed corporate	81.6	0.6	(0.1)	82.1
Foreign government	634.6	10.5	(0.9)	644.2
Asset-backed	75.4	0.9	(0.3)	76.0
Non-agency commercial mortgage-backed	25.5	1.2	—	26.7
Agency mortgage-backed	1,130.8	27.6	(5.3)	1,153.1
Total fixed income securities — Available for sale	5,867.5	109.2	(25.6)	5,951.1
Total short-term investments — Available for sale	162.9	—	—	162.9
Total	\$ 6,030.4	\$ 109.2	\$ (25.6)	\$ 6,114.0

*Fixed Income Securities, Short-Term Investments, Equities and Catastrophe Bonds — Trading.* The following tables present the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of trading investments in fixed income securities, short-term investments, equity securities and catastrophe bonds as at March 31, 2016 and December 31, 2015:

As at March 31, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
(\$ in millions)				
U.S. government	\$ 41.8	\$ 0.3	\$ —	\$ 42.1
Municipal	4.0	—	—	4.0
Corporate	602.0	15.2	(2.0)	615.2
Foreign government	192.7	6.7	(0.9)	198.5
Asset-backed	19.8	—	(0.2)	19.6
Agency mortgage-backed	17.4	—	—	17.4
Total fixed income securities — Trading	877.7	22.2	(3.1)	896.8
Total short-term investments — Trading	7.7	—	—	7.7
Total equity securities — Trading	700.1	89.3	(31.6)	757.8
Total catastrophe bonds — Trading	46.1	0.1	(0.1)	46.1
Total	\$ 1,631.6	\$ 111.6	\$ (34.8)	\$ 1,708.4

As at December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
(\$ in millions)				
U.S. government	\$ 27.4	\$ —	\$ (0.1)	\$ 27.3
Municipal	0.5	—	—	0.5
Corporate	561.9	5.9	(9.6)	558.2
Foreign government	181.5	1.7	(3.7)	179.5
Asset-backed	20.7	—	(0.2)	20.5
Bank loans	2.2	—	(0.2)	2.0
Total fixed income securities — Trading	794.2	7.6	(13.8)	788.0
Total short-term investments — Trading	9.5	—	—	9.5
Total equity securities — Trading	722.5	57.3	(43.4)	736.4
Total catastrophe bonds — Trading	55.2	0.3	(0.1)	55.4
Total	\$ 1,581.4	\$ 65.2	\$ (57.3)	\$ 1,589.3

The Company classifies the financial instruments presented in the tables above as held for trading as this most closely reflects the facts and circumstances of the investments held.

*Catastrophe Bonds.* The Company has invested in catastrophe bonds with a total value of \$46.1 million as at March 31, 2016. The bonds receive quarterly interest payments based on variable interest rates with scheduled maturities ranging from 2016 to 2021. The redemption value of the bonds will adjust based on the occurrence of a covered event, such as windstorms and earthquakes which occur in the United States, Canada, the North Atlantic, Japan or Australia.

*Other Investments.* In January 2015, the Company established, along with seven other insurance companies, a micro-insurance venture consortium and micro-insurance incubator (“MVI”) domiciled in Bermuda. The MVI is a social impact organization that will provide micro-insurance products to assist global emerging consumers. The Company’s initial investment in the MVI was \$0.8 million.

On October 2, 2012, the Company established a subsidiary, Aspen Recoveries Limited, to take ownership of a 58.5% shareholding in Chaspark Maritime Holdings Ltd., a Singaporean registered company (“Chaspark”), with the remaining shareholding owned by other insurers. The shareholding in Chaspark was received as a settlement for subrogation rights associated with a contract frustration claim settlement. The Company has determined that Chaspark has the characteristics of a variable interest entity as addressed by the guidance in ASC 810-10, *Consolidation*. However, having considered the provisions of ASC 810-10, the Company’s investment in Chaspark does not permit the Company to direct the activities which most significantly impact Chaspark’s economic performance and the Company is not acting as principal or agent for a related party group of investors. Under these circumstances, the Company is not required to consolidate Chaspark. The investment is therefore accounted for under the equity method and adjustments to the carrying value of this investment are made based on the Company’s share of capital including share of income and expenses, which is provided in the quarterly management accounts. The adjusted carrying value approximates fair value.

The tables below show the Company’s investments in the MVI and Chaspark for the three months ended March 31, 2016 and March 31, 2015:

	For the Three Months Ended March 31, 2016		
	MVI	Chaspark	Total
	(\$ in millions)		
Opening and closing undistributed value of investment	\$ 0.8	\$ 8.7	\$ 9.5

	For the Three Months Ended March 31, 2015		
	MVI	Chaspark	Total
	(\$ in millions)		
Opening undistributed value of investment	\$ —	\$ 8.7	\$ 8.7
Initial investment	0.8	—	\$ 0.8
Closing value of investment	\$ 0.8	\$ 8.7	\$ 9.5

*Fixed Income Securities.* The scheduled maturity distribution of available for sale fixed income securities as at March 31, 2016 and December 31, 2015 is set forth in the tables below. 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 March 31, 2016		
	Amortized Cost or Cost	Fair Market Value	Average S&P Ratings by Maturity
	(\$ in millions)		
Due one year or less	\$ 581.0	\$ 583.2	AA
Due after one year through five years	2,835.6	2,910.3	AA-
Due after five years through ten years	1,072.0	1,114.7	A+
Due after ten years	103.7	114.2	A+
Subtotal	4,592.3	4,722.4	
Non-agency commercial mortgage-backed	21.6	22.6	AA+
Agency mortgage-backed	1,206.0	1,242.4	AA+
Asset-backed	75.2	76.3	AAA
Total fixed income securities — Available for sale	\$ 5,895.1	\$ 6,063.7	

	As at December 31, 2015		
	Amortized Cost or Cost	Fair Market Value	Average S&P Ratings by Maturity
	(\$ in millions)		
Due one year or less	\$ 661.8	\$ 664.4	AA
Due after one year through five years	2,765.2	2,806.6	AA-
Due after five years through ten years	1,122.5	1,132.0	A+
Due after ten years	86.3	92.3	A+
Subtotal	4,635.8	4,695.3	
Non-agency commercial mortgage-backed	25.5	26.7	AA+
Agency mortgage-backed	1,130.8	1,153.1	AA+
Asset-backed	75.4	76.0	AAA
Total fixed income securities — Available for sale	\$ 5,867.5	\$ 5,951.1	

*Guaranteed Investments.* As at March 31, 2016 the Company's holding was limited to one municipal security, rated CC or higher (December 31, 2015 — one municipal security, rated CC or higher). The standalone rating (rating without guarantee) is determined as the senior unsecured debt rating of the issuer. Where the credit ratings were split between the two main rating agencies, Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's"), the lowest rating was used. The Company's exposure to other third-party guaranteed debt is primarily to investments backed by non-U.S. government guaranteed issuers.

*Gross Unrealized Loss.* The following tables summarize as at March 31, 2016 and December 31, 2015 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 the Company's available for sale portfolio:

	As at March 31, 2016						
	0-12 months		Over 12 months		Total		Number of Securities
	Fair Market Value	Gross Unrealized Loss	Fair Market Value	Gross Unrealized Loss	Fair Market Value	Gross Unrealized Loss	
	(\$ in millions)						
U.S. government	\$ 55.5	\$ —	\$ 3.2	\$ —	\$ 58.7	\$ —	10
U.S. agency	1.3	—	—	—	1.3	—	1
Municipal	3.9	(0.2)	—	—	3.9	(0.2)	4
Corporate	232.4	(2.0)	56.4	(0.6)	288.8	(2.6)	144
Non-U.S. government-backed corporate	4.3	—	—	—	4.3	—	3
Foreign government	92.8	(0.2)	34.7	—	127.5	(0.2)	15
Asset-backed	7.7	—	4.1	—	11.8	—	15
Agency mortgage-backed	32.3	—	115.4	(0.8)	147.7	(0.8)	48
Total fixed income securities — Available for sale	430.2	(2.4)	213.8	(1.4)	644.0	(3.8)	240
Total short-term investments — Available for sale	9.8	—	—	—	9.8	—	9
<b>Total</b>	<b>\$ 440.0</b>	<b>\$ (2.4)</b>	<b>\$ 213.8</b>	<b>\$ (1.4)</b>	<b>\$ 653.8</b>	<b>\$ (3.8)</b>	<b>249</b>

	As at December 31, 2015						
	0-12 months		Over 12 months		Total		Number of Securities
	Fair Market Value	Gross Unrealized Loss	Fair Market Value	Gross Unrealized Loss	Fair Market Value	Gross Unrealized Loss	
	(\$ in millions)						
U.S. government	\$ 583.2	\$ (3.7)	\$ 4.6	\$ (0.1)	\$ 587.8	\$ (3.8)	72
U.S. agency	17.6	(0.1)	—	—	17.6	(0.1)	12
Municipal	1.7	—	—	—	1.7	—	3
Corporate	1,179.7	(13.3)	81.1	(1.8)	1,260.8	(15.1)	510
Non-U.S. government-backed corporate	40.9	(0.1)	—	—	40.9	(0.1)	9
Foreign government	174.6	(0.8)	2.8	(0.1)	177.4	(0.9)	43
Asset-backed	51.4	(0.3)	4.2	—	55.6	(0.3)	39
Agency mortgage-backed	348.1	(3.6)	72.2	(1.7)	420.3	(5.3)	105
Total fixed income securities — Available for sale	2,397.2	(21.9)	164.9	(3.7)	2,562.1	(25.6)	793
Total short-term investments — Available for sale	56.7	—	—	—	56.7	—	12
<b>Total</b>	<b>\$ 2,453.9</b>	<b>\$ (21.9)</b>	<b>\$ 164.9</b>	<b>\$ (3.7)</b>	<b>\$ 2,618.8</b>	<b>\$ (25.6)</b>	<b>805</b>

*Investment Purchases and Sales.* The following table summarizes investment purchases, sales and maturities for the three months ended March 31, 2016 and 2015:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	(\$ in millions)	
(Purchases) of fixed income securities — Available for sale	\$ (682.9)	\$ (483.7)
(Purchases) of fixed income securities — Trading	(215.9)	(153.4)
(Purchases) of equity securities — Trading	(60.3)	(186.7)
Proceeds from sales and maturities of fixed income securities — Available for sale	640.0	540.7
Proceeds from sales and maturities of fixed income securities — Trading	132.2	133.8
Proceeds from sales of equity securities — Available for sale	—	108.6
Proceeds from sales of equity securities — Trading	59.1	83.7
Net change in (payable)/receivable for securities (purchased)/sold	23.6	15.9
(Purchases) of short-term investments — Available for sale	(57.4)	(62.1)
Proceeds from short-term investments — Available for sale	88.7	123.4
(Purchases) of short-term investments — Trading	—	(12.8)
Proceeds from short-term investments — Trading	2.1	12.3
Net proceeds of catastrophe bonds — Trading	8.9	1.8
Net (purchases)/proceeds for the period	<u>\$ (61.9)</u>	<u>\$ 121.5</u>

## 7. Variable Interest Entities

As at March 31, 2016, the Company had two investments in two variable interest entities (“VIE”), Chaspark and Silverton.

*Chaspark.* The Company has determined that Chaspark has the characteristics of a VIE as addressed by the guidance in ASC 810, *Consolidation*. As discussed further in Note 6 of these unaudited condensed consolidated financial statements, the investment in Chaspark is accounted for under the equity method. In the three months ended March 31, 2016, there was no change in the value of the Company’s investment in Chaspark (March 31, 2015 — \$Nil). The adjusted carrying value approximates fair value. For more information on Chaspark please refer to Note 6 of these unaudited condensed consolidated financial statements.

*Silverton.* On September 10, 2013, the Company established Silverton, a Bermuda domiciled special purpose insurer formed to provide additional collateralized capacity to support Aspen Re’s business through retrocession agreements which will be collateralized and funded by Silverton through the issuance of one or more series of loan notes. Silverton is a non-rated insurer and the risks are fully collateralized by way of funds held in trust for the benefit of Aspen Bermuda and/or Aspen U.K., as the case may be.

The proceeds of \$65.0 million (of which \$50.0 million was issued to third parties) from the issuance of Silverton’s Series 2014-1 Participating Notes on December 27, 2013 (“2014 Loan Notes”) were deposited into a collateral account to fund Silverton’s obligations under a retrocession property quota share agreement entered into with Aspen Bermuda effective January 1, 2014. The holders of the 2014 Loan Notes participate in any profit or loss generated by Silverton attributable to the operations of Silverton’s Series 2014-1 Segregated Account. Any existing value of the 2014 Loan Notes will be returned to the noteholders in installments after the expiration of the risk period of the retrocession agreement issued by Silverton for the related series with the final payment being contractually due on the September 16, 2016 maturity date. The fair value of the remaining 2014 Loan Notes as at March 31, 2016 was \$0.3 million (of which \$0.2 million was due to external investors). During the first three months of 2016, Silverton distributed \$0.5 million (of which \$0.4 million was distributed to external investors) to its noteholders. Of the remaining \$0.2 million due to external investors, \$0.2 million has been classified as a current liability in the Company’s consolidated financial statements. The total aggregate unpaid balance of the 2014 Loan Notes held by third parties and Aspen Holdings is \$0.3 million. The Company’s maximum loss exposure to the 2014 Loan Notes is \$0.1 million which is the fair value of its holdings as at March 31, 2016.

The proceeds of \$85.0 million (of which \$70.0 million was issued to third parties) from the issuance of Silverton’s Series 2015-1 Participating Notes on December 23, 2014 (“2015 Loan Notes”) were deposited into a collateral account to fund Silverton’s obligations under a retrocession property quota share agreement entered into with Aspen Bermuda effective January 1, 2015. The holders of the 2015 Loan Notes participate in any profit or loss generated by Silverton attributable to the

operations of Silverton's Series 2015-1 Segregated Account. Any existing value of the 2015 Loan Notes will be returned to the noteholders after the expiration of the risk period of the retrocession agreement issued by Silverton for the related series with the final payment being contractually due on the September 18, 2017 maturity date. The fair value of the 2015 Loan Notes as at March 31, 2016 was \$3.4 million (of which \$2.9 million was held by external investors). Of the \$2.9 million of the 2015 Loan Notes held by external investors, \$2.9 million has been classified as a current liability in the Company's consolidated financial statements. The total aggregate unpaid balance of the 2015 Loan Notes held by third parties and Aspen Holdings is \$3.4 million. The Company's maximum loss exposure to the 2015 Loan Notes is \$0.5 million which is the fair value of its holdings as at March 31, 2016.

The proceeds of \$125.0 million (of which \$100.0 million was issued to third parties) from the issuance of Silverton's Series 2016-1 Participating Notes on December 22, 2015 ("2016 Loan Notes") were deposited into a collateral account to fund Silverton's obligations under a retrocession property quota share agreement entered into with Aspen Bermuda and Aspen U.K. effective January 1, 2016. The holders of the 2016 Loan Notes participate in any profit or loss generated by Silverton attributable to the operations of Silverton's Series 2016-1 Segregated Account. Any existing value of the 2016 Loan Notes will be returned to the noteholders after the expiration of the risk period of the retrocession agreement issued by Silverton for the related series with the final payment being contractually due on the September 17, 2018 maturity date. The fair value of the 2016 Loan Notes at March 31, 2016 was \$130.4 million (of which \$104.5 million is held by external investors). Using current loss estimates, Silverton expects to distribute \$130.4 million (of which \$104.5 million is held by external investors) to its noteholders during 2017. Of the \$104.5 million 2016 Loan Notes held by external investors, it has all been classified as long-term debt in the Company's consolidated financial statements. The total aggregate unpaid balance of the 2016 Loan Notes held by third parties and Aspen Holdings is \$130.4 million. The Company's maximum loss exposure to the 2016 Loan Notes is \$25.9 million which is the fair value of its holdings as at March 31, 2016.

The Company has determined that Silverton has the characteristics of a VIE that are addressed by the guidance in ASC 810, *Consolidation*. The Company concluded that it is the primary beneficiary and has consolidated the subsidiary upon its formation as it owns 100% of the voting shares, 100% of the issued share capital and has a significant financial interest and the power to control Silverton. The Company has no other obligation to provide financial support to Silverton. Neither the creditors nor beneficial interest holders of Silverton have recourse to the Company's general credit.

In the event of either an extreme catastrophic property reinsurance event or severe credit-related event there is a risk that Aspen Bermuda would be unable to recover losses from Silverton. These two risks are mitigated as follows:

- i. Silverton has collateralized the aggregate limit provided to Aspen Bermuda by way of a trust in favor of Aspen Bermuda as the beneficiary;
- ii. the trustee is a large, well-established regulated entity; and
- iii. all funds within the trust account are bound by investment guidelines restricting investments to one of the institutional class money market funds run by large international investment managers.

For further information regarding the loan notes attributable to the third-party investments in Silverton, refer to Note 8 of these unaudited condensed consolidated financial statements.

## **8. Fair Value Measurements**

The Company's estimates of fair value for financial assets and liabilities are based on the framework established in the fair value accounting guidance included in ASC 820, *Fair Value Measurements and Disclosures*. The framework prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels.

The Company considers prices for actively traded securities to be derived based on quoted prices in an active market for identical assets, which are Level 1 inputs in the fair value hierarchy. The majority of these securities are valued using prices supplied by index providers.

The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, index providers, vendors and broker-dealers, or with reference to interest rates and yield curves, 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. The majority of these securities are also valued using prices supplied by index providers.

The Company considers 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.

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at March 31, 2016 and December 31, 2015, respectively:

	As at March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(\$ in millions)			
<b>Available for sale financial assets, at fair value</b>				
U.S. government	\$ 1,111.7	\$ —	\$ —	\$ 1,111.7
U.S. agency	—	149.9	—	149.9
Municipal	—	32.9	—	32.9
Corporate	—	2,680.9	—	2,680.9
Non-U.S. government-backed corporate	—	72.5	—	72.5
Foreign government	480.6	193.9	—	674.5
Asset-backed	—	76.3	—	76.3
Non-agency commercial mortgage-backed	—	22.6	—	22.6
Agency mortgage-backed	—	1,242.4	—	1,242.4
Total fixed income securities available for sale, at fair value	1,592.3	4,471.4	—	6,063.7
Short-term investments available for sale, at fair value	101.1	34.2	—	135.3
<b>Held for trading financial assets, at fair value</b>				
U.S. government	42.1	—	—	42.1
Municipal	—	4.0	—	4.0
Corporate	—	615.2	—	615.2
Foreign government	95.6	102.9	—	198.5
Asset-backed	—	19.6	—	19.6
Agency mortgage-backed	—	17.4	—	17.4
Total fixed income securities trading, at fair value	137.7	759.1	—	896.8
Short-term investments trading, at fair value	7.7	—	—	7.7
Equity investments trading, at fair value	757.8	—	—	757.8
Catastrophe bonds trading, at fair value	—	46.1	—	46.1
<b>Other financial assets and liabilities, at fair value</b>				
Derivatives at fair value — foreign exchange contracts	—	10.9	—	10.9
Liabilities under derivative contracts — interest rate swaps	—	(0.8)	—	(0.8)
Liabilities under derivative contracts — foreign exchange contracts	—	(16.8)	—	(16.8)
Loan notes issued by variable interest entities, at fair value	—	—	(104.5)	(104.5)
Loan notes issued by variable interest entities, at fair value (classified as a current liability)	—	—	(3.1)	(3.1)
Total	\$ 2,596.6	\$ 5,304.1	\$ (107.6)	\$ 7,793.1

There were no maturities or transfers between Level 1, Level 2 and Level 3 during the three months ended March 31, 2016. The Company settled \$87.4 million Level 3 liabilities in respect to the loan notes issued by the VIEs for the three months ended March 31, 2016. As at March 31, 2016, there were no assets classified as Level 3 and the Company's Level 3 liabilities consisted of the loan notes issued by the VIEs.

	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(\$ in millions)			
<b>Available for sale financial assets, at fair value</b>				
U.S. government	\$ 1,123.1	\$ —	\$ —	\$ 1,123.1
U.S. agency	—	158.7	—	158.7
Municipal	—	26.6	—	26.6
Corporate	—	2,660.6	—	2,660.6
Non-U.S. government-backed corporate	—	82.1	—	82.1
Foreign government	449.5	194.7	—	644.2
Asset-backed	—	76.0	—	76.0
Non-agency commercial mortgage-backed	—	26.7	—	26.7
Agency mortgage-backed	—	1,153.1	—	1,153.1
Total fixed income securities available for sale, at fair value	1,572.6	4,378.5	—	5,951.1
Short-term investments available for sale, at fair value	130.5	32.4	—	162.9
<b>Held for trading financial assets, at fair value</b>				
U.S. government	27.3	—	—	27.3
Municipal	—	0.5	—	0.5
Corporate	—	558.2	—	558.2
Foreign government	73.8	105.7	—	179.5
Asset-backed	—	20.5	—	20.5
Bank loans	—	2.0	—	2.0
Total fixed income securities trading, at fair value	101.1	686.9	—	788.0
Short-term investments trading, at fair value	7.4	2.1	—	9.5
Equity investments trading, at fair value	736.4	—	—	736.4
Catastrophe bonds trading, at fair value	—	55.4	—	55.4
<b>Other financial assets and liabilities, at fair value</b>				
Derivatives at fair value – foreign exchange contracts	—	8.8	—	8.8
Derivatives at fair value – interest rate swaps	—	0.4	—	0.4
Liabilities under derivative contracts – foreign exchange contracts	—	(4.0)	—	(4.0)
Loan notes issued by variable interest entities, at fair value	—	—	(103.0)	(103.0)
Loan notes issued by variable interest entities, at fair value (classified as a current liability)	—	—	(87.6)	(87.6)
Total	\$ 2,548.0	\$ 5,160.5	\$ (190.6)	\$ 7,517.9

There were no maturities, settlements or transfers between Level 1, Level 2 and Level 3 during the twelve months ended December 31, 2015. There were no assets or liabilities that were classified as Level 3 as at December 31, 2015, except for the loan notes issued by the VIEs.



The following table presents a reconciliation of the beginning and ending balances for all assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the three months ended March 31, 2016 and 2015:

<b>Reconciliation of Liabilities Using Level 3 Inputs</b>	<b>Three Months Ended March 31, 2016</b>	<b>Three Months Ended March 31, 2015</b>
	(\$ in millions)	
Balance at the beginning of the period <sup>(1)</sup>	\$ 190.6	\$ 138.6
Distributed to third party	(87.4)	(64.8)
Total change in fair value included in the statement of operations	4.4	2.9
Balance at the end of the period <sup>(1)</sup>	<u>\$ 107.6</u>	<u>\$ 76.7</u>

<sup>(1)</sup> The amount classified as other payables was \$3.1 million and \$87.6 million as at March 31, 2016 and December 31, 2015, respectively.

*Valuation of Fixed Income Securities.* The Company's fixed income securities are classified as either available for sale or trading and carried at fair value. As at March 31, 2016 and December 31, 2015, the Company's fixed income securities were valued by pricing services, index providers or broker-dealers using standard market conventions. The market conventions utilize market quotations, market transactions in comparable instruments and various relationships between instruments including, but not limited to, yield to maturity, dollar prices and spread prices in determining value.

*Independent Pricing Services and Index Providers.* The underlying methodology used to determine the fair value of securities in the Company's available for sale and trading portfolios by the pricing services and index providers the Company uses is very similar. Pricing services will gather observable pricing inputs from multiple external sources, including buy and sell-side contacts and broker-dealers, in order to develop their internal prices. Index providers are those firms which provide prices for a range of securities within one or more asset classes, typically using their own in-house market makers (traders) as the primary pricing source for the indices, although ultimate valuations may also rely on other observable data inputs to derive a dollar price for all index-eligible securities. Index providers without in-house trading desks will function similarly to a pricing service in that they will gather their observable pricing inputs from multiple external sources. All prices for the Company's securities attributed to index providers are for an individual security within the respective indices.

Pricing services and index providers provide pricing for less complex, liquid securities based on market quotations in active markets. Pricing services and index providers supply prices for a broad range of securities including those for actively traded securities, such as Treasury and other Government securities, in addition to those that trade less frequently or where valuation includes reference to credit spreads, pay down and pre-pay features and other observable inputs. These securities include Government Agency, Municipals, Corporate and Asset-Backed Securities.

For securities that may trade less frequently or do not trade on a listed exchange, these pricing services and index providers 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 and index providers 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. Neither the Company, nor its index providers, derives dollar prices using an index as a pricing input for any individual security.

*Broker-Dealers.* The Company obtains quotes 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 of newly issued securities. They may also establish pricing through observing secondary trading of similar securities. Quotes from broker-dealers are non-binding.

The Company obtains prices for all of its fixed income investment securities via its third-party accounting service provider, and in the majority of cases receiving a number of quotes so as to obtain the most comprehensive information available to determine a security's fair value. A single valuation is applied to each security based on the vendor hierarchy maintained by the Company's third-party accounting service provider.

As at March 31, 2016, the Company obtained an average of 2.3 quotes per fixed income investment, consistent with 2.0 quotes as at December 31, 2015. Pricing sources used in pricing fixed income investments as at March 31, 2016 and December 31, 2015 were as follows:

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
Index providers	84%	85%
Pricing services	11	10
Broker-dealers	5	5
Total	<u>100%</u>	<u>100%</u>

A summary of securities priced using pricing information from index providers as at March 31, 2016 and December 31, 2015 is provided below:

	<u>As at March 31, 2016</u>		<u>As at December 31, 2015</u>	
	<u>Fair Market Value Determined using Prices from Index Providers</u>	<u>% of Total Fair Value by Security Type</u>	<u>Fair Market Value Determined using Prices from Index Providers</u>	<u>% of Total Fair Value by Security Type</u>
	(\$ in millions, except for percentages)			
U.S. government	\$ 1,092.9	95%	\$ 1,095.4	95%
U.S. agency	132.9	89%	148.5	94%
Municipal	19.4	53%	10.5	39%
Corporate	3,141.1	95%	3,083.5	96%
Non-U.S. government-backed corporate	39.3	54%	41.7	51%
Foreign government	513.4	59%	517.6	63%
Asset-backed	50.9	53%	55.3	57%
Non-agency commercial mortgage-backed	18.9	84%	22.7	85%
Agency mortgage-backed	823.4	65%	742.9	64%
Total fixed income securities	<u>\$ 5,832.2</u>	84%	<u>\$ 5,718.1</u>	85%
Equities	757.8	99%	736.4	100%
Total fixed income securities and equity investments	<u>\$ 6,590.0</u>	85%	<u>\$ 6,454.5</u>	86%

The Company, in conjunction with its third-party accounting service provider, obtains an understanding of the methods, models and inputs used by the third-party pricing service and index provider to assess the ongoing appropriateness of vendors' prices. The Company and its third-party accounting service provider also have controls in place to validate that amounts provided represent fair values. Processes to validate and review pricing 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);
- comparison of market values obtained from pricing services, index providers and broker-dealers against alternative price sources for each security where further investigation is completed when significant differences exist for pricing of individual securities between pricing sources;
- initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and
- comparison of the fair value estimates to the Company's knowledge of the current market.

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

Management reviews the vendor hierarchy maintained by the Company's third-party accounting service provider in order to determine which price source provides the most appropriate 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 level assigned to each security in the Company's available for sale and trading portfolios is based upon its assessment of the transparency and reliability of the inputs

used in the valuation as of the measurement date. The hierarchy of index providers and pricing services is determined using various qualitative and quantitative points arising from reviews of the vendors conducted by the Company's third-party accounting service provider. Vendor reviews include annual onsite due diligence meetings with index providers and pricing services vendors covering valuation methodology, operational walkthroughs and legal and compliance updates. Index providers are assigned the highest priority in the pricing hierarchy due primarily to availability and reliability of pricing information.

*Fixed Income Securities.* The Company's fixed income securities are traded on the over-the-counter ("OTC") 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. The Company uses a variety of pricing sources to value 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 for the investment grade securities in the Company's portfolio do not use significant unobservable inputs or modeling techniques.

*U.S. Government and Agency.* U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and corporate debt issued by agencies such as the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Bank. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, they are classified within Level 1. The fair values of U.S. government agency securities are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. government agency securities are classified within Level 2.

*Municipals.* The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipality entities. The fair value of these securities is determined using spreads obtained from broker-dealers, trade prices and the new issue market which are Level 2 inputs in the fair value hierarchy. Consequently, these securities are classified within Level 2.

*Foreign Government.* The issuers for securities in this category are non-U.S. governments and their agencies. The fair values of non-U.S. government bonds, primarily sourced from international indices, are based on unadjusted market prices in active markets and are therefore classified within Level 1. The fair values of the non-U.S. agency securities, again primarily sourced from international indices, are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of non-U.S. agency securities are classified within Level 2. In addition, foreign government securities include a portion of the Emerging Market Debt ("EMD") portfolio which is also classified within Level 2.

*Corporate.* Corporate securities consist primarily of U.S. and foreign corporations covering a variety of industries and are for the most part priced by index providers and pricing vendors. Some issuers may participate in government programs which guarantee timely payment of principal and interest in the event of a default. The fair values of these securities are generally determined using the spread above the risk-free yield curve. Inputs used in the evaluation of these securities include credit data, interest rate data, market observations and sector news, broker-dealer quotes and trade volumes. In addition, corporate securities include a portion of the EMD portfolio. The Company classifies all of these securities within Level 2.

*Mortgage-backed Securities.* The Company's residential and commercial mortgage-backed securities consist of bonds issued by the Government National Mortgage Association, the FNMA and the FHLMC as well as private non-agency issuers. The fair values of these securities are determined through the use of a pricing model (including Option Adjusted Spread) which uses prepayment speeds and spreads to determine the appropriate average life of the mortgage-backed security. These spreads are generally obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price mortgage-backed securities are observable market inputs, these securities are classified within Level 2.

*Asset-backed Securities.* The underlying collateral for the Company's asset-backed securities consists mainly of student loans, automobile loans and credit card receivables. These securities are primarily priced by index providers and pricing vendors. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, interest rate data and credit spreads. The Company classifies these securities within Level 2.

*Bank Loans.* These are variable rate, senior secured debt instruments issued by non-investment grade companies that are not publicly registered but are the most senior debt in a capital structure and are generally secured by company assets. Although these assets are not as liquid a market as traditional fixed income instruments, they are valued in similar fashion to other fixed maturities, using similar inputs such as yield curves, interest rates and credit spreads. These securities are primarily priced by a third-party pricing vendor. Bank loans are therefore classified within Level 2.

*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. Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are classified within Levels 1 and 2.

*Equity Securities.* Equity securities include U.S. and foreign common stocks and are classified either as trading or available for sale and carried at fair value. These securities are classified within Level 1 as their fair values are based on quoted market prices in active markets from independent pricing sources. As at March 31, 2016, the Company obtained an average of 4.0 quotes per equity investment, compared to 4.0 quotes as at December 31, 2015. Pricing sources used in pricing equities as at March 31, 2016 and December 31, 2015 were all provided by index providers.

*Catastrophe Bonds.* Catastrophe bonds held by the Company are variable rate fixed income instruments with redemption values adjusted based on the occurrence of a covered event, usually windstorms and earthquakes. These bonds have been classified as trading and carried at fair value. Bonds are priced using an average of multiple broker-dealer quotes and, as such, are classified as Level 2.

*Foreign Exchange Contracts.* The foreign exchange contracts which the Company uses to mitigate currency risk are characterized as OTC due to their customized nature and the fact that they do not trade on a major exchange. These instruments trade in a deep liquid market, providing substantial price transparency and accordingly are classified as Level 2.

*Interest Rate Swaps.* The interest rate swaps which the Company uses to mitigate interest rate risk are also characterized as OTC and are valued by the counterparty using quantitative models with multiple market inputs. The market inputs, such as interest rates and yield curves, are observable and the valuation can be compared for reasonableness with third-party pricing services. Consequently, these instruments are classified as Level 2.

*Loan Notes Issued by Variable Interest Entities.* Silverton, a licensed special purpose insurer, is consolidated into the Company's group accounts as a VIE. In the fourth quarter of 2013, Silverton issued \$65.0 million (\$50.0 million third-party funded) loan notes with a maturity date of September 16, 2016. In the fourth quarter of 2014, Silverton issued an additional \$85.0 million (\$70.0 million third-party funded) loan notes with a maturity date of September 18, 2017. During the fourth quarter of 2015, Silverton issued an additional \$125.0 million (\$100.0 million third-party funded) loan notes with a maturity date of September 17, 2018. The Company has elected to account for the Silverton Loan Notes at fair value using the guidance as prescribed under ASC 825, *Financial Instruments* as the Company believes it represents the most meaningful measurement basis for these liabilities. The Silverton Loan Notes are recorded at fair value at each reporting period and, as they are not quoted on an active market and contain significant unobservable inputs, they have been classified as a Level 3 instrument in the Company's fair value hierarchy. The Silverton Loan Notes are unique because they are linked to the specific risks of the Company's property catastrophe book.

To determine the fair value of the Silverton Loan Notes, the Company runs an internal model which considers the seasonality of the risk assumed under the retrocessional agreement between Aspen Bermuda and Silverton. The seasonality used in the model is determined by applying the percentage of property catastrophe losses planned by the Company's actuaries to the estimated written premium to determine earned premium for each quarter. The inputs to the internal valuation model are based on Company specific data due to the lack of availability of observable market inputs. Reserves for losses are the most significant unobservable input. An increase in reserves for losses would normally result in a decrease in the fair value of the Silverton Loan Notes while a decrease in reserves would normally result in an increase in the fair value of the Silverton Loan Notes. The observable and unobservable inputs used to determine the fair value of the 2016 Loan Notes, 2015 Loan Notes and 2014 Loan Notes as at March 31, 2016 and December 31, 2015 are presented in the table below:

At March 31, 2016	Fair Value Level 3	Valuation Method	Observable (O) and Unobservable (U) inputs	Low	High
			(\$ in millions)		
Loan notes held by third parties	\$ 107.6 (1)	Internal Valuation Model	Gross premiums written (O)	\$ 35.0	\$ 38.9
			Reserve for losses (U)	\$ 0.6	\$ 4.2
			Contract period (O)	N/A	365 days
			Initial value of issuance (O)	\$ 220.0	\$ 220.0
At December 31, 2015	Fair Value Level 3	Valuation Method	Observable (O) and Unobservable (U) inputs	Low	High
			(\$ in millions)		
Loan notes held by third parties	\$ 190.6 (1)	Internal Valuation Model	Gross premiums written (O)	\$ —	\$ 38.9
			Reserve for losses (U)	\$ —	\$ 4.2
			Contract period (O)	N/A	365 days
			Initial value of issuance (O)	\$ 220.0	\$ 220.0

(1) The amount classified as other payables was \$3.1 million and \$87.6 million as at March 31, 2016 and December 31, 2015, respectively.

The observable and unobservable inputs represent the potential variation around the inputs used in the valuation model. The contract period is defined in the Silverton loan agreements and the initial value represents the funds received from third parties.

## 9. Reinsurance

The Company purchases retrocession and reinsurance to limit and diversify the Company's risk exposure and increase its own insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss adjustment expenses from reinsurers. As is the case with most reinsurance contracts, the Company remains liable to the extent that reinsurers do not meet their obligations under these agreements, and therefore, in line with its risk management objectives, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. The largest concentrations of reinsurance recoverables as at March 31, 2016 were 20.8% (December 31, 2015 — 20.4%) with Munich Re rated AA- by S&P, 18.9% (December 31, 2015 — 20.0%) with Lloyd's syndicates rated A+ by S&P and 7.3% (December 31, 2015 — 9.2%) with Arch Re which is rated A+ by S&P.

## 10. Derivative Contracts

The following tables summarize information on the location and amounts of derivative fair values on the consolidated balance sheet as at March 31, 2016 and December 31, 2015:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Balance Sheet Location	As at March 31, 2016		As at December 31, 2015	
		Notional Amount	Fair Value	Notional Amount	Fair Value
		(\$ in millions)		(\$ in millions)	
Interest Rate Swaps	Liabilities under Derivative Contracts	\$ 256.3	\$ (0.8) <sup>(1)</sup>	\$ 756.3	\$ 0.4 <sup>(1)</sup>
Foreign Exchange Contracts	Derivatives at Fair Value	\$ 262.4	\$ 10.9	\$ 217.7	\$ 8.8
Foreign Exchange Contracts	Liabilities under Derivative Contracts	\$ 262.9	\$ (17.7)	\$ 162.2	\$ (2.8)

<sup>(1)</sup> Net of \$5.7 million of cash collateral provided to the counterparty, Goldman Sachs International (\$256.3 million notional) under an International Swap Dealers Association agreement, as security for the Company's net liability position (December 31, 2015 — \$10.1 million).

Derivatives Designated as Hedging Instruments Under ASC 815	Balance Sheet Location	As at March 31, 2016		As at December 31, 2015	
		Notional Amount	Fair Value	Notional Amount	Fair Value
		(\$ in millions)		(\$ in millions)	
Foreign Exchange Contracts	Liabilities under Derivative Contracts	\$ 85.5	\$ 0.9 <sup>(1)</sup>	\$ 113.6	\$ (1.2) <sup>(1)</sup>

<sup>(1)</sup> Net of \$4.2 million cash collateral (December 31, 2015 — \$Nil).

The following tables provide the unrealized and realized gains/(losses) recorded in the statement of operations for the three months ended March 31, 2016 and 2015:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Income/(Loss) Recognized in the Statement of Operations and Other Comprehensive Income	Amount of Income/(Loss) Recognized in the Statement of Operations and Other Comprehensive Income for the Three Months Ended	
		March 31, 2016	March 31, 2015
		(\$ in millions)	
Foreign Exchange Contracts	Change in Fair Value of Derivatives	\$ (4.4)	\$ (4.6)
Interest Rate Swaps	Change in Fair Value of Derivatives	\$ (2.8)	\$ (3.2)

Derivatives Designated as Hedging Instruments Under ASC 815	Location of Income/(Loss) Recognized in the Statement of Operations and Other Comprehensive Income	Amount of Income/(Loss) Recognized in the Statement of Operations and Other Comprehensive Income for the Three Months Ended	
		March 31, 2016	March 31, 2015
		(\$ in millions)	
Foreign Exchange Contracts	General, administrative and corporate expenses	\$ (1.1)	\$ (2.8)
Foreign Exchange Contracts	Net change from current period hedged transactions	\$ (2.1)	\$ (2.4)

*Foreign Exchange Contracts.* The Company uses foreign exchange contracts to manage foreign currency risk. A foreign 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 exchange contracts will not eliminate fluctuations in the value of the Company's assets and liabilities denominated in foreign currencies but rather allow it to establish a rate of exchange for a future point in time.

As at March 31, 2016, the Company held foreign exchange contracts that were not designated as hedging under ASC 815 with an aggregate notional value of \$525.3 million (December 31, 2015 — \$379.9 million). The foreign exchange contracts are recorded as derivatives at fair value with changes recorded as a change in fair value of derivatives in the statement of operations. For the three months ended March 31, 2016, the impact of foreign exchange contracts on net income was a loss of \$4.4 million (March 31, 2015 — loss of \$4.6 million).

As at March 31, 2016, the Company held foreign exchange contracts that were designated as hedging under ASC 815 with an aggregate notional value of \$85.5 million (December 31, 2015 — \$113.6 million). The foreign exchange contracts are recorded as derivatives at fair value in the balance sheet with the effective portion recorded in other comprehensive income and the ineffective portion recorded as a change in fair value of derivatives in the statement of operations. The contracts are considered to be effective and therefore, for the three months ended March 31, 2016, the movement in other comprehensive income representing the effective portion was a net unrealized loss of \$2.1 million (March 31, 2015 — loss of \$2.4 million).

As the foreign exchange contracts settle, the realized gain or loss is reclassified from other comprehensive income into general, administrative and corporate expenses of the statement of operations and other comprehensive income. For the three months ended March 31, 2016, the amount recognized within general, administrative and corporate expenses for settled foreign exchange contracts was a realized loss of \$1.1 million (March 31, 2015 — loss of \$2.8 million).

*Interest Rate Swaps.* As at March 31, 2016, the Company held fixed for floating interest rate swaps with a total notional amount of \$256.3 million (December 31, 2015 — \$756.3 million) that are due to mature between August 2, 2016 and November 9, 2020. The interest rate swaps are used in the ordinary course of the Company's investment activities to partially mitigate the negative impact of rises in interest rates on the market value of the Company's fixed income portfolio. For the three months ended March 31, 2016, there was a charge in respect of the interest rate swaps of \$2.8 million (March 31, 2015 — loss of \$3.2 million).

As at March 31, 2016, cash collateral with a fair value of \$5.7 million was held by the Company's counterparties to support the current valuation of the interest rate swaps (December 31, 2015 — \$10.1 million). As at March 31, 2016, no non-cash collateral was transferred to the Company by its counterparties (December 31, 2015 — \$Nil). Transfers of cash collateral are recorded on the consolidated balance sheet within Derivatives at Fair Value, while transfers in respect of non-cash collateral are disclosed but not recorded. As at March 31, 2016, no amount was recorded in the consolidated balance sheet for the pledged assets.

## 11. Deferred Policy Acquisition Costs

The following table represents a reconciliation of beginning and ending deferred policy acquisition costs for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
	(\$ in millions)	
Balance at the beginning of the period	\$ 361.1	\$ 299.0
Acquisition costs deferred	176.8	154.1
Amortization of deferred policy acquisition costs	(130.2)	(119.3)
Balance at the end of the period	\$ 407.7	\$ 333.8

## 12. Reserves for Losses and Loss Adjustment Expenses

The following table represents a reconciliation of beginning and ending consolidated loss and loss adjustment expenses (“LAE”) reserves for the three months ended March 31, 2016 and twelve months ended December 31, 2015:

	Three Months Ended	Twelve Months Ended
	March 31, 2016	December 31, 2015
	(\$ in millions)	
Provision for losses and LAE at the start of the year	\$ 4,938.2	\$ 4,750.8
Less reinsurance recoverable	(354.8)	(350.0)
Net loss and LAE at the start of the year	4,583.4	4,400.8
Net loss and LAE expenses assumed	5.7	—
Provision for losses and LAE for claims incurred:		
Current year	379.0	1,522.7
Prior years	(21.6)	(156.5)
Total incurred	357.4	1,366.2
Losses and LAE payments for claims incurred:		
Current year	(8.5)	(141.9)
Prior years	(286.1)	(966.6)
Total paid	(294.6)	(1,108.5)
Foreign exchange (gains)	(6.4)	(75.1)
Net losses and LAE reserves at period end	4,645.5	4,583.4
Plus reinsurance recoverable on unpaid losses at period end	366.0	354.8
Provision for losses and LAE at the end of the relevant period	\$ 5,011.5	\$ 4,938.2

For the three months ended March 31, 2016, there was a reduction of \$21.6 million in the Company’s estimate of the ultimate claims to be paid in respect of prior accident years compared to a reduction of \$27.5 million for the three months ended March 31, 2015. The Company assumed \$5.7 million of additional loss reserves as part of the acquisition of AgriLogic. For additional information on the reserve releases, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Reserves for Losses and Loss Adjustment Expenses” below.

### 13. Capital Structure

The following table provides a summary of the Company's authorized and issued share capital as at March 31, 2016 and December 31, 2015:

	As at March 31, 2016		As at December 31, 2015	
	Number	\$ in Thousands	Number	\$ in Thousands
<b>Authorized share capital:</b>				
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
<b>Total authorized share capital</b>		<b>1,631</b>		<b>1,631</b>
<b>Issued share capital:</b>				
Issued ordinary shares of 0.15144558¢ per share	60,675,142	92	60,918,373	92
Issued 7.401% preference shares of 0.15144558¢ each with a liquidation preference of \$25 per share	5,327,500	8	5,327,500	8
Issued 7.250% preference shares of 0.15144558¢ each with a liquidation preference of \$25 per share	6,400,000	10	6,400,000	10
Issued 5.95% preference shares of 0.15144558¢ each with a liquidation preference of \$25 per share	11,000,000	17	11,000,000	17
<b>Total issued share capital</b>		<b>127</b>		<b>127</b>

Additional paid-in capital as at March 31, 2016 was \$1,055.9 million (December 31, 2015 — \$1,075.3 million). Additional paid-in capital includes the aggregate liquidation preferences of the Company's preference shares of \$568.2 million (December 31, 2015 — \$568.2 million) less issue costs of \$12.4 million (December 31, 2015 — \$12.4 million).

*Ordinary Shares.* The following table summarizes transactions in the Company's ordinary shares during the three months ended March 31, 2016:

	<b>Number of Ordinary Shares</b>
Ordinary shares in issue as at December 31, 2015	60,918,373
<i>Ordinary share transactions in the three months ended March 31, 2016</i>	
Ordinary shares issued to employees under the 2003 and 2013 share incentive plans and/or 2008 share purchase plan	315,937
Ordinary shares issued to non-employee directors	9,071
Ordinary shares repurchased	(568,239)
Ordinary shares in issue as at March 31, 2016	60,675,142

*Ordinary Share Repurchases.* On February 5, 2015, the Company and the Board of Directors agreed a new share repurchase authorization program of \$500.0 million. The total share repurchase authorization, which was effective immediately through February 6, 2017, permits the Company to effect the repurchases from time to time through a combination of transactions, including open market repurchases, privately negotiated transactions and accelerated share repurchase transactions.

Under open market repurchases, the Company acquired and cancelled 568,239 ordinary shares during the three months ended March 31, 2016. The total consideration paid for the three months ended March 31, 2016 was \$25.0 million with an average price of \$44.00 per ordinary share for the three months ended March 31, 2016. Under open market repurchases, the Company acquired and cancelled 787,138 ordinary shares for the three months ended March 31, 2015. The total consideration paid for the three months ended March 31, 2015 was \$36.5 million and the average price per ordinary share was \$46.32.

*Rights Agreement.* On April 17, 2014, the Board of Directors resolved to issue one preferred share purchase right (a "Right") for each outstanding ordinary share, and adopted a shareholder rights plan, as set forth in the Rights Agreement dated as of April 17, 2014. Each Right would have allowed its holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preference Shares for \$160, once the Rights became exercisable. The Rights could not be exercisable until 10 business days after the public announcement that a person or group acquired the beneficial ownership of 10% or more of the outstanding ordinary shares of the Company (or 15% in the case of passive institutional investors). The



Rights could have been redeemed at any time at the discretion of the Board of Directors. As of March 31, 2016, no Rights were exercisable or exercised. The Rights Agreement expired on its own terms on April 16, 2015.

#### 14. Share-Based Payments

The Company has issued options and other equity incentives under three arrangements: the employee incentive plans, the non-employee director plan and the employee share purchase plans. When options are exercised or other equity awards have vested, new ordinary shares are issued as the Company does not currently hold treasury shares.

*Employee and Non-Employee Director Awards.* Employee options and other awards were granted under the Aspen 2003 Share Incentive Plan, as amended (the “2003 Share Incentive Plan”), prior to April 24, 2013 and thereafter under the 2013 Share Incentive Plan (the “2013 Share Incentive Plan”). The total number of ordinary shares that may be issued under the 2013 Share Incentive Plan is 2,845,683 ordinary shares, which includes 595,683 ordinary shares available to grant under the 2003 Share Incentive Plan as of February 25, 2013. The number of ordinary shares that may be issued under the 2013 Share Incentive Plan is adjusted per the number of awards that may be forfeited under the 2003 Share Incentive Plan. The non-employee director awards are granted under the 2006 Stock Option Plan for Non-Employee Directors.

Stock options were granted with an exercise price equivalent to the fair value of the ordinary 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 exercise period (except for options granted in 2007 which had a seven-year exercise period) with vesting dependent on time and performance conditions established at the time of grant. No options were granted during the three months ended March 31, 2016 (2015 — Nil) and 27,210 options were exercised and ordinary shares issued in the three months ended March 31, 2016 (2015 — 83,938 options). No charges against income were made in respect of employee options for the three months ended March 31, 2016 (2015 — \$Nil).

Restricted share units (“RSUs”) granted to employees typically vest over a three-year period based on continued service. Some of the RSU grants vest at year-end, while others vest on the anniversary of the date of grant or when the Compensation Committee of the Board of Directors agrees to deliver the RSUs. The fair value of the RSUs is based on the closing price on the date of the grant adjusted for illiquidity and is expensed through the income statement evenly over the vesting period. In the three months ended March 31, 2016, the Company granted to its employees 275,719 RSUs (2015 — 238,315). Compensation costs charged against income in respect of RSUs for the three months ended March 31, 2016 were \$2.1 million (2015 — \$2.5 million).

In the case of non-employee directors, generally one-twelfth of the RSUs vest on each one month anniversary of the date of grant, with 100% of the RSUs vesting on the first anniversary of the date of grant. On January 27, 2016 (with a grant date of February 8, 2016), the Board of Directors approved a total of 24,456 RSUs for the non-employee directors (February 9, 2015 — 27,620 RSUs) and 10,952 RSUs to the Chairman (February 9, 2015 — 12,154 RSUs). Compensation costs charged against income in respect of non-employee director RSUs for the three months ended March 31, 2016 were \$0.4 million (2015 — \$0.3 million).

The total fair value adjustment for all RSUs for the three months ended March 31, 2016 was \$0.4 million (2015 — \$0.3 million). The total tax credit recognized by the Company in relation to RSUs in the three months ended March 31, 2016 was \$0.5 million (2015 — \$1.1 million).

*Performance Shares.* During the three months ended March 31, 2016, the Company granted 278,477 performance shares to employees (2015 — 277,585). The performance shares are subject to a three-year vesting period with a separate annual diluted book value per share (“BVPS”) growth test for each year, adjusted to add back ordinary dividends. One-third of the grant are eligible for vesting each year based on a formula, and are only issuable at the end of the three-year period.

If the diluted BVPS growth achieved in 2016 is:

- less than 4.65%, then the portion of the performance shares subject to the vesting conditions in such year will be forfeited (i.e., one-third of the initial grant);
- between 4.65% and 9.3%, then the percentage of the performance shares eligible for vesting in such year will be between 10% and 100% on a straight-line basis; or
- between 9.3% and 18.6%, then the percentage of the performance shares eligible for vesting in such year will be between 100% and 200% on a straight-line basis.

In calculating BVPS for 2016, the entire movement in AOCI will be excluded. Interest rate movements and credit spread movements in AOCI can be fairly significant and impact growth in BVPS which management does not have any control over. The Compensation Committee will review the impact of any capital management actions undertaken during 2016, including share repurchases and special dividends, and consider whether any further adjustments to growth in BVPS should be made in

the context of such actions. The calculation of BVPS for 2016 will exclude all transactional expenses incurred in connection with any transaction which, if consummated, would result in a change in control, including without limitation the cost of defending against any such transaction and any third-party legal and advisory costs. The Compensation Committee believes that it would not be appropriate for employees' performance-related compensation to be impacted by these costs.

The Compensation Committee will determine the vesting conditions for the 2017 and 2018 portions of the grant in such years taking into consideration the market conditions and the Company's business plans at the commencement of the years concerned. Notwithstanding the vesting criteria for each given year, if the shares eligible for vesting in 2017 and 2018 are greater than 100% for the portion of such year's grant and the average diluted BVPS growth over such year and the preceding year is less than the average of the minimum vesting thresholds for such year and the preceding year, then only 100% (and no more) of the ordinary shares that are eligible for vesting in such year shall vest. Notwithstanding the foregoing, if in the judgment of the Compensation Committee the main reason for the BVPS metric in the earlier year falling below the minimum threshold is due to the impact of rising interest rates and bond yields, then the Compensation Committee may, in its discretion, disapply this limitation on 100% vesting.

The fair value of performance share awards is based on the value of the closing ordinary share price on the date of the grant adjusted for illiquidity less a deduction for expected dividends which would not accrue during the vesting period. Compensation costs charged against income in the three months ended March 31, 2016 in respect of performance shares were \$1.6 million (2015 — \$0.2 million). The total tax recognized by the Company in relation to performance shares in the three months ended March 31, 2016 was a tax credit of \$0.4 million (2015 — \$0.1 million).

*Phantom Shares.* During the three months ended March 31, 2016, the Compensation Committee approved the grant of 146,357 phantom shares to its employees (2015 — 135,651). The phantom shares are subject to a three-year vesting period with a separate annual diluted BVPS growth test for each year, in accordance with the test described above for the 2016 performance shares, with the difference being that any vested amount would be paid in cash in lieu of ordinary shares. As ordinary shares are not issued, the phantom shares have no dilutive effect.

The fair value of the phantom shares is based on the closing ordinary share price on the date of the grant adjusted for illiquidity, less estimated dividends payable over the vesting period. The fair value is expensed through the consolidated income statement evenly over the vesting period, but as the payment to beneficiaries will ultimately be in cash rather than ordinary shares, an adjustment is required each quarter to revalue the accumulated liability to the balance sheet date fair value. Compensation costs charged against income in the three months ended March 31, 2016 in respect of phantom shares were \$0.4 million (2015 — \$0.9 million) with a fair value adjustment for the three months ended March 31, 2016 of \$1.0 million (2015 — \$1.1 million). The total tax credit recognized by the Company in relation to phantom shares in the three months ended March 31, 2016 was \$0.2 million (2015 — \$0.4 million).

*Employee Share Purchase Plans.* On April 30, 2008, the shareholders of the Company approved the Employee Share Purchase Plan, the 2008 Sharesave Scheme and the International Employee Share Purchase Plan (collectively, the "ESPP"), which are implemented by a series of consecutive offering periods as determined by the Board of Directors. In respect of the Employee Share Purchase Plan, employees can save up to \$500 per month over a two-year period, at the end of which they will be eligible to purchase the Company's ordinary shares at a discounted price, subject to a further one year holding period. In respect of the 2008 Sharesave Scheme, employees can save up to £500 per month over a three-year period, at the end of which they will be eligible to purchase the Company's ordinary shares at a discounted price. The purchase price will be eighty-five percent (85%) of the fair market value of an ordinary share on the offering date which may be adjusted upon changes in capitalization of the Company. Under the ESPP, 525 ordinary shares were exercised and issued during the three months ended March 31, 2016 (2015 — 52,452 shares). Compensation costs charged against income in the three months ended March 31, 2016 in respect of the ESPP were \$0.3 million (2015 — \$0.3 million).

## 15. Intangible Assets and Goodwill

The following table provides a summary of the Company's intangible assets for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016				Three Months Ended March 31, 2015			
	Beginning of the Period	Additions	Amortization	End of the Period	Beginning of the Period	Amortization	End of the Period	
	(\$ in millions)				(\$ in millions)			
<b>Intangible Assets</b>								
Trade Mark	\$ 1.6	4.0	\$ (0.1)	\$ 5.5	\$ 1.6	\$ —	\$ 1.6	
Insurance Licenses	16.6	—	—	16.6	16.6	—	16.6	
Agency Relationships	—	25.0	(0.4)	24.6	—	—	—	
Non-compete Agreements	—	2.9	(0.1)	2.8	—	—	—	
Value of Business Acquired	—	1.8	—	1.8	—	—	—	
Consulting Relationships	—	1.0	(0.1)	0.9	—	—	—	
Goodwill	—	22.1	—	22.1	—	—	—	
<b>Total</b>	<b>\$ 18.2</b>	<b>\$ 56.8</b>	<b>\$ (0.7)</b>	<b>\$ 74.3</b>	<b>\$ 18.2</b>	<b>\$ —</b>	<b>\$ 18.2</b>	

On January 19, 2016, Aspen U.S. Holdings acquired 100% of the equity voting interest of AG Logic Holdings, LLC (“AgriLogic”), a specialist U.S. crop managing general agency business with an integrated agricultural consultancy, for an initial purchase price of \$53.0 million. In addition, the Company recognized \$14.1 million of contingent consideration, with a total maximum payable of \$22.8 million, subject to the future performance of the business and \$2.0 million of ceding commission. The total consideration for the acquisition was \$69.1 million.

A significant proportion of the acquired business was represented by intangible assets, specifically \$25.0 million for agency relationships, \$4.0 million for the right to use the AgriLogic trademark, \$2.9 million for non-compete agreements, \$1.8 million for the value of business acquired and \$1.0 million for consultancy relationships. In addition, \$12.0 million of software was acquired and is recognized in the balance sheet under office properties and equipment along with \$0.3 million of residual net assets. The total net assets acquired of \$47.0 million resulted in the Company recognizing a total of \$22.1 million in goodwill for the acquisition of AgriLogic.

*License to use the “AgriLogic” Trademark.* As part of the acquisition of AgriLogic, the Company acquired the right to use the AgriLogic trademark in the United States. The Company valued the trademark at \$4.0 million with an estimated economic useful life of 10 years. The Company will amortize the estimated value of the trademark over its estimated useful life.

*Agency Relationships.* As part of the acquisition of AgriLogic, the Company valued the agency relationships at \$25.0 million with an estimated economic useful life of 15 years. The Company will amortize the estimated value of the agency relationships over their estimated useful life.

*Non-compete Agreements.* As part of the acquisition of AgriLogic, the Company valued the non-compete agreements at \$2.9 million with an estimated economic useful life of 5 years. The Company will amortize the estimated value of the non-compete agreements over their estimated useful life.

*Value of Business Acquired.* As part of the acquisition of AgriLogic, the Company recognized a \$1.8 million asset for value of business acquired (“VOBA”) consisting of the inforce unearned premium reserve and claims reserves at fair value. The Company will amortize the VOBA in line with the unwinding of the acquired unearned premium balances and loss reserves. Given the short tail nature of the book, the Company anticipates that the VOBA will be fully amortized by the end of 2016.

*Consulting Relationships.* As part of the acquisition of AgriLogic, the Company valued the consulting relationships at \$1.0 million with an estimated economic useful life of 10 years. The Company will amortize the estimated value of the consulting relationships over their estimated useful life.

*Goodwill.* As part of the acquisition of AgriLogic, the Company valued the goodwill at \$22.1 million. The goodwill is deemed to have an indefinite useful life and will be assessed for impairment annually.

In addition to the intangible assets and goodwill associated with the AgriLogic acquisition, the Company has the following intangible assets from prior transactions.

*License to use the “Aspen” Trademark.* On April 5, 2005, the Company entered into an agreement with Aspen (Actuaries and Pension Consultants) Plc to acquire the right to use the Aspen trademark in the United Kingdom. The consideration paid

was approximately \$1.6 million. As at March 31, 2016, the value of the license to use the Aspen trademark was \$1.6 million (December 31, 2015 — \$1.6 million). The trademark has an indefinite useful life and is tested for impairment annually or when events or changes in circumstances indicate that the asset might be impaired.

*Insurance Licenses.* The total value of the licenses as at March 31, 2016 was \$16.6 million (December 31, 2015 — \$16.6 million). This includes \$10.0 million of acquired licenses held by AAIC, \$4.5 million of acquired licenses held by Aspen Specialty and \$2.1 million of acquired licenses held by Aspen U.K. The insurance licenses are considered to have an indefinite life and are not amortized. The licenses are tested for impairment annually or when events or changes in circumstances indicate that the asset might be impaired.

## 16. Commitments and Contingent Liabilities

### (a) Restricted assets

The Company is obliged by the terms of its contractual obligations to specific policyholders and by obligations to certain regulatory authorities to facilitate issue of letters of credit or maintain certain balances in deposits and trust funds for the benefit of policyholders.

The following table details the forms and value of the Company's restricted assets as at March 31, 2016 and December 31, 2015:

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(\$ in millions, except percentages)	
Regulatory trusts and deposits:		
Affiliated transactions	\$ 1,316.2	\$ 1,421.0
Third party	2,370.1	2,265.6
Letters of credit / guarantees <sup>(1)</sup>	697.8	708.5
<b>Total restricted assets</b>	<b>\$ 4,384.1</b>	<b>\$ 4,395.1</b>
Total as percent of investable assets <sup>(2)</sup>	49.5%	49.6%

<sup>(1)</sup> As at March 31, 2016, the Company pledged funds of \$687.5 million and £7.2 million (December 31, 2015 — \$697.6 million and £7.1 million) as collateral for the secured letters of credit.

<sup>(2)</sup> The comparative balance has been re-presented to reflect total restricted investable assets as a percent of investable assets. Investable assets comprise total investments, cash and cash equivalents, accrued interest, receivables for securities sold and payables for securities purchased.

*Funds at Lloyd's.* AUL operates at Lloyd's as the corporate member for Syndicate 4711. Lloyd's determines Syndicate 4711's required regulatory capital principally through the syndicate's annual business plan. Such capital, called Funds at Lloyd's, comprises cash and investments as at March 31, 2016 in the amount of \$447.2 million (December 31, 2015 — \$436.8 million).

The amounts provided as Funds at Lloyd's will be drawn upon and become a liability of the Company in the event Syndicate 4711 declares a loss at a level that cannot be funded from other resources, or if Syndicate 4711 requires funds to cover a short term liquidity gap. The amount which the Company provides as Funds at Lloyd's is not available for distribution to the Company for the payment of dividends. Aspen Managing Agency Limited, the managing agent to Syndicate 4711, is also required by Lloyd's to maintain a minimum level of capital which as at March 31, 2016 was £0.4 million (December 31, 2015 — £0.4 million). This is not available for distribution by the Company for the payment of dividends.

*Credit Facility.* On June 12, 2013, Aspen Holdings and certain of its direct and indirect subsidiaries (collectively, the "Borrowers") entered into an amended and restated credit agreement (the "Credit Agreement") with various lenders and Barclays Bank PLC, as administrative agent ("Barclays"), which amends and restates the credit agreement dated as of July 30, 2010 among Aspen Holdings, the Borrowers, various lenders and Barclays. The credit facility may be used primarily for letters of credit in connection with the Company's insurance and reinsurance businesses to finance its working capital needs and those of our subsidiaries and for other general corporate purposes. Initial availability under the credit facility is \$200.0 million and the Company has the option (subject to obtaining commitments from acceptable lenders) to increase the facility by up to \$100.0 million. The facility will expire on June 12, 2017.

As of March 31, 2016, no borrowings were outstanding under the credit facility. The fees and interest rates on the loans and the fees on the letters of credit payable by the Borrowers under the Credit Agreement are based upon the credit ratings for the Company's long-term unsecured senior debt by S&P and Moody's. In addition, the fees for a letter of credit vary based upon whether the applicable Borrower has provided collateral (in the form of cash or qualifying debt securities) to secure its reimbursement obligations with respect to such letter of credit.

Under the credit facility, the Company must not permit (a) consolidated tangible net worth to be less than approximately \$2,428.6 million plus 50% of consolidated net income and 50% of aggregate net cash proceeds from the issuance by the Company of its capital stock, in each case after January 1, 2013, (b) the ratio of our total consolidated debt to the sum of such debt plus our consolidated tangible net worth to exceed 35% or (c) any material insurance subsidiary to have a financial strength rating of less than B++ from A.M. Best. In addition, the credit facility contains 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: incur indebtedness; 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; 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. In addition, the credit facility has customary events of default, including (subject to certain materiality thresholds and grace periods) payment default, failure to comply with covenants, material inaccuracy of representation or warranty, bankruptcy or insolvency proceedings, change of control and cross-default to other debt agreements. The credit facility also contains customary provisions in respect of successor companies resulting from mergers and acquisitions assuming obligations thereunder.

On December 12, 2014, Aspen Holdings and the Borrowers entered into a first amendment to an amended and restated credit agreement, dated June 12, 2013, with various lenders and Barclays. Aspen Holdings has established, and may establish additional, special purpose entities that have issued or will issue insurance-linked securities to third-party investors (each, an "ILS Entity" and collectively, the "ILS Entities"). Accordingly, the amended and restated credit agreement was amended, among other things, to (i) exclude ILS Entities from the definition of "Subsidiary", (ii) permit the Borrowers to invest in ILS Entities and (iii) permit the Borrowers to engage in transactions with an ILS Entity.

*Other Credit Facilities.* On June 30, 2014, Aspen Bermuda and Citibank Europe plc ("Citi Europe") replaced an existing letter of credit facility with a new letter of credit facility in a maximum aggregate amount of up to \$575.0 million (the "LOC Facility"). Under the LOC Facility, which will expire on June 30, 2016, Aspen Bermuda will pay to Citi Europe (a) a letter of credit fee based on the available amounts of each letter of credit and (b) a commitment fee, which varies based upon usage, on the unutilized portion of the LOC Facility. Aspen Bermuda will also pay interest on the amount drawn by any beneficiary under a credit provided under the LOC Facility at a rate per annum of LIBOR plus 1% (plus reserve asset costs, if any) from the date of drawing until the date of reimbursement by Aspen Bermuda. The LOC Facility is used to secure obligations of Aspen Bermuda to its policyholders. In addition to the LOC Facility, we also use regulatory trusts to secure our obligations to policyholders.

On December 18, 2014, Aspen Bermuda and Citi Europe entered into an amended and restated pledge agreement ("Pledge Agreement") to, among other things, (i) change the types of securities or other assets that qualify as collateral pledged under the Pledge Agreement, (ii) provide Aspen Bermuda the right to give certain directions or entitlement orders to The Bank of New York Mellon ("BNY Mellon"), as securities intermediary, relating to the collateral without the consent of Citi Europe provided certain conditions are satisfied, (iii) provide Citi Europe, subject to the provisions set forth in the amended and restated account control agreement, dated December 18, 2014 (the "Control Agreement"), among Aspen Bermuda, Citi Europe and BNY Mellon, with the right and power to exercise exclusive control over the accounts set forth in the Control Agreement and (iv) provide a schedule of currency margins such that if the collateral is denominated in a currency other than the credit currency the collateral shall be reduced by a specified percentage.

Aspen U.K. and Aspen Bermuda had a \$100.0 million secured letter of credit facility agreement with Barclays. All letters of credit issued under the facility were used to support reinsurance obligations of the parties to the agreement and their respective subsidiaries. The Company did not extend the maturity date of the Barclays secured letter of credit facility and, as a result, it expired on January 31, 2015 and no new letters of credit can be issued under this facility. As at March 31, 2016 and December 31, 2015, the Company had no outstanding collateralized letters of credit under this facility.

For further information relating to the Company's credit facilities, refer to Note 23 of the "Notes to Audited Consolidated Financial Statements" in the Company's 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Interest Rate Swaps.* As at March 31, 2016, cash collateral with a fair value of \$5.7 million was held by the Company's counterparties to support the current valuation of the interest rate swaps (December 31, 2015 — \$10.1 million). For more information, refer to Note 10 of these unaudited condensed consolidated financial statements.

**(b) Operating leases**

Amounts outstanding under operating leases net of subleases as at March 31, 2016 were:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Later Years</u>	<u>Total</u>
	(\$ in millions)						
Operating Lease Obligations	\$ 8.5	\$ 16.4	\$ 15.7	\$ 13.9	\$ 10.0	\$ 89.3	\$ 153.8

**(c) Contingent liabilities**

In common with the rest of the insurance and reinsurance industry, the Company is subject to litigation and arbitration in the ordinary course of business. The Company's Operating 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 insurance and reinsurance arrangements, many of these disputes are resolved by arbitration or other forms of alternative dispute resolution. Such legal proceedings are considered in connection with estimating the Company's Insurance Reserves — Loss and Loss Adjustment Expenses, as provided on the Company's consolidated balance sheet.

In some jurisdictions, notably 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 the Company's Operating Subsidiaries. In accordance with ASC 450-20-50-4b, for (a) reasonably possible losses for which no accrual is made because any of the conditions for accrual in ASC 450-20-25-2 are not met and (b) reasonably possible losses in excess of the amounts accrued pursuant to ASC 450-20-30-1, the Company will provide an estimate of the possible loss or range of possible loss or state that such an estimate cannot be made.

As of March 31, 2016, based on available information, it was the opinion of the Company's management that the probability of the ultimate resolution of pending or threatened litigation or arbitrations having a material effect on the Company's financial condition, results of operations or liquidity would be remote.

## **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 months ended March 31, 2016 and 2015. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes contained in this report and the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2015, as well as the discussions of critical accounting policies, contained in our Audited Consolidated Financial Statements in our 2015 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 report, including information with respect to our plans and strategy for our business and in "Outlook and Trends" below, includes forward-looking statements that involve risks 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 2015 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.

### **Overview**

We are a Bermuda holding company and write insurance and reinsurance business through our subsidiaries principally in Bermuda, the U.K. and the U.S.

Key results for the three months ended March 31, 2016 include:

- Gross written premiums of \$975.7 million for the first quarter of 2016, an increase of 6.1% from the first quarter of 2015. Gross written premiums in reinsurance increased by 6.8% mainly due to new business opportunities in specialty lines, primarily from \$45.2 million of agriculture business, offset by reductions in our property catastrophe lines. Gross written premiums in insurance increased by 5.5% mainly due to growth from our financial and professional lines and property and casualty lines, offset by reductions in marine, aviation and energy insurance;
- There were \$18.7 million, or 2.8 percentage points, of pre-tax catastrophe losses net of reinsurance recoveries in the first quarter of 2016 compared with \$13.5 million, or 2.3 percentage points, of pre-tax catastrophe losses net of reinsurance recoveries in the first quarter of 2015;
- Net favorable development on prior year loss reserves of \$21.6 million for the first quarter of 2016 had a 3.3 percentage point favorable impact on the combined ratio, compared with a reserve release of \$27.5 million in the first quarter of 2015, which had a 4.6 percentage point favorable impact on the combined ratio;
- Combined ratio of 91.6% for the first quarter of 2016 compared with a combined ratio of 88.9% for the first quarter of 2015. The increase in combined ratio is due to a reduction in net favorable development on prior year loss reserves, an increase in catastrophe losses and a 0.9 percentage point increase in the operating expense ratio due to costs associated with our growth in the business;
- Realized and unrealized foreign exchange losses of \$15.7 million for the first quarter of 2016 compared with losses of \$6.4 million in the first quarter of 2015 predominantly due to the continued strengthening of the U.S. Dollar during 2016;
- Realized and unrealized investment gains of \$45.0 million for the first quarter of 2016 compared with gains of \$42.9 million in the first quarter of 2015. The gains in the quarter were due to mark to market changes in the valuation of our equity and fixed income trading portfolios;
- Diluted net income per share of \$1.68 for the quarter ended March 31, 2016 compared with diluted net income per share of \$1.87 in the first quarter last year;
- Annualized net income return on average equity of 14.4% for the first quarter of 2016 compared with 16.4% for the first quarter of 2015; and
- Diluted book value per ordinary share<sup>(1)</sup> of \$48.22 as at March 31, 2016, up 4.8% from December 31, 2015, which included net unrealized losses on foreign currency translation, net of taxes, and net unrealized gains on investments, net of taxes, recognised through other comprehensive income of \$11.0 million and \$76.9 million respectively.

<sup>(1)</sup>Diluted book value per ordinary share is based on total shareholders' equity less preference shares (liquidation preference less issue expenses) and non-controlling interest, divided by the total number of issued and potentially dilutive ordinary shares at the end of the period.

Total shareholders' equity increased by \$137.2 million to \$3,557.1 million during the three months ended March 31, 2016. The most significant movements were:

- a \$92.3 million increase in retained earnings for the period;
- a \$64.5 million increase in total other comprehensive income mainly due to a \$76.9 million net unrealized gain in the available for sale investment portfolio, a net unrealized loss in foreign currency translation of \$11.0 million and a \$1.4 million net loss on foreign exchange contracts; and
- the repurchase of 568,239 ordinary shares for \$25.0 million through open market repurchases.

Ordinary shareholders' equity as at March 31, 2016 and December 31, 2015 was:

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(\$ in millions, except for share amounts)	
Total shareholders' equity	\$ 3,557.1	\$ 3,419.9
Preference shares less issue expenses	(555.8)	(555.8)
Non-controlling interests	(1.1)	(1.3)
Net assets attributable to ordinary shareholders	<u>\$ 3,000.2</u>	<u>\$ 2,862.8</u>
Issued ordinary shares	60,675,142	60,918,373
Issued and potentially dilutive ordinary shares	62,213,041	62,240,466

## Outlook and Trends

Overall, the rate environment continues to pose challenges in both our reinsurance and insurance segments, although the rate impact varies by line and geography.

In reinsurance, rates decreased overall by approximately 4%. Rates in casualty reinsurance remained relatively flat whereas rates in specialty reinsurance and property catastrophe reinsurance decreased by approximately 4% and 6%, respectively. We continued a managed reduction of our property catastrophe exposure by leveraging third-party capital through Aspen Capital Markets. Growth in Aspen Re during the first quarter was primarily from specialty reinsurance which included AgriLogic, our new crop insurance business, for the first time.

In insurance, rates decreased overall by approximately 1%. Our international insurance lines, and more specifically those in the Lloyd's markets, experienced more variation in pricing. Rates in our professional liability and management liability classes of business increased by approximately 3% while rates in most other international insurance lines decreased slightly. Our crisis management and energy physical damage classes of business were among the worst affected with rate decreases of approximately 14% and 13%, respectively. By contrast, the majority of our lines of business in the U.S. markets experienced steady rates or small rate increases. However, particular areas in the U.S. continued to face tough market conditions, such as property where rates decreased by approximately 7%. Growth in insurance during the first quarter was spread across the majority of classes of business with the exception of marine and energy liability and offshore energy physical damage where there were limited opportunities. We remain selective and focus on areas that we believe are the strongest and offer the opportunity for the most consistent returns.

See "Cautionary Statement Regarding Forward-Looking Statements" included in this report.

## Application of Critical Accounting Policies

Our unaudited condensed consolidated financial statements are based on the selection of accounting policies and require management to make significant estimates and assumptions. 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 insurance reserves, 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. There have been no changes to significant accounting policies from those disclosed in the Company's 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission. For a detailed discussion of our critical accounting policies, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission and the notes to the consolidated condensed unaudited financial statements contained in this report.



## Results of Operations for the Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015

The following is a discussion and analysis of our consolidated results of operations for the three months ended March 31, 2016 and 2015, starting with a summary of our consolidated results and followed by a segmental analysis.

### Total Income Statement

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

*Gross written premiums.* Gross written premiums increased by \$56.5 million, or 6.1%, in the first quarter of 2016 compared to the first quarter of 2015. Our reinsurance segment's premiums increased by 6.8% mainly due to new agriculture business opportunities in our specialty reinsurance business line offset by reductions in our property catastrophe lines as a result of challenging market conditions.

Our insurance segment's premiums increased by \$23.7 million, or 5.5%, in the first quarter of 2016 mainly due to growth in our financial and professional lines and our property and casualty lines offset by reductions in marine, aviation and energy insurance largely due to challenging market conditions in our marine and energy liability and offshore energy business lines.

The table below shows our gross written premiums for each business segment for the three months ended March 31, 2016 and 2015, and the percentage change in gross written premiums for each business segment:

<u>Business Segment</u>	<u>Three Months Ended</u>	<u>Three Months Ended</u>	<u>% increase</u>
	<u>March 31, 2016</u>	<u>March 31, 2015</u>	
	<u>(\$ in millions)</u>	<u>(\$ in millions)</u>	
Reinsurance	\$ 517.6	\$ 484.8	6.8%
Insurance	458.1	434.4	5.5%
Total	\$ 975.7	\$ 919.2	6.1%

*Ceded reinsurance.* Total reinsurance ceded for the quarter of \$176.0 million increased by \$20.0 million from the first quarter of 2015 due to increased ceded reinsurance for our property catastrophe business line and additional ceded reinsurance for our new agriculture business reported in our specialty reinsurance business line. Our retention ratio, defined as net written premium as a percentage of gross written premium, reduced by 1.0% to 82.0% in the first quarter of 2016 compared to 83.0% in the first quarter of 2015.

*Net premiums earned.* Net premiums earned in the first quarter of 2016 increased by 11.7% from the first quarter of 2015. Net premiums earned increased by 12.4% and 11.2% in reinsurance and insurance respectively.

*Losses and loss adjustment expenses.* The loss ratio for the quarter of 53.9% increased by 2.3 percentage points compared to the first quarter of 2015 due to an increase in the loss ratio in our reinsurance segment while the loss ratio in our insurance segment remained consistent with the prior year. There were \$18.7 million, or 2.8 combined ratio points, of pre-tax catastrophe losses net of reinsurance recoveries in the first quarter of 2016 compared with \$13.5 million, or 2.3 percentage points, of pre-tax catastrophe losses net of reinsurance recoveries in the first quarter of 2015. There were no significant non-catastrophe large losses in the first quarter of 2016. The comparative quarter incurred a \$6.8 million loss associated with an airline crash and a \$7.5 million loss in connection with a floating gas production and storage facility.

In the reinsurance segment, the loss ratio for the three months ended March 31, 2016 was 48.0% compared to 42.3% in the equivalent period in 2015. The increase in the loss ratio in the quarter is attributable to a \$3.0 million increase in catastrophe losses, changes in business mix towards lines which have higher non catastrophe loss ratios and the impact of continued strengthening of the U.S. Dollar on our non-U.S Dollar denominated business, offset by a \$5.0 million increase in prior year reserve releases. In the first quarter of 2016, we experienced \$10.7 million of natural catastrophe losses from weather-related events in the U.S. and an earthquake in Taiwan. The comparable quarter of 2015 experienced \$7.7 million of catastrophe losses associated with European, U.S. and Australian storms.

In the insurance segment, the loss ratio of 58.2% in the first quarter of 2016 decreased slightly from 58.3% in the first quarter of 2015 due to a reduction in large losses offset by a \$10.9 million decrease in reserve releases and a \$2.2 million increase in catastrophe losses compared to the prior period. There were no significant non-catastrophe large losses in the first quarter of 2016. In the comparative period we experienced a \$5.8 million loss following an airliner crash and a \$7.5 million loss in connection with a floating gas production and storage facility. Prior year reserve releases decreased from \$14.3 million in the first quarter of 2015 to \$3.4 million in the current period. There were \$8.0 million of catastrophe losses in the current quarter associated with weather-related events in the U.S. while in the comparative period we experienced \$5.8 million of catastrophe losses also associated with U.S. weather-related events.

We monitor the ratio of losses and LAE 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 March 31, 2016 and 2015 were as follows:

<b>Business Segment</b>	<b>Three Months Ended March 31, 2016</b>	<b>Three Months Ended March 31, 2015</b>
Reinsurance	48.0%	42.3%
Insurance	58.2%	58.3%
<b>Total Loss Ratio</b>	<b>53.9%</b>	<b>51.6%</b>

The tables below show our loss ratios including and excluding the impact from catastrophe losses to aid in the analysis of the underlying performance of our business segments. For this purpose, we have defined first quarter 2016 catastrophe losses as losses associated with weather-related events in the U.S. and the Taiwan earthquake. We have defined catastrophe losses in the first quarter of 2015 as losses associated with storms in Europe, Australia and North America.

The underlying changes in loss ratios by business segment are shown in the tables below for the three months ended March 31, 2016 and 2015. The total loss ratio represents the calendar year U.S. GAAP loss ratio. The current year adjustments represent the effect on the loss ratio of net claims and reinstatement premiums, if any, from catastrophe loss events.

<b>For the Three Months Ended March 31, 2016</b>	<b>Total Loss Ratio</b>	<b>Current Year Adjustments</b>	<b>Loss Ratio Excluding Current Year Adjustments</b>
Reinsurance	48.0%	(3.8)%	44.2%
Insurance	58.2%	(2.1)%	56.1%
<b>Total</b>	<b>53.9%</b>	<b>(2.8)%</b>	<b>51.1%</b>

<b>For the Three Months Ended March 31, 2015</b>	<b>Total Loss Ratio</b>	<b>Current Year Adjustments</b>	<b>Loss Ratio Excluding Current Year Adjustments</b>
Reinsurance	42.3%	(3.1)%	39.2%
Insurance	58.3%	(1.7)%	56.6%
<b>Total</b>	<b>51.6%</b>	<b>(2.3)%</b>	<b>49.3%</b>

Reserve releases in our reinsurance segment increased from \$13.2 million in the first quarter of 2015 to \$18.2 million in the current period. Reserve releases for the current quarter were mainly as a result of favorable development in our other property, casualty and specialty reinsurance business lines. The comparative period benefited from favorable reserve development across all reinsurance lines with the most significant release in specialty, particularly aviation and marine lines.

Reserve releases for the insurance segment reduced from \$14.3 million in the first quarter of 2015 to \$3.4 million in the current period. The reserve releases in the current quarter were mainly as a result of favorable development in our marine, aviation and energy and financial and professional business lines. The reserve releases in the comparative quarter were principally from our property and casualty lines.

*Expense ratio.* We monitor the ratio of expenses to net earned premium (the “expense ratio”) as a measure of the cost effectiveness of our amortization of deferred policy acquisition costs, general, administrative and corporate expenses. The table below splits the net expense ratio between the amortized deferred policy acquisition costs, general, administrative and corporate expenses and the effect of reinsurance for the three months ended March 31, 2016 and 2015:

<b>Ratios Based on Gross Earned Premium</b>	<b>Three Months Ended March 31, 2016</b>			<b>Three Months Ended March 31, 2015</b>		
	<b>Reinsurance</b>	<b>Insurance</b>	<b>Total</b>	<b>Reinsurance</b>	<b>Insurance</b>	<b>Total</b>
Policy acquisition expense ratio	19.4%	15.9%	17.3%	20.1%	15.9%	17.5%
General and administrative expense ratio <sup>(1)</sup>	14.4	13.2	15.9	12.2	13.3	15.0
Gross expense ratio	33.8	29.1	33.2	32.3	29.2	32.5
Effect of reinsurance	3.1	4.7	4.5	2.1	6.0	4.8
<b>Total net expense ratio</b>	<b>36.9%</b>	<b>33.8%</b>	<b>37.7%</b>	<b>34.4%</b>	<b>35.2%</b>	<b>37.3%</b>

<sup>(1)</sup> The total group general and administrative expense ratio includes corporate expenses.

Policy acquisition expense ratio reduced in the first quarter of 2016 compared to the first quarter of 2015 as the comparative quarter was impacted by a number of commutation adjustments which reduced earned premiums without any equivalent reduction in commissions payable, and a \$1.7 million profit commission adjustment.

General, administrative and corporate expenses increased by \$17.6 million to \$119.8 million in the first quarter of 2016 from \$102.2 million in the first quarter of 2015 largely driven by our expansion in our reinsurance segment. The general, administrative and corporate expense ratio, before the effect of reinsurance, increased by 0.9 percentage points compared to the prior period in 2015 due to an increase in costs in our reinsurance segment as a result of our acquisition of AgriLogic, a specialist U.S. crop managing general agency business with an integrated agricultural consultancy, and increased corporate costs associated with the growth in our business.

*Net investment income.* Net investment income for the quarter of \$49.5 million increased by 4.4% compared to \$47.4 million in the first quarter of 2015 due to increased dividend income from our equity securities.

*Change in fair value of derivatives.* In the three months ended March 31, 2016, we recorded a loss of \$2.8 million (2015 — loss of \$3.2 million) in respect of interest rate swaps, a loss of \$4.4 million (2015 — loss of \$4.6 million) in respect of foreign exchange contracts not designated as hedging instruments and a loss of \$1.1 million (2015 — loss of \$2.8 million) in respect of foreign exchange contracts designated as hedging instruments.

*Income before tax.* In the first quarter of 2016, income before tax was \$116.9 million (2015 — \$133.1 million) comprised of the amounts set out in the table below:

	<b>Three Months Ended March 31, 2016</b>	<b>Three Months Ended March 31, 2015</b>
	(\$ in millions)	
Underwriting income	\$ 72.8	\$ 80.5
Corporate expenses	(17.1)	(14.5)
Other (expense)/income	1.4	1.3
Net investment income	49.5	47.4
Change in fair value of derivatives	(7.2)	(7.8)
Change in fair value of loan notes issued by variable interest entities	(4.4)	(2.9)
Realized and unrealized investment gains	65.6	57.4
Realized and unrealized investment losses	(20.6)	(14.5)
Net realized and unrealized foreign exchange losses	(15.7)	(6.4)
Interest expense	(7.4)	(7.4)
<b>Income before tax</b>	<b>\$ 116.9</b>	<b>\$ 133.1</b>

*Taxes.* Income tax expense for the three months ended March 31, 2016 was \$2.5 million (2015 — \$5.1 million) equating to an estimated effective tax rate of 2.1% (2015 — 3.8%). The reduction in the effective tax rate is primarily due to the agreement of the deductions available for certain interest payments in prior periods. The effective tax rate for the year is subject to revision in future periods if circumstances change and depends on the relative profitability of those parts of business underwritten in Bermuda (where the rate of tax on corporate profits is zero), the U.K. (where the corporate tax rate remains at 20%, with a further reduction to 19% from April 1, 2017) and the U.S. (where the federal income tax rate is 35%).

*Net income after tax.* Net income after tax for the three months ended March 31, 2016 was \$114.4 million, equivalent to basic earnings per ordinary share of \$1.73 adjusted for the \$9.5 million preference share dividends and \$0.2 million non-controlling interest. Fully diluted earnings per ordinary share were \$1.68 for the three months ended March 31, 2016. Net income after tax for the three months ended March 31, 2015 was \$128.0 million, equivalent to basic earnings per ordinary share of \$1.91 after deducting \$9.5 million in preference share dividends and non-controlling interest. Fully diluted earnings per ordinary share were \$1.87 for the three months ended March 31, 2015.

*Realized and unrealized investment gains.* Total realized and unrealized investment gains for the three months ended March 31, 2016 were \$45.0 million (2015 — gains of \$42.9 million) comprising the amounts set out in the table below:

	<u>Three Months Ended March 31, 2016</u>	<u>Three Months Ended March 31, 2015</u>
	(\$ in millions)	
<b>Available for sale:</b>		
Fixed income securities — gross realized gains	\$ 7.1	\$ 6.2
Fixed income securities — gross realized (losses)	(2.4)	(0.5)
Equity securities — gross realized gains	—	31.9
Equity securities — gross realized (losses)	—	(3.0)
Cash and cash equivalents — gross realized (losses)	(0.7)	—
<b>Trading:</b>		
Fixed income securities — gross realized gains	1.2	2.0
Fixed income securities — gross realized (losses)	(5.8)	(2.2)
Equity securities — gross realized gains	5.9	16.5
Equity securities — gross realized (losses)	(11.5)	(8.8)
Catastrophe bonds	(0.2)	—
Net change in gross unrealized gains	51.4	0.8
Total realized and unrealized investment gains	<u>\$ 45.0</u>	<u>\$ 42.9</u>

*Other comprehensive income.* An increase in our total other comprehensive income for the three months ended March 31, 2016 was \$64.5 million (2015 — reduction of \$31.3 million), net of taxes. The increase was mainly due to a \$80.6 million gain in the net unrealized available for sale investment portfolio (2015 — \$29.1 million net unrealized gain), an \$11.0 million net unrealized loss in foreign currency translation (2015 — \$26.1 million net unrealized loss), a \$1.4 million net change from hedged foreign exchange contracts (2015 — \$2.4 million) and a \$3.7 million reclassification of net realized gains to net income (2015 — \$31.9 million reclassified net realized gains as a result of the sale of the available for sale equity portfolio).

*Non-controlling interest.* In the three months ended March 31, 2016, we recorded a decrease of \$0.2 million (2015 — \$Nil) in the amount owed to the non-controlling interest in respect of Aspen Risk Management Limited.

*Dividends.* Dividends paid on our ordinary shares and preference shares in the three months ended March 31, 2016 were \$22.3 million (2015 — \$21.9 million). The dividend on our ordinary shares increased from \$0.21 per ordinary share to \$0.22 per ordinary share on April 21, 2016.

#### **Underwriting Results by Business Segments — First Quarter**

We are organized into two business segments: Reinsurance and Insurance. The reinsurance segment consists of property catastrophe reinsurance, other property reinsurance, casualty reinsurance and specialty reinsurance. The insurance segment consists of property and casualty insurance, marine, aviation and energy insurance and financial and professional lines insurance.

We have provided additional disclosures for corporate and other (non-underwriting) income and expenses in Note 5 of our unaudited condensed consolidated financial statements included in this report. Corporate and other income and expenses include net investment income, net realized and unrealized investment gains or losses, expenses associated with managing the group, certain strategic and non-recurring costs, changes in fair value of derivatives and changes in fair value of the loan notes issued by variable interest entities, interest expenses, net realized and unrealized foreign exchange gains or losses and income taxes, none of which are allocated to the business segments.

Please refer to the tables in Note 5 in our unaudited condensed consolidated 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 March 31, 2016 and 2015. The contributions of each business segment to gross written premiums in the three months ended March 31, 2016 and 2015 were as follows:

<b>Business Segment</b>	<b>Gross Written Premiums</b>			
	<b>Three Months Ended March 31, 2016</b>		<b>Three Months Ended March 31, 2015</b>	
	<b>(\$ in millions)</b>	<b>(% of total)</b>	<b>(\$ in millions)</b>	<b>(% of total)</b>
Reinsurance	\$ 517.6	53.0%	\$ 484.8	52.7%
Insurance	458.1	47.0	434.4	47.3
Total	<u>\$ 975.7</u>	<u>100.0%</u>	<u>\$ 919.2</u>	<u>100.0%</u>

## Reinsurance

Our reinsurance segment consists of property catastrophe reinsurance, other property reinsurance (risk excess, pro rata and facultative), casualty reinsurance (U.S. treaty, international treaty and global facultative) and specialty reinsurance (credit and surety, agriculture insurance and reinsurance, marine, aviation, terrorism, engineering and other specialty lines). For a more detailed description of this segment, see Part I, Item 1, “Business — Business Segments — Reinsurance” in the Company’s 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Gross written premiums.* Gross written premiums in our reinsurance segment increased by 6.8% compared to the three months ended March 31, 2015. The table below shows our gross written premiums for each line of business for the three months ended March 31, 2016 and 2015, and the percentage change in gross written premiums for each line of business:

<b>Lines of Business</b>	<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>% increase/ (decrease)</b>
	<b>March 31, 2016</b>	<b>March 31, 2015</b>	
	<b>(\$ in millions)</b>	<b>(\$ in millions)</b>	
Property catastrophe reinsurance	\$ 127.6	\$ 153.8	(17.0)%
Other property reinsurance	103.0	109.9	(6.3)%
Casualty reinsurance	127.1	114.7	10.8 %
Specialty reinsurance	159.9	106.4	50.3 %
Total	<u>\$ 517.6</u>	<u>\$ 484.8</u>	<u>6.8 %</u>

The reduction in property catastrophe premiums in the first quarter of 2016 is mainly due to continued challenging market conditions. The decrease in other property reinsurance is due to a reduction in prior year premium estimates on proportional contracts. The increase in casualty reinsurance lines of business is due to growth in our U.S. casualty business lines while the growth in our specialty reinsurance business is primarily from \$45.2 million of agriculture business sourced following the acquisition of AgriLogic.

*Losses and loss adjustment expenses.* The loss ratio for the three months ended March 31, 2016 was 48.0% compared to 42.3% in the equivalent period in 2015. The increase in the loss ratio in the quarter is attributable to a \$3.0 million increase in catastrophe losses, changes in business mix towards lines which have higher non catastrophe loss ratios and the impact of the continued strengthening of the U.S. Dollar on our non-U.S. Dollar denominated business, offset by a \$5.0 million increase in prior year reserve releases. In the first quarter of 2016, we experienced \$10.7 million of natural catastrophe losses from weather-related events in the U.S. and the Taiwan earthquake. The comparable quarter of 2015 experienced \$7.7 million of catastrophe losses associated with European, U.S. and Australian storms.

Reserve releases for the current quarter were mainly as a result of favorable development in our other property, casualty and specialty reinsurance lines. The comparative period benefited from favorable reserve development across all reinsurance lines with the most significant release in specialty, particularly in our aviation and marine lines. Further information relating to the movement of prior year reserves is found below under “Reserves for Losses and Loss Adjustment Expenses.”

*Policy acquisition, general and administrative expenses.* Amortization of deferred policy acquisition costs was \$59.4 million for the three months ended March 31, 2016 equivalent to 21.2% of net premiums earned compared to \$53.4 million or 21.4% of net premiums earned in the equivalent period in 2015. The general and administrative expenses of \$44.1 million increased compared to \$32.4 million in the equivalent period in 2015 due to \$7.0 million of costs associated with the acquisition of AgriLogic in addition to other planned expenses to support business growth. The general and administrative expense ratio increased to 15.7% from 13.0% in the same period in 2015 due to the increase in expenses and a growth in net

premiums earned being less significant than expenses caused by ceding a greater proportion of premiums written to third parties.

## Insurance

Our insurance segment consists of property and casualty insurance, marine, aviation and energy insurance and financial and professional lines insurance. For a more detailed description of this segment, see Part I, Item 1 “Business — Business Segments — Insurance” in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Gross written premiums.* Gross written premiums in our insurance segment increased by 5.5% compared to the three months ended March 31, 2015. The table below shows our gross written premiums for each line of business for the three months ended March 31, 2016 and 2015, and the percentage change in gross written premiums for each line of business:

<u>Lines of Business</u>	<u>Three Months Ended</u> <u>March 31, 2016</u>	<u>Three Months Ended</u> <u>March 31, 2015</u>	<u>% increase/ (decrease)</u>
	<u>(\$ in millions)</u>	<u>(\$ in millions)</u>	
Property and casualty insurance	\$ 226.3	\$ 213.4	6.0 %
Marine, aviation and energy insurance	117.7	131.7	(10.6)%
Financial and professional lines insurance	114.1	89.3	27.8 %
Total	<u>\$ 458.1</u>	<u>\$ 434.4</u>	5.5 %

The increase in gross written premiums in property and casualty insurance is largely attributable to growth in our global accident and health and global corporate property business lines. The decrease in gross written premiums in marine, aviation and energy insurance is largely due to challenging market conditions in our marine and energy liability and offshore energy business lines. The increase in gross written premiums in financial and professional insurance is largely attributable to growth in our accident and health, management liability and professional liability lines.

*Losses and loss adjustment expenses.* The loss ratio of 58.2% in the first quarter of 2016 decreased slightly from 58.3% in the first quarter of 2015 due to a reduction in large losses offset by a \$10.9 million decrease in reserve releases and a \$2.2 million increase in catastrophe losses compared to the prior period. There were no significant non-catastrophe large losses in the first quarter of 2016. In the comparative period we experienced a \$5.8 million loss following an airliner crash and a \$7.5 million loss in connection with a floating gas production and storage facility. Prior year reserve releases decreased from \$14.3 million in the first quarter of 2015 to \$3.4 million in the current period. There were \$8.0 million of catastrophe losses in the current quarter associated with U.S. weather-related events while in the comparative period we experienced \$5.8 million of catastrophe losses also associated with U.S. weather-related events.

Reserve releases in the current quarter were mainly as a result of favorable development in our marine, aviation and energy and financial and professional business lines. Reserve releases in the comparative quarter were principally from our property and casualty lines. Further information relating to the movement of prior year reserves is found below under “Reserves for Losses and Loss Adjustment Expenses.”

*Policy acquisition, general and administrative expenses.* Amortization of deferred policy acquisition costs for the three months ended March 31, 2016 decreased to 18.5% of net premiums earned compared to 19.1% in the first quarter of 2015 due to increased net earned premiums as a result of a reduction in ceded reinsurance costs. Our general and administrative expenses increased by \$3.3 million from \$55.3 million in the first quarter of 2015 to \$58.6 million in the current quarter due to growth and reorganization costs within our insurance business.

## Cash and investments

As at March 31, 2016 and December 31, 2015, total cash and investments were \$8.8 billion and \$8.8 billion, respectively. The composition of our investment portfolio is summarized below:

	As at March 31, 2016		As at December 31, 2015	
	Estimated Fair Value	Percentage of Total Cash and Investments	Estimated Fair Value	Percentage of Total Cash and Investments
	(\$ in millions except for percentages)			
Fixed income securities — available for sale				
U.S. government	\$ 1,111.7	12.6%	\$ 1,123.1	12.7%
U.S. agency	149.9	1.7	158.7	1.8
Municipal	32.9	0.4	26.6	0.3
Corporate	2,680.9	30.4	2,660.6	30.4
Non-U.S. government-backed corporate	72.5	0.8	82.1	0.9
Foreign government	674.5	7.6	644.2	7.3
Asset-backed	76.3	0.9	76.0	0.9
Non-agency commercial mortgage-backed	22.6	0.3	26.7	0.3
Agency mortgage-backed	1,242.4	14.1	1,153.1	13.1
Total fixed income securities — available for sale	\$ 6,063.7	68.8%	\$ 5,951.1	67.7%
Fixed income securities — trading				
U.S. government	42.1	0.5	27.3	0.3
Municipal	4.0	—	0.5	—
Corporate	615.2	7.0	558.2	6.3
Foreign government	198.5	2.3	179.5	2.0
Asset-backed	19.6	0.2	20.5	0.2
Bank loans	17.4	0.2	2.0	—
Total fixed income securities — trading	\$ 896.8	10.2%	\$ 788.0	8.8%
Total other investments	8.9	0.1	8.9	0.1
Total catastrophe bonds — trading	46.1	0.5	55.4	0.6
Total equity securities — trading	757.8	8.6	736.4	8.4
Total short-term investments — available for sale	135.3	1.5	162.9	1.8
Total short-term investments — trading	7.7	0.1	9.5	0.1
Total cash and cash equivalents	903.1	10.2	1,099.5	12.5
Total cash and investments	\$ 8,819.4	100.0%	\$ 8,811.7	100.0%

*Fixed Income Securities.* As at March 31, 2016, the average credit quality of our fixed income portfolio was “AA-,” with 89.3% of the portfolio rated “A” or higher. As at December 31, 2015, the average credit quality of our fixed income portfolio was “AA-,” with 88.8% of the portfolio rated “A” or higher. Where the credit ratings were split between the two main rating agencies, S&P and Moody’s, the lowest rating was used. Our fixed income portfolio duration as at March 31, 2016 was 3.63 years compared to 3.65 years as at December 31, 2015 excluding the impact of the interest rate swaps, and 3.56 years including the impact of interest rate swaps (December 31, 2015 — 3.57 years).

*Mortgage-Backed Securities.* The following table summarizes the fair value of our mortgage-backed securities by rating and class as at March 31, 2016:

	AAA	AA and Below	Total
	(\$ in millions)		
Agency	\$ —	\$ 1,259.8	\$ 1,259.8
Non-agency commercial	4.8	17.8	22.6
Total mortgage-backed securities	\$ 4.8	\$ 1,277.6	\$ 1,282.4

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

*Equity Securities.* Equity securities are comprised of U.S. and foreign equity securities and in prior periods were classified as available for sale or trading. As a result of rebalancing equity investments across subsidiary company balance sheets, a portion of equities were sold that were classified as available for sale, with a commensurate purchase of equities designated as trading securities. As a result, there was a realized investment gain of \$28.9 million on this sale in 2015. The total investment return from the available for sale and trading equity portfolios for the three months ended March 31, 2016 and 2015 was as follows:

<u>Available for Sale Equity Portfolio</u>	<b>For the Three Months Ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	(\$ in millions)	
Net realized investment gains	\$ —	\$ 31.5
Net unrealized (losses), gross of tax	—	(31.5)
Net realized foreign exchange (losses)	—	(5.5)
Net unrealized foreign exchange gains	—	4.2
<b>Total investment (loss)/return from the available for sale equity portfolio</b>	<b>\$ —</b>	<b>\$ (1.3)</b>

<u>Trading Equity Portfolio</u>	<b>For the Three Months Ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	(\$ in millions)	
Dividend income	\$ 6.9	\$ 6.2
Net realized investment gains	(1.4)	13.5
Net unrealized gains, gross of tax	12.8	3.4
Net realized foreign exchange (losses)	(4.0)	(5.1)
Net unrealized foreign exchange gains/(losses)	13.0	(11.9)
<b>Total investment (loss)/return from the trading equity portfolio</b>	<b>\$ 27.3</b>	<b>\$ 6.1</b>

*Interest rate swaps.* In 2014, we decided to let our interest rate swap program roll-off and not renew maturing positions. This decision was made after an extensive reassessment of the costs of maintaining an interest rate swap program in a steep yield curve environment. In addition, the continued uncertainty in the global economy, weak oil prices and low inflation make it difficult to gauge the timing and speed of interest rate rises by the Federal Reserve. As at March 31, 2016, our interest rate swaps program had a notional value of \$256.3 million compared with \$756.3 million at December 31, 2015, as \$500.0 million of swaps rolled off the program. Our interest rate swaps program continues to partially mitigate the impact from changes in interest rates on the market value of our fixed income portfolio. For the three months ended March 31, 2016, there was a charge in respect of the interest rate swaps of \$2.8 million which consisted of a \$3.1 million mark to market gain less \$5.9 million of net interest payments. As at March 31, 2016, our interest rate swap position reduced the duration of the fixed-income portfolio from 3.63 years to 3.56 years and the duration of the aggregate portfolio from 3.04 years to 2.98 years. For more information on our interest rate swaps, please refer to Note 10 “Derivative Contracts — Interest Rate Swaps” of the consolidated condensed unaudited financial statements contained in this report.

*European Fixed Income and Equity Exposures.* As at March 31, 2016, we had \$969.9 million, or 11.0% of our total cash and investments, invested in securities issued by European issuers, including the U.K. Our European exposures consisted of sovereigns, agencies, government guaranteed bonds, covered bonds, corporate bonds and equities. We have no exposure to the sovereign debt of Greece, Ireland, Italy, Portugal or Spain (“GIIPS”).

We manage our European fixed income exposures by proactively adapting our investment guidelines to our views on the European debt crisis. We continue to prohibit purchases of GIIPS sovereign (and Belgium) and guaranteed debt, peripheral European bank debt and corporate bonds issued by companies domiciled in GIIPS countries.

In May 2014, we amended our restrictions on purchases of bonds issued by U.K and non-peripheral European corporate financial issuers to allow the purchase of those issued by select issuers.



The tables below summarize our European holdings by country (Eurozone and non-Eurozone), rating and sector as at March 31, 2016. Equity investments included in the table below are not rated (“NR”). Where the credit ratings were split between the two main rating agencies, S&P and Moody’s, the lowest rating was used.

<b>As at March 31, 2016 by Ratings</b>										
<b>Country</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>NR</b>	<b>Market Value</b>	<b>Market Value %</b>		
(\$ in millions except percentages)										
Austria	\$ —	\$ 9.0	\$ —	\$ —	\$ —	\$ —	\$ 9.0	0.9%		
Belgium	—	—	24.5	0.6	—	6.6	31.7	3.3		
Czech Republic	—	—	—	—	—	0.2	0.2	—		
Denmark	5.3	—	—	—	—	5.8	11.1	1.2		
Finland	—	17.3	—	—	—	6.9	24.2	2.5		
France	—	25.5	33.1	3.1	—	19.3	81.0	8.4		
Germany	33.1	17.0	56.4	17.6	—	11.5	135.6	14.0		
Ireland	—	—	—	—	—	0.3	0.3	—		
Latvia	—	—	0.6	—	—	—	0.6	0.1		
Lithuania	—	—	5.2	—	—	—	5.2	0.5		
Luxembourg	—	—	—	0.3	—	—	0.3	—		
Netherlands	22.7	—	40.8	11.2	—	—	74.7	7.7		
Norway	3.6	—	14.1	—	—	—	17.7	1.8		
Poland	—	—	—	10.2	—	0.7	10.9	1.1		
Romania	—	—	—	6.7	—	—	6.7	0.7		
Sweden	1.7	11.5	—	1.0	—	5.0	19.2	2.0		
Switzerland	10.2	25.2	22.0	6.9	—	62.0	126.3	13.0		
United Kingdom	21.6	187.8	57.5	45.8	—	102.5	415.2	42.8		
<b>Total European Exposures</b>	<b>\$ 98.2</b>	<b>\$ 293.3</b>	<b>\$ 254.2</b>	<b>\$ 103.4</b>	<b>\$ —</b>	<b>\$ 220.8</b>	<b>\$ 969.9</b>	<b>100.0%</b>		

As at March 31, 2016 by Sectors

Country	(\$ in millions except percentages)										
	Sovereign	ABS	Government Guaranteed Bonds	Agency	Local Government	Corporate Financial Issuers	Corporate Non- Financial Issuers	Covered Bonds	Equity	Market Value	Unrealized Pre-tax Gain/Loss
Austria	\$ 3.1	\$ —	\$ 5.9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9.0	\$ 0.2
Belgium	—	—	—	—	—	—	25.1	—	6.6	31.7	2.0
Czech Republic	—	—	—	—	—	—	—	—	0.2	0.2	—
Denmark	—	—	—	—	5.3	—	—	—	5.8	11.1	1.4
Finland	9.2	—	—	—	8.1	—	—	—	6.9	24.2	2.7
France	2.3	—	7.1	23.6	—	6.2	22.4	—	19.3	80.9	1.4
Germany	7.6	—	23.0	6.6	11.4	—	75.6	—	11.5	135.7	2.1
Ireland	—	—	—	—	—	—	—	—	0.3	0.3	0.1
Latvia	0.6	—	—	—	—	—	—	—	—	0.6	—
Lithuania	5.2	—	—	—	—	—	—	—	—	5.2	0.2
Luxembourg	—	—	—	—	—	—	0.3	—	—	0.3	—
Netherlands	—	—	—	24.2	—	15.8	34.7	—	—	74.7	1.5
Norway	—	—	—	17.7	—	—	—	—	—	17.7	0.7
Poland	10.8	—	—	—	—	—	—	—	0.1	10.9	0.1
Romania	6.7	—	—	—	—	—	—	—	—	6.7	0.1
Sweden	—	—	—	8.2	1.7	4.3	—	—	5.0	19.2	—
Switzerland	6.5	—	—	—	—	9.6	44.6	3.7	61.9	126.3	4.6
United Kingdom	194.4	0.6	3.9	—	—	5.5	97.3	11.1	102.4	415.2	10.8
Total European Exposures	\$ 246.4	\$ 0.6	\$ 39.9	\$ 80.3	\$ 26.5	\$ 41.4	\$ 300.0	\$ 14.8	\$ 220.0	\$ 969.9	\$ 27.9

Reserves for Losses and Loss Adjustment Expenses

As at March 31, 2016, we had total net loss and loss adjustment expense reserves of \$4,645.5 million (December 31, 2015 — \$4,583.4 million). This amount represented our selected reserves for the ultimate liability for payment of losses and loss adjustment expenses. The following tables analyze gross and net loss and loss adjustment expense reserves by business segment as at March 31, 2016 and December 31, 2015, respectively:

Business Segment	As at March 31, 2016		
	Gross	Reinsurance Recoverable	Net
	(\$ in millions)		
Reinsurance	\$ 2,472.5	\$ (39.5)	\$ 2,433.0
Insurance	2,539.0	(326.5)	2,212.5
Total losses and loss expense reserves	\$ 5,011.5	\$ (366.0)	\$ 4,645.5

Business Segment	As at December 31, 2015		
	Gross	Reinsurance Recoverable	Net
	(\$ in millions)		
Reinsurance	\$ 2,441.9	\$ (32.4)	\$ 2,409.5
Insurance	2,496.3	(322.4)	2,173.9
Total losses and loss expense reserves	\$ 4,938.2	\$ (354.8)	\$ 4,583.4

For the three months ended March 31, 2016, there was a reduction of our estimate of the ultimate net claims to be paid in respect of prior accident years of \$21.6 million. An analysis of this reduction by business segment is as follows for the three months ended March 31, 2016 and 2015:

<u>Business Segment</u>	<u>For the Three Months Ended</u>	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
	(\$ in millions)	
Reinsurance	\$ 18.2	\$ 13.2
Insurance	3.4	14.3
Total losses and loss expense reserves reductions	<u>\$ 21.6</u>	<u>\$ 27.5</u>

The key elements which gave rise to the net positive development during the three months ended March 31, 2016 were as follows:

*Reinsurance.* Net reserve releases were \$18.2 million in the current quarter. The largest releases in the quarter were from our other property and casualty lines due to better than expected development.

*Insurance.* Net reserve releases were \$3.4 million in the current quarter. The largest releases in the quarter were from marine, aviation and energy and financial and professional lines due to better than expected development.

For a more detailed description see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Reserves for Losses and Loss Adjustment Expenses” included in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

### Capital Management

The following table shows our capital structure as at March 31, 2016 compared to December 31, 2015:

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(\$ in millions)	
Share capital, additional paid-in capital, retained income and accumulated other comprehensive income attributable to ordinary shareholders	\$ 3,001.3	\$ 2,864.1
Preference shares (liquidation preferences net of issue costs)	555.8	555.8
Long-term debt	549.3	549.2
Loan notes issued by variable interest entities <sup>(1)</sup>	107.6	190.6
Total capital	<u>\$ 4,214.0</u>	<u>\$ 4,159.7</u>

<sup>(1)</sup> We do not consider the loan notes issued by VIEs to be part of our permanent capital as the noteholders have no recourse to the other assets of the Company.

As at March 31, 2016, total shareholders’ equity was \$3,557.1 million compared to \$3,419.9 million as at December 31, 2015. Our total shareholders’ equity as at March 31, 2016 includes three classes of preference shares with a total value as measured by their respective liquidation preferences of \$555.8 million net of share issuance costs (December 31, 2015 — \$555.8 million).

On April 21, 2016, we announced a 5% increase in our quarterly dividend to our ordinary shareholders from \$0.21 per ordinary share to \$0.22 per ordinary share. On April 22, 2015, we announced a 5% increase in our quarterly dividend to our ordinary shareholders from \$0.20 per ordinary share to \$0.21 per ordinary share.

We acquired and canceled 568,239 ordinary shares in the three months ended March 31, 2016. The total consideration paid was \$25.0 million, with an average price paid of \$44.00 per ordinary share. As at March 31, 2016, we continued to have \$391.3 million remaining under our current share repurchase authorization of \$500.0 million granted on February 5, 2015.

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. Preference shares are often referred to as “hybrids” because they have certain attributes of both debt and equity. We monitor the ratio of the total of debt and hybrids to total capital, with total capital being defined as shareholders’ equity plus outstanding debt. As at March 31, 2016, this ratio was 28.8% (December 31, 2015 — 31.1%).

Our senior notes are the only material debt issued by Aspen Holdings currently outstanding. As at March 31, 2016 and December 31, 2015, the value of the debt less amortization expenses was \$549.3 million and \$549.2 million, respectively. Management monitors the ratio of debt to total capital which was 15.6% as at March 31, 2016 (December 31, 2015 — 17.8%).

In addition to the senior notes issued by Aspen Holdings, Silverton has also issued loan notes. The fair value of Silverton's loan notes as at March 31, 2016 was \$107.6 million (December 31, 2015 — \$190.6 million). For further information relating to Silverton, refer to Note 7 of the "Notes to the Audited Consolidated Financial Statements" in the Company's 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission and to Note 7 of this report.

*Access to capital.* Our business operations are in part dependent on our financial strength and the market's perception thereof, as measured by total shareholders' equity, which was \$3,557.1 million as at March 31, 2016 (December 31, 2015 — \$3,419.9 million). We believe our financial strength provides us with the flexibility and capacity to obtain funds through debt or equity financing. Our 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 of 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 Operating 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, finance dividend payments to ordinary and preference shareholders and provide financial support to the Operating Subsidiaries.

As at March 31, 2016, Aspen Holdings held \$30.1 million of cash and cash equivalents (December 31, 2015 — \$110.5 million) with the decrease due to the acquisition of AgriLogic, the repurchase of ordinary shares in 2016 and other corporate expenses being greater than the receipt of dividend income from subsidiary companies. Management considers the current cash, cash equivalents and investments taken together with dividends declared or expected to be declared by subsidiary companies and our credit facilities, to be sufficient to appropriately satisfy the liquidity requirements of Aspen Holdings. Aspen Holdings' liquidity depends on dividends, capital distributions and interest payments from our Operating Subsidiaries. Aspen Holdings also has recourse to the credit facility described under "Letter of Credit Facilities" below.

The ability of our Operating Subsidiaries to pay us dividends or other distributions is subject to the laws and regulations applicable to each jurisdiction, as well as the Operating Subsidiaries' need to maintain adequate capital requirements to maintain their insurance and reinsurance operations and their financial strength ratings issued by independent rating agencies. On October 21, 2013, and in line with usual market practice for regulated institutions, the Prudential Regulation Authority (the "PRA"), the regulatory agency which oversees the prudential regulation of insurance companies in the U.K. such as Aspen U.K., requested that it be afforded the opportunity to provide a prior "non-objection" to all future dividend payments made by Aspen U.K. For a further discussion of the various restrictions on our ability and our Operating Subsidiaries' ability to pay dividends, see Part I, Item 1 "Business — Regulatory Matters" in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission. For a more detailed discussion of our Operating Subsidiaries' ability to pay dividends, see Note 16 of the "Notes to the Audited Consolidated Financial Statements" in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Operating Subsidiaries.* As at March 31, 2016, the Operating Subsidiaries held \$750.3 million (December 31, 2015 — \$1,136.4 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 the Operating 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 March 31, 2016 and for the foreseeable future.

On an ongoing basis, our Operating 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.

The liquidity of our Operating 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 in respect of these obligations and undertakings as at March 31, 2016 and December 31, 2015:

	As at March 31, 2016	As at December 31, 2015
	(\$ in millions, except percentages)	
<b>Regulatory trusts and deposits:</b>		
Affiliated transactions	\$ 1,316.2	\$ 1,421.0
Third party	2,370.1	2,265.6
Letters of credit / guarantees	697.8	708.5
<b>Total restricted assets</b>	<b>\$ 4,384.1</b>	<b>\$ 4,395.1</b>
Total as percent of investable assets <sup>(1)</sup>	49.5%	49.6%

(1) The comparative balances have been re-presented to reflect total restricted investable assets as a percent of investable assets. Investable assets comprise total investments, cash and cash equivalents, accrued interest, receivables for securities sold and payables for securities purchased.

For more information on these arrangements, see Note 19(a) of the “Notes to the Audited Consolidated Financial Statements” in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

*Consolidated Cash Flows for the Three Months Ended March 31, 2016.* Total net cash flow from operations for the three months ended March 31, 2016 was \$60.5 million, a decrease of \$11.5 million from the comparative period in 2015. The decrease is mainly attributable to the acquisition of AgriLogic. For the three months ended March 31, 2016, our cash flow from operations provided us with sufficient liquidity to meet our operating requirements.

*Letter of Credit Facilities.* For information relating to our credit facilities, please refer to Note 16 of the consolidated condensed unaudited financial statements contained in this report.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations under long-term debt, operating leases (net of subleases) and reserves relating to insurance and reinsurance contracts as at March 31, 2016:

	2016	2017	2018	2019	2020	Later Years	Total
	(\$ in millions)						
Operating Lease Obligations	\$ 8.5	\$ 16.4	\$ 15.7	\$ 13.9	\$ 10.0	\$ 89.3	\$ 153.8
Long-Term Debt Obligations <sup>(1)</sup>	—	—	—	—	250.0	300.0	550.0
Reserves for losses and LAE <sup>(2)</sup>	1,132.8	980.3	701.4	509.0	356.0	1,332.0	5,011.5
<b>Total</b>	<b>\$ 1,141.3</b>	<b>\$ 996.7</b>	<b>\$ 717.1</b>	<b>\$ 522.9</b>	<b>\$ 616.0</b>	<b>\$ 1,721.3</b>	<b>\$ 5,715.3</b>

(1) The long-term debt obligations disclosed above do not include the \$29.0 million annual interest payments on our outstanding senior notes or dividends payable to holders of our preference shares or the loan notes issued by Silverton in the amount of \$107.6 million.

(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. 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 the Company’s 2015 Annual Report on Form 10-K under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Reserves for Losses and Loss Expenses” filed with the United States Securities and Exchange Commission and due to the factors set out in this report under “Cautionary Statement Regarding Forward-Looking Statements” below.

Further information on operating leases is given in Item 2, “Properties” in our 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

For a discussion of our derivative instruments, please see Note 10 to our unaudited condensed consolidated financial statements for the three months ended March 31, 2016 included 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. 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 income securities. As at March 31, 2016, we consider that although inflation is currently low, in the medium-term there is a risk that inflation, interest rates and bond yields may rise, resulting in a decrease in the market value of certain of our fixed interest investments.

### **Cautionary Statement Regarding Forward-Looking Statements**

This report 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 (the "Exchange Act"), 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," "assume," "objective," "target," "could," "would," "should," "plan," "estimate," "project," "outlook," "trends," "future," "seek," "will," "may," "aim," "likely," "continue," "intend," "guidance," "on track," and 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 2015 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission and other cautionary statements made in this report, as well as the factors set forth below, should be read and understood as being applicable to all related forward-looking statements wherever they appear in this report.

All forward-looking statements rely on a number of assumptions, estimates and data concerning future results and events and are subject to a number of uncertainties and other factors, many of which are outside our control that could cause actual results to differ materially from such statements.

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, those set forth under "Risk Factors" in Item 1A of our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission and the following:

- our ability to successfully implement steps to further optimize the business portfolio, ensure capital efficiency and enhance investment returns;
- 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 assumptions and uncertainties underlying reserve levels that may be impacted by future payments for settlements of claims and expenses or by other factors causing adverse or favorable development, including our assumptions on inflation costs associated with long-tail casualty business which could differ materially from actual experience;
- a vote by the U.K. electorate in favor of a U.K. exit from the E.U. in a forthcoming in-or-out referendum;
- the reliability of, and changes in assumptions to, natural and man-made catastrophe pricing, accumulation and estimated loss models;

- decreased demand for our insurance or reinsurance products and cyclical changes in the insurance and reinsurance industry;
- the models we use to assess our exposure to losses from future natural catastrophes contain inherent uncertainties and our actual losses may differ significantly from expectations;
- our capital models may provide materially different indications than actual results;
- increased competition from existing insurers and reinsurers and from alternative capital providers and insurance-linked funds and collateralized special purpose insurers on the basis of pricing, capacity, coverage terms, new capital, binding authorities to brokers or other factors and the related demand and supply dynamics as contracts come up for renewal;
- our ability to execute our business plan to enter new markets, introduce new products and teams and develop new distribution channels, including their integration into our existing operations;
- our acquisition strategy;
- changes in market conditions in the agriculture industry, which may vary depending upon demand for agricultural products, weather, commodity prices, natural disasters, and changes in legislation and policies related to agricultural products and producers;
- termination of, or changes in, the terms of the U.S. Federal Multiple Peril Crop Insurance Program or the U.S. Farm Bill, including modifications to the Standard Reinsurance Agreement put in place by the Risk Management Agency of the U.S. Department of Agriculture;
- the recent consolidation in the (re)insurance industry;
- loss of one or more of our senior underwriters or key personnel;
- changes in our ability to exercise capital management initiatives (including our share repurchase program) or to arrange banking facilities as a result of prevailing market conditions or changes in our financial results;
- changes in general economic conditions, including inflation, deflation, foreign currency exchange rates, interest rates and other factors that could affect our financial results;
- the risk of a material decline in the value or liquidity of all or parts of our investment portfolio;
- the risks associated with the management of capital on behalf of investors;
- evolving issues with respect to interpretation of coverage after major loss events;
- our ability to adequately model and price the effects of climate cycles and climate change;
- any intervening legislative or governmental action and changing judicial interpretation and judgments on insurers' liability to various risks;
- the risks related to litigation;
- the effectiveness of our risk management loss limitation methods, including our reinsurance purchasing;
- changes in the availability, cost or quality of reinsurance or retrocessional coverage;
- changes in the total industry losses or our share of total industry losses resulting from events, such as catastrophes, that have occurred in prior years or may occur and, with respect to such events, our reliance on loss reports received from cedants and loss adjusters, 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 one or more large losses from events other than natural catastrophes or by an unexpected accumulation of attritional losses and deterioration in loss estimates;
- the impact of acts of terrorism, acts of war and related legislation;
- any changes in our reinsurers' credit quality and the amount and timing of reinsurance recoverables;
- the continuing and uncertain impact of the current depressed lower growth economic environment in many of the countries in which we operate;
- our reliance on information and technology and third-party service providers for our operations and systems;
- the level of inflation in repair costs due to limited availability of labor and materials after catastrophes;
- a decline in our Operating Subsidiaries' ratings with S&P, A.M. Best or Moody's;

- the failure of our reinsurers, policyholders, brokers or other intermediaries to honor their payment obligations;
- our reliance on the assessment and pricing of individual risks by third parties;
- our dependence on a few brokers for a large portion of our revenues;



- the persistence of heightened financial risks, including excess sovereign debt, the banking system and the Eurozone crisis;
- changes in government regulations or tax laws in jurisdictions where we conduct business;
- changes in accounting principles or policies or in the application of such accounting principles or policies;
- increased counterparty risk due to the credit impairment of financial institutions; and
- Aspen Holdings or Aspen Bermuda becoming subject to income taxes in the United States or the United Kingdom.

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 rate changes described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Outlook and Trends” reflect management’s assessment of changes in exposure-adjusted rates on renewals only. This does not include contracts with fundamental changes to terms and conditions. The calculation involves a degree of judgment in relation to comparability of contracts in the different business lines. Due to changes in assumptions underlying the pricing of contracts, the trends in premium rates reflected in our outlook and trends may not be comparable over time. The future profitability of each business line is dependent upon many factors besides the trends in premium rates.

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. All forward-looking statements 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.

### 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, we partially mitigate our exposure to interest rates by entering into interest rate swaps with financial institution counterparties in the ordinary course of our investment activities. For more information on our interest rate swaps, please refer to Item 2 “Cash and Investments — Interest rate swaps” above.

As at March 31, 2016, our fixed income portfolio had an approximate duration of 3.63 years excluding the impact of interest rate swaps. The table below depicts interest rate change scenarios and the effects 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	—	50	100
	(\$ in millions, except percentages)				
Market value \$ in millions	7,501.9	7,370.6	7,239.2	7,107.8	6,976.4
Gain/(loss) \$ in millions	262.8	131.4	—	(131.4)	(262.8)
Percentage of portfolio	3.6%	1.8%		(1.8)%	(3.6)%

*Equity risk.* We have invested in equity securities which had a fair market value of \$757.8 million as at March 31, 2016, equivalent to 8.6% of the total of investments, cash and cash equivalents at that date (December 31, 2015 — \$736.4 million, 8.4%). These equity investments are exposed to equity price risk, defined as the potential for loss in market value due to a decline in equity prices. We believe that the effects of diversification and the relatively small size of our investments in equities relative to total invested assets mitigate our exposure to equity price risk.

*Foreign currency risk.* Our reporting currency is the U.S. Dollar. The functional currencies of our operations are U.S. Dollars, British Pounds, Euros, Canadian Dollars, Swiss Francs, Australian Dollars and Singaporean Dollars. As at March 31, 2016, 86.8% (December 31, 2015 — 88.7%) of our cash, cash equivalents and investments were held in U.S. Dollars, 6.3% (December 31, 2015 — 5.1%) were in British Pounds and 6.9% (December 31, 2015 — 6.2%) were in other currencies. For the three months ended March 31, 2016, 22.6% (December 31, 2015 — 15.3%) 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 2016.

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 March 31, 2016 would have impacted our net reportable British Pound net assets by approximately \$10.7 million for the three months ended March 31, 2016 (March 31, 2015 — approximately \$7.0 million).

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 foreign exchange contracts from time to time. A foreign 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 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. For a discussion of derivative instruments including foreign exchange contracts that we have entered into, please see Note 10 to our unaudited condensed consolidated financial statements for the three months ended March 31, 2016 included in this report.

*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 predominantly 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 March 31, 2016, the average rating of fixed income securities in our investment portfolio was "AA-" (December 31, 2015 — "AA-"). We also have credit risk through exposure to our interest rate swap counterparties who are Goldman Sachs Group (senior unsecured rating of "A3" by Moody's and "A-" by S&P) and Cr dit Agricole CIB (senior unsecured rating of "A2" by Moody's and long term issuer credit rating of "A" by S&P).

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.

## **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 three months ended March 31, 2016. 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 three months ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the effectiveness of the Company's internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

Similar to the rest of the insurance and reinsurance industry, we are subject to litigation and arbitration in the ordinary course of our business. Our operating 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 operating subsidiaries. In addition, we may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from, or directly relate to, insurance and reinsurance coverage or claims. This category of litigation typically involves, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

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.

**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, 2015 filed with the United States Securities and Exchange Commission. 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**

The following table provides information about purchases by the Company during the quarter ended March 31, 2016 of the Company’s ordinary shares.

	Total Number of Shares (or Units) Purchased	Weighted Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (\$ in millions)
January 1, 2016 to January 31, 2016	—	\$ —	—	\$ —
February 1, 2016 to February 29, 2016	568,239	\$ 44.00	568,239	\$ 391.3
March 1, 2016 to March 31, 2016	—	\$ —	—	\$ —
Total <sup>(1)</sup>	<u>568,239</u>	\$ 44.00	<u>568,239</u>	\$ 391.3

(1) During the first quarter of 2016, the Company repurchased 568,239 ordinary shares in the open market. The Company continued to have \$391.3 million remaining under its current share buyback authorization as at March 31, 2016.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

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:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Form of 2016 Performance Share Agreement, filed with this report.
10.2	Form of Restricted Share Unit Award Agreement (U.S. version), filed with this report.
10.3	Form of Restricted Share Unit Award Agreement (U.K version), filed with this report.
10.4	Form of Restricted Share Unit Award Agreement made as part of the annual incentive grant (U.S. recipients), filed with this report.
10.5	Form of Restricted Share Unit Award Agreement made as part of the annual incentive grant (U.K. recipients), filed with this report.
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 Scott Kirk, 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 Scott Kirk, 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	The following financial information from Aspen Insurance Holdings Limited’s quarterly report on Form 10-Q for the quarter ended March 31, 2016 formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets at March 31, 2016 and December 31, 2015; (ii) Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Income for the three months ended March 31, 2016 and 2015; (iii) Unaudited Condensed Consolidated Statements of Shareholders’ Equity for the three months ended March 31, 2016 and 2015; (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015; and (v) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.*

\* As provided in Rule 406T of Regulation S-T, this information is “furnished” herewith and not “filed” for purposes of Sections 11 and 12 of the Securities Act and Section 18 of the Exchange Act. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act unless Aspen Holdings specifically incorporates it by reference.

## 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)

Date: April 28, 2016

By: /s/ Christopher O’Kane  
Christopher O’Kane  
Chief Executive Officer

Date: April 28, 2016

By: /s/ Scott Kirk  
Scott Kirk  
Chief Financial Officer

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## Section 2: EX-10.1 (EXHIBIT 10.1)

### Exhibit 10.1

#### ASPEN INSURANCE HOLDINGS LIMITED

#### LTIP PERFORMANCE SHARE AWARD AGREEMENT

THIS PERFORMANCE SHARE AWARD AGREEMENT (this “**Agreement**”), is made effective as of the 8th day of February, 2016 (hereinafter called the “**Date of Grant**”) between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the “**Company**”), and XXXXX (hereinafter called the “**Participant**”):

#### RECITALS:

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2013 Share Incentive Plan, as amended from time to time (the “**Plan**”), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the performance shares provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

- 1. Grant of Performance Shares.** The Company hereby awards to the Participant XXXXX Shares, payment of which is dependent upon the performance of the Company as described in Section 2 of this Agreement (the “**Performance Shares**”).
- 2. Vesting.** The Performance Shares shall vest and become payable based on the performance and service requirements set forth in Sections 2(c) to 2(j) below and the definition of growth in diluted Book Value per Share (“**BVPS Growth**”) set

forth in Section 2(a) below.

- (a) For the purposes of this Agreement, 2016, 2017, and 2018 BVPS Growth, respectively, shall be equal to  $g_n\%$  (for  $n = 2016, 2017, \text{ and } 2018$ ), where

$$g_n = 100 \times (B_n - B_{(n-1)} + D_n) / B_{(n-1)}, \text{ and}$$

- (i)  $B_n = \text{BVPS at December 31 in year } n$ ,
- (ii)  $B_{(n-1)} = \text{BVPS at December 31 in year } n-1$ ,
- (iii)  $D_n = \text{total dividends per share paid to ordinary shareholders in year } n$ , and
- (iv) BVPS is the diluted book value per ordinary share of the Company as calculated in accordance with the accounting policies and definitions adopted for the purpose of preparation of the annual audited financial statements of the Company, as adjusted to (i) exclude total accumulated other comprehensive income (“**AOCI**”), (ii) address the impact of any extraordinary capital management transactions, including any special dividends, or the impact of share price movements during the Company’s

fiscal year on the Company's share buy-back program, as determined by the Committee in its sole discretion, and (iii) exclude all selling and other transactional expenses incurred in connection with any transaction which, if consummated, would result in a Change in Control, including without limitation the cost of defending against any such transaction and any third-party legal and advisory costs.

- (b) For purposes of this Agreement:
- (i) "2016 Fiscal Year" shall mean the Company's fiscal year ended December 31, 2016,
  - (ii) "2017 Fiscal Year" shall mean the Company's fiscal year ended December 31, 2017, and
  - (iii) "2018 Fiscal Year" shall mean the Company's fiscal year ended December 31, 2018.
- (c) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "2016 BVPS Award") shall be eligible for vesting (the "Eligible Shares") upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's BVPS for the 2016 Fiscal Year or (ii) the date such BVPS is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided below:

<u>2016 BVPS Growth</u> <u>(as defined in Section 2(a))</u>	<u>Percentage of Eligible Shares</u>
<b>&lt; 4.65%</b>	<b>0%</b>
<b>4.65%</b>	<b>10%</b>
<b>9.3%</b>	<b>100%</b>
<b>≥ 18.6%</b>	<b>200%</b>

**Interim percentages to be pro-rated.**

Notwithstanding the schedule to be provided to the Participant during the 2016 Fiscal Year, if the 2016 BVPS Growth is greater than the target vesting level at 100% vesting determined in accordance with the schedule provided, and the average of the 2016 BVPS Growth and the 2015 BVPS Growth is less than the average of the minimum vesting thresholds for such years, then the Percentage of Eligible Shares shall be 100%. Notwithstanding the foregoing, if in the judgment of the Committee, the main reason for the 2015 BVPS Growth falling below the minimum vesting threshold for such year is the impact of rising interest rates and bond yields, then the Committee



may, at its discretion, dis-apply the limitation on 100% vesting described in this paragraph.

- (d) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "**2017 BVPS Award**") shall become Eligible Shares upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's BVPS for the 2017 Fiscal Year or (ii) the date such BVPS is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided in a vesting schedule to be provided to the Participant during the 2017 Fiscal Year. The Committee shall determine the vesting conditions for the 2017 BVPS Award taking into consideration the market conditions and the Company's business plans at the commencement of the 2017 Fiscal Year.

Notwithstanding the schedule to be provided to the Participant during the 2017 Fiscal Year, if the 2017 BVPS Growth is greater than the target vesting level at 100% vesting determined in accordance with the schedule provided, and the average of the 2017 BVPS Growth and the 2016 BVPS Growth is less than the average of the minimum vesting thresholds for such years, then the Percentage of Eligible Shares shall be 100%. Notwithstanding the foregoing, if in the judgment of the Committee, the main reason for the 2016 BVPS Growth falling below the minimum vesting threshold for such year is the impact of rising interest rates and bond yields, then the Committee may, at its discretion, dis-apply the limitation on 100% vesting described in this paragraph.

- (e) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), a maximum of one-third (1/3) of the Performance Shares awarded hereunder (the "**2018 BVPS Award**") shall become Eligible Shares upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's BVPS for the 2018 Fiscal Year or (ii) the date such BVPS is approved by the Board of Directors or an authorized committee thereof, but only to the extent provided in a vesting schedule to be provided to the Participant during the 2018 Fiscal Year. The Committee shall determine the vesting conditions for the 2018 BVPS Award taking into consideration the market conditions and the Company's business plans at the commencement of the 2018 Fiscal Year.

Notwithstanding the schedule to be provided to the Participant during the 2018 Fiscal Year, if the 2018 BVPS Growth is greater than the target vesting level at 100% vesting determined in accordance with the schedule provided, and the average of the 2018 BVPS Growth and the 2017 BVPS Growth is less than the average of the minimum vesting thresholds for such years, then the Percentage of Eligible Shares shall be 100%. Notwithstanding the foregoing, if in the judgment of the Committee, the main reason for the 2017 BVPS Growth falling below the minimum vesting threshold for such year is the impact of rising interest rates and bond yields, then the Committee

may, at its discretion, disapply the limitation on 100% vesting described in this paragraph.

- (f) Subject to the Participant's continued Employment with the Company (which Employment shall not include the performance of services under a notice of termination or resignation), all Eligible Shares shall become vested on the day immediately following the day the Company files its Annual Report on Form 10-K with the U.S. Securities and Exchange Commission for the 2018 Fiscal Year, provided, that, if the Company does not file a Form 10-K pursuant to applicable law for the 2018 Fiscal Year, all Eligible Shares shall become vested upon the later of (i) the date the Company's outside auditors complete the audit of the Company's financial statements containing the information necessary to compute the Company's BVPS for the 2018 Fiscal Year or (ii) the date such BVPS is approved by the Board of Directors or an authorized committee thereof.
- (g) In connection with any event described in Section 10(a) of the Plan or in the event of a change in applicable accounting rules, the Committee shall make such adjustments in the terms of the Performance Shares as it shall determine shall be necessary to equitably reflect such event in order to prevent dilution or enlargement of the potential benefits of the Performance Shares. The Committee's determination as to any such adjustment shall be final.
- (h) Subject to the terms of the Participant's employment agreement with the Company, or any of its Affiliates (which, if applicable, shall supersede this provision), if the Participant's Employment with the Company is terminated for any reason, the Performance Shares shall, to the extent not then vested, be canceled by the Company without consideration.
- (i) Any Performance Shares that do not become Eligible Shares by reason of the Company's failure to achieve a percentage increase in BVPS as set forth above (or, if applicable, as set forth in schedules to be provided to the Participant) shall immediately be forfeited without consideration.
- (j) Notwithstanding anything to the contrary contained herein, in the event that the Participant's Employment with the Company is terminated (i) due to the Participant's death or (ii) by the Company due to the Participant's Disability, all Eligible Shares shall vest in full on the date of such termination of Employment. For the avoidance of doubt, any Performance Shares that have not become Eligible Shares on or before the date of such termination of Employment shall be forfeited on such date without consideration. For purposes of this Agreement, "Disability" shall mean the inability of a Participant to perform in all material respects his or her duties and responsibilities to the Company, or any Affiliate of the Company, by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Committee may determine in good faith. The Disability determination shall be in the sole discretion of the Committee and a Participant (or his or her representative) shall furnish the Committee with medical evidence documenting the Participant's disability or infirmity, which is reasonably satisfactory to the Committee.

3. **Payment.**

- (a) The Company shall deliver to the Participant One Share for each vested Performance Share. Any fractional share shall be rounded down to the nearest whole Share and the remainder shall be forfeited.
- (b) Except as otherwise provided in the Plan, vested Performance Shares shall be paid to the Participant as soon as practicable after the date such Performance Shares become vested, but in no event later than the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month following the end of the fiscal year in which the Performance Shares become vested.
- (c) When Performance Shares are paid, the Company shall either issue certificates for such Shares or enter such Shares in book-entry form in the Participant's name, as determined by the Company in its sole discretion. However, in the event certificates are issued for such Shares, the Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates to him, any loss of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

4. **No Right to Continued Employment.** The granting of the Performance Shares evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Employment of the Participant and shall not lessen or affect the Company's or its Affiliate's right to terminate the Employment of such Participant.

5. **Legends; Stop-Transfer Orders.** Any certificates representing the Shares paid in settlement of Performance Shares and any Shares held in book-entry form, shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the U.S. Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable laws, and the Committee may cause a legend or legends to be put on any such certificates, if applicable, to make appropriate reference to such restrictions.

6. **Transferability.** The Performance Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. For avoidance of doubt, Shares issued to the Participant in payment of vested Performance Shares pursuant to Section 3 hereof shall not be subject to any of the foregoing transferability restrictions.

7. **Withholding.** The Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of Performance Shares and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

8. **Vesting into Retirement.** If the Participant is a Qualifying Executive (as defined below) and the Company reasonably believes such Participant is leaving the Company or an Affiliate to enter into Retirement (as defined below) during the term of this Agreement, any outstanding Performance Shares held by such Participant at the time of Retirement shall not be forfeited but shall continue to vest in accordance with the criteria described in Section 2 of this Agreement. For avoidance of doubt, pursuant to this Section 8, a Participant that is a Qualifying Executive shall not be subject to any requirements relating to continuous Employment with the Company through the date of vesting of the Performance Shares, which shall be deemed waived [by the Committee] when such Qualifying Executive commences Retirement. Pursuant to this Section 8, the Committee may, in its sole discretion, specify additional criteria which shall apply to the vesting of any Performance Shares awarded under this Agreement, including, but not limited to, the Qualifying Executive adhering to reasonable post-termination restrictions; provided, however, that any such additional criteria shall not require the Qualifying Executive to remain an employee of the Company or an Affiliate.

For purposes of Section 8 of this Agreement, the following definitions shall apply:

“**Qualifying Executive**” shall mean an Executive who satisfies one or more of the Service Requirements.

“**Executive**” shall mean a member of the Company’s Executive Committee.

“**Service Requirements**” shall mean any of the following: (i) minimum age at Retirement of fifty-five (55) years and minimum years of continuous service with the Company or any Affiliate at Retirement of ten (10) years; (ii) minimum age at Retirement of sixty (60) years and minimum years of continuous service with the Company or any Affiliate at Retirement of eight (8) years; (iii) or minimum age at Retirement of sixty-two (62) years and minimum years of continuous service with the Company or any Affiliate at Retirement of five (5) years.

“**Retirement**” shall mean when a Qualifying Executive voluntarily ceases his or her employment with the Company or an Affiliate in circumstances where the Executive does not plan to seek full or part time employment with another company.

9. **Securities Laws.** Upon the acquisition of any Shares pursuant to settlement of the Performance Shares, the Participant shall make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.
10. **Bermuda Government Regulations.** No Shares shall be issued pursuant to this Agreement unless and until all relevant licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.
11. **Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. **Choice of Law.** This Agreement shall be governed by and construed according to the laws of Bermuda, without regard to the conflicts of laws principles
13. **Performance Shares Subject to the Plan.** By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Performance Shares are subject to the Plan (including, without limitation, the arbitration provision) and the terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan shall govern and prevail.
14. **Rights as a Shareholder.** The Participant shall have no rights as a shareholder and shall not receive dividends with respect to any Performance Shares until the Performance Shares have been issued to the Participant.
15. **Fiscal Year.** If the Company's fiscal year is changed to other than a calendar year, the references to calendar year in this Agreement shall be adjusted to appropriately reflect the change.
16. **Claw-Back Policy.** The Claw-Back Policy set out in the Schedule to this Agreement applies to the awards granted under this Agreement.
17. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

**ASPEN INSURANCE HOLDINGS LIMITED**



**Mike Cain**  
**Group General Counsel**

**NAME**

**DATE:**

## SCHEDULE

### CLAW BACK POLICY

#### **Aspen Insurance Holdings Limited (the “Company”) – claw-back policy applicable to bonus and LTIP awards**

The 2009 bonus letters issued to members of the Group Executive Committee noted that the Compensation Committee of the Board of the Company had resolved to subject certain bonus and LTIP awards granted to members of the Group Executive Committee to a “claw-back” policy in circumstances where there is a subsequent and material negative restatement of the Company’s published financial results as a result of fraud. This document sets out that policy.

This policy applies to (i) discretionary bonus awards paid to members of the Group Executive Committee for 2009 and subsequent years (an “Annual Bonus”), and (ii) LTIP awards granted to members of the Group Executive Committee in 2010 and subsequent years (an “Annual LTIP Award”) in circumstances where there is a restatement of the Company’s published financial results for the year in relation to which the Annual Bonus was granted, being the year preceding that in which an associated Annual LTIP Award is made (the “Award Year”). This policy applies to all Annual Bonuses and Annual LTIP Awards granted to members of the Group Executive Committee until further notice.

“Fraud,” for purposes of this policy, means (a) a willful and intentionally false, misleading, unwarranted or exaggerated statement of material fact, (b) the willful and intentional omission to state a material fact necessary to make statements made, in light of all circumstances under which they were made, not misleading, (c) employing a device, scheme or artifice to with deliberate intent to defraud or deceive, or (d) willfully and intentionally engaging in any act, practice or course of dealing that operates or would operate as a fraud or deceit.

Under this policy:

- 1.** If the Board, after due inquiry and investigation, determines that (i) a member of the Group Executive Committee has engaged in fraud (the “Fraudulent Party”), and (ii) a material negative restatement of the Company’s financial statements as filed with the United States Securities and Exchange Commission (the “SEC”) for the relevant Award Year resulted from that fraud:
  - a.** the Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines, in its sole discretion, would not have been paid to them had the Company’s results as reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated; and
  - b.** the amount of the Annual LTIP Award granted to the Fraudulent Party in the year immediately following the relevant Award Year will be reduced by such proportion as the Board determines, in its sole discretion, would not have been awarded to the Fraudulent Party had the Company’s results as originally reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated. Any unvested portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph (whether “banked” or otherwise) will

be forfeited by the Fraudulent Party and will no longer vest in accordance with the terms of its grant.

The Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph which has vested and been distributed to them.

2. If the Board, after due inquiry and investigation, determines that (i) fraud has taken place by someone at the Company (ii) a material negative restatement of the Company's financial statements as filed with the SEC for the relevant Award Year resulted from that fraud, and (iii) that a member of the Group Executive Committee (the "Non-Fraudulent Party") did not personally perpetrate the fraud, but either had actual knowledge of the fraud or could reasonably have been expected to have had such knowledge based on their position within the Company, their oversight responsibilities, the information actually made available to them and all applicable regulatory and ethical considerations (including the application of internal ethical walls):
  - a. the Non-Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines would not have been paid to them had the Company's results as reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. The determination of the amount of any repayment due from a Non-Fraudulent Party in these circumstances will be determined by the Board based on the recommendation of the Company's Chief Executive Officer, unless the Board reasonably concludes that the Chief Executive Officer is conflicted in such circumstances. The Chief Executive Officer will make his recommendation to the Board based on his evaluation of the circumstances of the fraud and the extent of any personal culpability which might reasonably be expected to apply to a Non-Fraudulent Party in such circumstances. If the Board is not in agreement with the amount of any repayment proposed by the Chief Executive Officer (or believes that the Chief Executive Officer's decision may be conflicted) the amount of any repayment will be calculated by applying the percentage reduction in ROAE between the Company's financial results for the relevant Award Year as originally filed with the SEC and the Company's financial results for the relevant Award Year as subsequently restated to the scale originally used by the Compensation Committee to determine the bonus pool for the relevant Award Year. Any resulting reduction in the percentage of the available bonus pool for the relevant Award Year will then be applied to the Annual Bonus paid to the Non-Fraudulent Party for that year and the Non-Fraudulent Party will be required to pay back the resulting difference. If this calculation results in a determination that there would have been no automatic funding of the bonus pool for the Award Year in question, the Board will determine in its sole discretion the level of any bonus that would have been paid to a Non-Fraudulent Party for that Award Year and the amount of any repayment due under this policy as a result.



- b.** the amount of any Annual LTIP Award granted to a Non-Fraudulent Party in the year following the relevant Award Year will be reduced by the proportional reduction in ROAE determined in accordance with paragraph 2 (a) above. Any unvested portion of an Annual LTIP Award reduced in accordance with this paragraph (whether “banked” or otherwise) will be forfeited by the Non-Fraudulent Party and will no longer vest in accordance with the terms of its grant. The Non-Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced in accordance with this paragraph which has vested and been distributed to them.
- 3.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that any Annual Bonus was made or any Annual LTIP Award was granted or vested.
- 4.** In determining whether someone at the Company has engaged in fraud which has resulted in a material negative restatement of the Company’s financial statements the Board will apply the following rules:
  - a.** The Board will base its analysis on the advice of the Company’s auditors or, in the event that either the Company’s auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.
  - b.** In the event that a change of control of the Aspen Group has occurred between the date on which the alleged fraud was perpetrated and the date of the Board’s review, the Board will not reach a determination that fraud has occurred for the purposes of this policy unless this is the conclusion of the Company’s auditors or other, suitably qualified, professional advisors.
  - c.** If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to. As a minimum, this will include observance of their rights to understand the nature of any allegation made against them, to challenge those allegations, to have free access for them and any counsel acting on their behalf to all relevant, non-privileged documentation on which any such allegation is based, to make reasonable requests for access to additional documents and records which they believe may assist in their defence and to make their case to an officer of the Company appointed by the Board.
  - d.** If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time is no longer an employee of the Group, the Board will follow a reasonable process in the investigation of any allegation. As a minimum, where relevant, this will include observance of their rights to understand the nature of any allegation made against them, to challenge those allegations, to have free access for them and any counsel acting on their behalf to all relevant, non-privileged documentation on which any such allegation is based and to make

reasonable requests for access to additional documents and records which they believe my assist in their defence.

- e. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
5. If a member of the Group Executive Committee dies in the period in which this policy is operative the provisions of paragraph 2 above will cease to apply to them. Subject to this, however, the policy shall continue to apply to a member of the Group Executive Committee notwithstanding their departure, resignation or retirement from the Company for whatever reason.
  6. For the avoidance of doubt, no repayment shall arise under this policy where there is a restatement of the Company's financial statements filed with the SEC, but no instance of fraud or intentional misconduct giving rise to fraud which causes, or substantially causes, that restatement. This statement shall, however, be without prejudice to any other rights which the Company or any of its subsidiaries may have against any person in such circumstances.
  7. Subject to any applicable statute of limitation which applies in relation to any employment of a member of the Group Executive Committee (which shall be neither extended nor reduced by the terms of this policy) this policy will apply to members of the Group Executive Committee for the following periods:
    - a. until a period of five years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 1 above; and
    - b. until a period of three years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 2 above
  8. If the Company, after due inquiry and investigation, determines that (i) the Participant has engaged in fraud, and (ii) a material negative restatement of the Company's financial statements as filed with the United States Securities and Exchange Commission (the "SEC") for any period covered by the vesting period set out in clause 4(a) of the Agreement or any prior year has resulted from that fraud, then:
    - a. the amount of the award granted to the Participant under this Agreement will be reduced by such proportion as the Company determines, in its sole discretion, would not have been awarded to the Participant had the Company's results as originally reported for the year in question been equal to the Company's results for that year as subsequently restated;



12. The provisions of this Schedule shall be without prejudice to any other rights which the Company or any of its subsidiaries may have against the Participant in the event of fraud including, where relevant, immediate dismissal and forfeiture of all unvested awards.

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## Section 3: EX-10.2 (EXHIBIT 10.2)

### Exhibit 10.2

#### ASPEN INSURANCE HOLDINGS LIMITED RESTRICTED SHARE UNIT AWARD AGREEMENT

THIS AWARD AGREEMENT (the "**Agreement**"), is made effective as of the 8th day of February, 2016 between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the "**Company**"), and XXXXX (hereinafter called the "**Participant**"):

#### RECITALS:

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2013 Share Incentive Plan (the "**Plan**"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Share Units provided for herein (together, the "**Grant**") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Plan and Defined Terms.** The Grant is made pursuant to the Plan, a copy of which the Participant acknowledges having received. The terms and provisions of the Plan are incorporated into this Agreement by this reference. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. **Award.** Pursuant to the provisions of the Plan, the Committee hereby awards to the Participant, on the date hereof, subject to the terms and conditions of the Plan and subject further to the terms and conditions herein set forth, XXXXX Restricted Share Units.
3. **Terms and Conditions.** The award evidenced by this Agreement is subject to the following terms and conditions:
  - (a) The Participant shall not be entitled to receive payment for the value of Restricted Share Units until vested;
  - (b) The Company shall not issue any certificates representing Restricted Share Units granted to Participants, and the grant of Restricted Share Units to Participants shall not entitle such Participants to any rights of a holder of Shares, including the right to vote; provided, however, that the Participant shall receive Dividend Equivalents in accordance with the provisions of Section 5 of this Agreement; and

(c) Restricted Share Units and any interest of the Participant therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of. Any attempt to transfer Restricted Share Units in contravention of this Section 3(c) shall be void. Restricted Share Units shall not be subject to execution, attachment or other process.

#### **4. Vesting.**

(a) Subject to earlier termination as provided in Sections 4(b) and 4(c), and subject to the Participant's continued Employment, Restricted Share Units shall vest in tranches with one-third vesting on each year of month, date, year, month, date, year and month, date, year.

(b) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate for Cause or by the Participant for any reason, all unvested Restricted Share Units shall be forfeited on the date of such termination of employment.

(c) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate without Cause (including as a result of the Participant's death or Disability), all unvested Restricted Share Units shall vest on the date of such termination of employment.

**5. Dividend Equivalents.** If a cash dividend is declared on the Shares, the Participant shall be credited with Dividend Equivalents in an amount equal to the number of Restricted Share Units held by the Participant as of the dividend record date, multiplied by the amount of the cash dividend per Share. Dividend Equivalents shall be denominated in cash and paid in cash if and when the underlying Restricted Share Units vest. Dividend Equivalents denominated in cash shall not accrue interest during the period of restriction.

**6. Payment.** Payment for the value of the Participant's Restricted Share Units shall be made to the Participant (or, in the event of the Participant's death, the Participant's beneficiary, or, in the event that no beneficiary shall have been designated, the Participant's estate) as soon as practicable following the date on which such Restricted Share Units vest, but in no event later than March 15th of the calendar year following the end of the calendar year in which the Restricted Share Units vest. Restricted Share Units shall be paid in Shares, less any Shares withheld in accordance with the provisions of Section 8, with one (1) Share paid for each Unit."

**7. Definitions.** For purposes of this Agreement, the following terms, when capitalized, shall have the meanings set forth below:

(a) "**Disability**" means (i) the Participant's entitlement to long-term disability benefits under the long-term disability plan or policy, as the case may be, of Aspen Insurance U.S. Services Inc. as in effect on the date specified in the notice of termination, or (ii) if no such plan or policy is maintained, the Participant's inability to perform the duties provided for in the Employment Agreement for 180 consecutive days.

(b) "**Dividend Equivalent**" means, with respect to Restricted Share Units or Deferred Share Units, the right to receive an amount equal to cash dividends declared on an equal number of outstanding Shares.

(c) "**Employment Agreement**" means the Participant's employment agreement with Aspen Insurance U.S Services Inc, as may be amended from time to time.

(d) "**Restricted Share Units**" means a Share-denominated unit with a value equal to the Fair Market Value of a specified number of Shares that is subject to vesting requirements. Restricted Share Units are bookkeeping units and do not represent ownership of Shares or any other equity security.

(e) "**Share**" means an ordinary share, par value 0.15144558 cents per share, in the capital of the Company.

**8. Vesting into Retirement.** If the Participant is a Qualifying Executive (as defined below) and the Company reasonably believes such Participant is leaving the Company or an Affiliate to enter into Retirement (as defined below) during the term of this Agreement, any outstanding Restricted Share Units held by such Participant at the time of Retirement shall not be forfeited but shall continue to vest in accordance with the criteria described in Section 4 of this Agreement. For avoidance of doubt, pursuant to this Section 8, a Participant that is a Qualifying Executive shall not be subject to any requirements relating to continuous Employment with the Company through the date of vesting of the Restricted Share Units, which shall be deemed waived by the Committee when such Qualifying Executive commences Retirement. Pursuant to this Section 8, the Committee may, in its sole discretion, specify additional criteria which shall apply to the vesting of any Restricted Share Units awarded under this Agreement, including, but not limited to, the Qualifying Executive adhering to reasonable post-termination restrictions; provided, however, that any such additional criteria shall not require the Qualifying Executive to remain an employee of the Company or an Affiliate.

For purposes of Section 8 of this Agreement, the following definitions shall apply:

"**Qualifying Executive**" shall mean an Executive who satisfies one or more of the Service Requirements.

"**Executive**" shall mean a member of the Company's Executive Committee.

"**Service Requirements**" shall mean any of the following: (i) minimum age at Retirement of fifty-five (55) years and minimum years of continuous service with the Company or any Affiliate at Retirement of ten (10) years; (ii) minimum age at Retirement of sixty (60) years and minimum years of continuous service with the Company or any Affiliate at Retirement of eight (8) years; (iii) or minimum age at Retirement of sixty-two (62) years and minimum years of continuous service with the Company or any Affiliate at Retirement of five (5) years.

"**Retirement**" shall mean when a Qualifying Executive voluntarily ceases his or her employment with the Company or an Affiliate in circumstances where the Executive does not plan to seek full or part time employment with another company.

**9. Taxes.** The Company shall make such provisions as are necessary or appropriate for the withholding of all applicable taxes on this Grant, in accordance with Section 4(d) of the Plan. With respect to any minimum statutory tax withholding required upon vesting or payment of benefits hereunder, the Participant may elect to satisfy all or a portion of such withholding requirement by having the Company withhold Shares.

**10. Regulatory Compliance and Listing.** The issuance or delivery of any certificates representing Shares issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or the NASDAQ system, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to deliver any such Shares to the Participant if either delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority, any national securities exchange or the NASDAQ system, or the Participant shall not yet have complied fully with the provisions of Section 8 hereof.

**11. Bermuda Government Regulations.** No Shares shall be issued pursuant to this Agreement unless and until all licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.

**12. Investment Representations and Related Matters.** The Participant acknowledges and agrees that any sale or distribution of Shares issued pursuant to this Agreement may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has become effective and is current with regard to the Shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, prior to any such sale or distribution. The Participant hereby consents to such action as the Committee or the Company deems necessary or appropriate from time to time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing Shares issued pursuant to this Agreement and delivering stop transfer instructions to the Company's stock transfer agent.

**13. Arbitration.** In the event of any controversy between the Participant and the Company arising out of, or relating to, the Plan or this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. If the parties are unable to agree on the selection of an arbitrator, then either the Participant or the Company may petition the American Arbitration Association for the appointment of the arbitrator, which appointment shall be made within ten (10) days of the petition therefor. Either party to the dispute may institute such arbitration proceeding by giving written notice to the other party. A hearing shall be held by the arbitrator in New York, London or Bermuda as agreed by the parties (or, failing such agreement, in Bermuda) within thirty (30) days of his or her appointment. The decision of the arbitrator shall be final and binding upon the parties and shall be rendered pursuant to a written decision that contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

**14. No Right To Continued Employment.** This Agreement does not confer upon the Participant any right to continued Employment, nor shall it interfere in any way with the



right of the Participant's employer to terminate the Participant's Employment at any time for any reason or no reason.

**15. Construction.** The Plan and this Agreement will be construed by and administered under the supervision of the Committee, and all determinations of the Committee will be final and binding on the Participant and the Company.

**16. Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

**17. Failure to Enforce Not a Waiver.** The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

**18. Governing Law.** This Agreement shall be governed by and construed according to the laws of Bermuda, without regard to the conflicts of laws provisions thereof.

**19. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

**20. Claw-Back Policy.** The Claw-Back Policy set out in the Schedule to this Agreement applies to the awards granted under this Agreement.

**21. Miscellaneous.** This Agreement can be changed or terminated only in a writing signed by both parties hereto. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**ASPEN INSURANCE HOLDINGS LIMITED**



**Mike Cain**  
**Group General Counsel**

**NAME**

**DATE:**

## SCHEDULE

### CLAW BACK POLICY

#### **Aspen Insurance Holdings Limited (the “Company”) – claw-back policy applicable to bonus and LTIP awards**

The 2009 bonus letters issued to members of the Group Executive Committee noted that the Compensation Committee of the Board of the Company had resolved to subject certain bonus and LTIP awards granted to members of the Group Executive Committee to a “claw-back” policy in circumstances where there is a subsequent and material negative restatement of the Company’s published financial results as a result of fraud. This document sets out that policy.

This policy applies to (i) discretionary bonus awards paid to members of the Group Executive Committee for 2009 and subsequent years (an “Annual Bonus”), and (ii) LTIP awards granted to members of the Group Executive Committee in 2010 and subsequent years (an “Annual LTIP Award”) in circumstances where there is a restatement of the Company’s published financial results for the year in relation to which the Annual Bonus was granted, being the year preceding that in which an associated Annual LTIP Award is made (the “Award Year”). This policy applies to all Annual Bonuses and Annual LTIP Awards granted to members of the Group Executive Committee until further notice.

"Fraud," for purposes of this policy, means (a) a willful and intentionally false, misleading, unwarranted or exaggerated statement of material fact, (b) the willful and intentional omission to state a material fact necessary to make statements made, in light of all circumstances under which they were made, not misleading, (c) employing a device, scheme or artifice to with deliberate intent to defraud or deceive, or (d) willfully and intentionally engaging in any act, practice or course of dealing that operates or would operate as a fraud or deceit.

#### **Under this policy:**

- 1.** If the Board, after due inquiry and investigation, determines that (i) a member of the Group Executive Committee has engaged in fraud (the “Fraudulent Party”), and (ii) a material negative restatement of the Company’s financial statements as filed with the United States Securities and Exchange Commission (the “SEC”) for the relevant Award Year resulted from that fraud:
  - a.** the Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines, in its sole discretion, would not have been paid to them had the Company’s results as reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated; and

- b.** the amount of the Annual LTIP Award granted to the Fraudulent Party in the year immediately following the relevant Award Year will be reduced by such proportion as the Board determines, in its sole discretion, would not have been awarded to the Fraudulent Party had the Company's results as originally reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. Any unvested portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Fraudulent Party and will no longer vest in accordance with the terms of its grant.

The Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph which has vested and been distributed to them.

- 2.** If the Board, after due inquiry and investigation, determines that (i) fraud has taken place by someone at the Company (ii) a material negative restatement of the Company's financial statements as filed with the SEC for the relevant Award Year resulted from that fraud, and (iii) that a member of the Group Executive Committee (the "Non-Fraudulent Party") did not personally perpetrate the fraud, but either had actual knowledge of the fraud or could reasonably have been expected to have had such knowledge based on their position within the Company, their oversight responsibilities, the information actually made available to them and all applicable regulatory and ethical considerations (including the application of internal ethical walls):
  - a.** the Non-Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines would not have been paid to them had the Company's results as reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. The determination of the amount of any repayment due from a Non-Fraudulent Party in these circumstances will be determined by the Board based on the recommendation of the Company's Chief Executive Officer, unless the Board reasonably concludes that the Chief Executive Officer is conflicted in such circumstances. The Chief Executive Officer will make his recommendation to the Board based on his evaluation of the circumstances of the fraud and the extent of any personal culpability which might reasonably be expected to apply to a Non-Fraudulent Party in such circumstances. If the Board is not in agreement with the amount of any repayment proposed by the Chief Executive Officer (or believes that the Chief Executive Officer's decision may be conflicted) the amount of any repayment will be calculated by applying the percentage reduction in ROAE between the Company's financial results for the relevant Award Year as originally filed with the SEC and the Company's financial results for the relevant Award Year as subsequently restated to the scale originally used by the Compensation Committee to determine the bonus pool for the relevant Award





- a.** until a period of five years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 1 above; and
  - b.** until a period of three years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 2 above
- 8.** If the Company, after due inquiry and investigation, determines that (i) the Participant has engaged in fraud, and (ii) a material negative restatement of the Company's financial statements as filed with the United States Securities and Exchange Commission (the "SEC") for any period covered by the vesting period set out in clause 4(a) of the Agreement or any prior year has resulted from that fraud, then:
  - a.** the amount of the award granted to the Participant under this Agreement will be reduced by such proportion as the Company determines, in its sole discretion, would not have been awarded to the Participant had the Company's results as originally reported for the year in question been equal to the Company's results for that year as subsequently restated;
  - b.** any unvested portion of the award granted to the Participant under this Agreement reduced by the Company in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Participant and will no longer vest in accordance with the terms of its grant; and
  - c.** the Participant will be required to pay back to the Company an amount equal to the then current value any portion of the award granted to the Participant under this Agreement which has vested and been distributed to them.
- 9.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that the award was granted or vested.
- 10.** In determining whether the Participant has engaged in fraud which has resulted in a material negative restatement of the Company's financial statements the following rules will apply:
  - a.** The Company will base its analysis on the advice of the Company's auditors or, in the event that either the Company's auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.

- b. If an investigation of possible fraud is carried out against the Participant who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to.
  - c. If an investigation of possible fraud is carried out against the Participant who at the time is no longer an employee of the group, the Company will follow a reasonable process in the investigation of any allegation.
  - d. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
- 11.** Subject to any applicable statute of limitation which applies in relation to any employment of the Participant (which shall be neither extended nor reduced by the terms of this policy) the provisions of this Schedule will apply until a period of five years have passed from the date on which award granted under this Agreement vests and has been distributed to the Participant.
- 12.** The provisions of this Schedule shall be without prejudice to any other rights which the Company or any of its subsidiaries may have against the Participant in the event of fraud including, where relevant, immediate dismissal and forfeiture of all unvested awards.

## **Section 4: EX-10.3 (EXHIBIT 10.3)**



## RESTRICTED SHARE UNIT AWARD AGREEMENT

THIS AWARD AGREEMENT (the "**Agreement**"), is made effective as of this 8th day of February, 2016 between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the "**Company**"), and XXXXX (hereinafter called the "**Participant**"):

### RECITALS:

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2013 Share Incentive Plan (the "**Plan**"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Share Units provided for herein (together, the "**Grant**") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Plan and Defined Terms.** The Grant is made pursuant to the Plan, a copy of which the Participant acknowledges having received. The terms and provisions of the Plan are incorporated into this Agreement by this reference. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. **Award.** Pursuant to the provisions of the Plan, the Committee hereby awards to the Participant, on the date hereof, subject to the terms and conditions of the Plan and subject further to the terms and conditions herein set forth, XXXXX Restricted Share Units.
3. **Terms and Conditions.** The award evidenced by this Agreement is subject to the following terms and conditions:
  - (a) The Participant shall not be entitled to receive payment for the value of Restricted Share Units until vested;
  - (b) The Company shall not issue any certificates representing Restricted Share Units granted to Participants, and the grant of Restricted Share Units to Participants shall not entitle such Participants to any rights of a holder of Shares, including the right to vote; provided, however, that the Participant shall receive Dividend Equivalents in accordance with the provisions of Section 5 of this Agreement; and
  - (c) Restricted Share Units and any interest of the Participant therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of. Any attempt to transfer Restricted Share Units in contravention of this Section 3(c) shall be

void. Restricted Share Units shall not be subject to execution, attachment or other process.

#### **4. Vesting.**

(a) Subject to earlier termination as provided in Sections 4(b) and 4(c), and subject to the Participant's continued Employment, Restricted Share Units shall vest in tranches with one-third vesting on each of month, date, year, month, date, year and month, date, year.

(b) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate for Cause or by the Participant for any reason, all unvested Restricted Share Units shall be forfeited on the date of such termination of employment.

(c) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate without Cause (including as a result of the Participant's death or Disability), all unvested Restricted Share Units shall vest on the date of such termination of employment.

**5. Dividend Equivalents.** If a cash dividend is declared on the Shares, the Participant shall be credited with Dividend Equivalents in an amount equal to the number of Restricted Share Units held by the Participant as of the dividend record date, multiplied by the amount of the cash dividend per Share. Dividend Equivalents shall be denominated in cash and paid in cash if and when the underlying Restricted Share Units vest. Dividend Equivalents denominated in cash shall not accrue interest during the period of restriction.

**6. Payment.** Payment for the value of the Participant's Restricted Share Units shall be made to the Participant (or, in the event of the Participant's death, the Participant's beneficiary, or, in the event that no beneficiary shall have been designated, the Participant's estate) as soon as practicable following the date on which such Restricted Share Units vest, but in no event later than March 15th of the calendar year following the end of the calendar year in which the Restricted Share Units vest. Restricted Share Units shall be paid in Shares, less any Shares withheld in accordance with the provisions of Section 8, with one (1) Share paid for each Unit.

**7. Definitions.** For purposes of this Agreement, the following terms, when capitalized, shall have the meanings set forth below:

(a) "**Disability**" means (i) the Participant's entitlement to long-term disability benefits under the long-term disability plan or policy, as the case may be, of Aspen Insurance UK Services Limited as in effect on the date specified in the notice of termination, or (ii) if no such plan or policy is maintained, the Participant's inability to perform the duties provided for in the Employment Agreement for 180 consecutive days.

(b) "**Dividend Equivalent**" means, with respect to Restricted Share Units, the right to receive an amount equal to cash dividends declared on an equal number of outstanding Shares.

(c) "**Employment Agreement**" means the Participant's employment agreement with Aspen Insurance UK Services Limited, as may be amended from time to time.

(d) "**Restricted Share Units**" means a Share-denominated unit with a value equal to the Fair Market Value of a specified number of Shares that is subject to vesting requirements. Restricted Share Units are bookkeeping units and do not represent ownership of Shares or any other equity security.

(e) "**Share**" means an ordinary share, par value 0.15144558 cents per share, in the capital of the Company.

**8. Vesting into Retirement.** If the Participant is a Qualifying Executive (as defined below) and the Company reasonably believes such Participant is leaving the Company or an Affiliate to enter into Retirement (as defined below) during the term of this Agreement, any outstanding Restricted Share Units held by such Participant at the time of Retirement shall not be forfeited but shall continue to vest in accordance with the criteria described in Section 4 of this Agreement. For avoidance of doubt, pursuant to this Section 8, a Participant that is a Qualifying Executive shall not be subject to any requirements relating to continuous Employment with the Company through the date of vesting of the Restricted Share Units, which shall be deemed waived by the Committee when such Qualifying Executive commences Retirement. Pursuant to this Section 8, the Committee may, in its sole discretion, specify additional criteria which shall apply to the vesting of any Restricted Share Units awarded under this Agreement, including, but not limited to, the Qualifying Executive adhering to reasonable post-termination restrictions; provided, however, that any such additional criteria shall not require the Qualifying Executive to remain an employee of the Company or an Affiliate.

For purposes of Section 8 of this Agreement, the following definitions shall apply:

"**Qualifying Executive**" shall mean an Executive who satisfies one or more of the Service Requirements.

"**Executive**" shall mean a member of the Company's Executive Committee.

"**Service Requirements**" shall mean any of the following: (i) minimum age at Retirement of fifty-five (55) years and minimum years of continuous service with the Company or any Affiliate at Retirement of ten (10) years; (ii) minimum age at Retirement of sixty (60) years and minimum years of continuous service with the Company or any Affiliate at Retirement of eight (8) years; (iii) or minimum age at Retirement of sixty-two (62) years and minimum years of continuous service with the Company or any Affiliate at Retirement of five (5) years.

"**Retirement**" shall mean when a Qualifying Executive voluntarily ceases his or her employment with the Company or an Affiliate in circumstances where the Executive does not plan to seek full or part time employment with another company.

**9. Taxes.** The Company shall make such provisions as are necessary or appropriate for the withholding of all applicable taxes on this Grant, in accordance with Section 4(d) of the Plan. With respect to any minimum statutory tax withholding required upon

vesting or payment of benefits hereunder, the Participant may elect to satisfy all or a portion of such withholding requirement by having the Company withhold Shares.

**10. Regulatory Compliance and Listing.** The issuance or delivery of any certificates representing Shares issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or the NASDAQ system, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to deliver any such Shares to the Participant if either delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority, any national securities exchange or the NASDAQ system, or the Participant shall not yet have complied fully with the provisions of Section 8 hereof.

**11. Bermuda Government Regulations.** No Shares shall be issued pursuant to this Agreement unless and until all licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.

**12. Investment Representations and Related Matters.** The Participant acknowledges and agrees that any sale or distribution of Shares issued pursuant to this Agreement may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has become effective and is current with regard to the Shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, prior to any such sale or distribution. The Participant hereby consents to such action as the Committee or the Company deems necessary or appropriate from time to time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing Shares issued pursuant to this Agreement and delivering stop transfer instructions to the Company's stock transfer agent.

**13. Arbitration.** In the event of any controversy between the Participant and the Company arising out of, or relating to, the Plan or this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. If the parties are unable to agree on the selection of an arbitrator, then either the Participant or the Company may petition the American Arbitration Association for the appointment of the arbitrator, which appointment shall be made within ten (10) days of the petition therefor. Either party to the dispute may institute such arbitration proceeding by giving written notice to the other party. A hearing shall be held by the arbitrator in New York, London or Bermuda as agreed by the parties (or, failing such agreement, in Bermuda) within thirty (30) days of his or her appointment. The decision of the arbitrator shall be final and binding upon the parties and shall be rendered pursuant to a written decision that contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

**14. No Right To Continued Employment.** This Agreement does not confer upon the Participant any right to continued Employment, nor shall it interfere in any way with the right of the Participant's employer to terminate the Participant's Employment at any time for any reason or no reason.

**15. Construction.** The Plan and this Agreement will be construed by and administered under the supervision of the Committee, and all determinations of the Committee will be final and binding on the Participant and the Company.

**16. Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

**17. Failure to Enforce Not a Waiver.** The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

**18. Governing Law.** This Agreement shall be governed by and construed according to the laws of Bermuda, without regard to the conflicts of laws provisions thereof.

**19. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

**20. Claw-Back Policy.** The Claw-Back Policy set out in the Schedule to this Agreement applies to the awards granted under this Agreement.

**21. Miscellaneous.** This Agreement can be changed or terminated only in a writing signed by both parties hereto. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**ASPEN INSURANCE HOLDINGS LIMITED**



**Mike Cain**  
**Group General Counsel**

**NAME:**

**DATE:**

## SCHEDULE

### CLAW BACK POLICY

#### **Aspen Insurance Holdings Limited (the “Company”) – claw-back policy applicable to bonus and LTIP awards**

The 2009 bonus letters issued to members of the Group Executive Committee noted that the Compensation Committee of the Board of the Company had resolved to subject certain bonus and LTIP awards granted to members of the Group Executive Committee to a “claw-back” policy in circumstances where there is a subsequent and material negative restatement of the Company’s published financial results as a result of fraud. This document sets out that policy.

This policy applies to (i) discretionary bonus awards paid to members of the Group Executive Committee for 2009 and subsequent years (an “Annual Bonus”), and (ii) LTIP awards granted to members of the Group Executive Committee in 2010 and subsequent years (an “Annual LTIP Award”) in circumstances where there is a restatement of the Company’s published financial results for the year in relation to which the Annual Bonus was granted, being the year preceding that in which an associated Annual LTIP Award is made (the “Award Year”). This policy applies to all Annual Bonuses and Annual LTIP Awards granted to members of the Group Executive Committee until further notice.

"Fraud," for purposes of this policy, means (a) a willful and intentionally false, misleading, unwarranted or exaggerated statement of material fact, (b) the willful and intentional omission to state a material fact necessary to make statements made, in light of all circumstances under which they were made, not misleading, (c) employing a device, scheme or artifice to with deliberate intent to defraud or deceive, or (d) willfully and intentionally engaging in any act, practice or course of dealing that operates or would operate as a fraud or deceit.

#### **Under this policy:**

- 1.** If the Board, after due inquiry and investigation, determines that (i) a member of the Group Executive Committee has engaged in fraud (the “Fraudulent Party”), and (ii) a material negative restatement of the Company’s financial statements as filed with the United States Securities and Exchange Commission (the “SEC”) for the relevant Award Year resulted from that fraud:
  - a.** the Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines, in its sole discretion, would not have been paid to them had the Company’s results as reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated; and

- b.** the amount of the Annual LTIP Award granted to the Fraudulent Party in the year immediately following the relevant Award Year will be reduced by such proportion as the Board determines, in its sole discretion, would not have been awarded to the Fraudulent Party had the Company's results as originally reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. Any unvested portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Fraudulent Party and will no longer vest in accordance with the terms of its grant.

The Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph which has vested and been distributed to them.

- 2.** If the Board, after due inquiry and investigation, determines that (i) fraud has taken place by someone at the Company (ii) a material negative restatement of the Company's financial statements as filed with the SEC for the relevant Award Year resulted from that fraud, and (iii) that a member of the Group Executive Committee (the "Non-Fraudulent Party") did not personally perpetrate the fraud, but either had actual knowledge of the fraud or could reasonably have been expected to have had such knowledge based on their position within the Company, their oversight responsibilities, the information actually made available to them and all applicable regulatory and ethical considerations (including the application of internal ethical walls):

- a.** the Non-Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines would not have been paid to them had the Company's results as reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. The determination of the amount of any repayment due from a Non-Fraudulent Party in these circumstances will be determined by the Board based on the recommendation of the Company's Chief Executive Officer, unless the Board reasonably concludes that the Chief Executive Officer is conflicted in such circumstances. The Chief Executive Officer will make his recommendation to the Board based on his evaluation of the circumstances of the fraud and the extent of any personal culpability which might reasonably be expected to apply to a Non-Fraudulent Party in such circumstances. If the Board is not in agreement with the amount of any repayment proposed by the Chief Executive Officer (or believes that the Chief Executive Officer's decision may be conflicted) the amount of any repayment will be calculated by applying the percentage reduction in ROAE between the Company's financial results for the relevant Award Year as originally filed with the SEC and the Company's financial results for the relevant Award Year as subsequently restated to the scale originally used by the Compensation Committee to determine



the bonus pool for the relevant Award Year. Any resulting reduction in the percentage of the available bonus pool for the relevant Award Year will then be applied to the Annual Bonus paid to the Non-Fraudulent Party for that year and the Non-Fraudulent Party will be required to pay back the resulting difference. If this calculation results in a determination that there would have been no automatic funding of the bonus pool for the Award Year in question, the Board will determine in its sole discretion the level of any bonus that would have been paid to a Non-Fraudulent Party for that Award Year and the amount of any repayment due under this policy as a result.

- b.** the amount of any Annual LTIP Award granted to a Non-Fraudulent Party in the year following the relevant Award Year will be reduced by the proportional reduction in ROAE determined in accordance with paragraph 2 (a) above. Any unvested portion of an Annual LTIP Award reduced in accordance with this paragraph (whether “banked” or otherwise) will be forfeited by the Non-Fraudulent Party and will no longer vest in accordance with the terms of its grant. The Non-Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced in accordance with this paragraph which has vested and been distributed to them.
- 3.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that any Annual Bonus was made or any Annual LTIP Award was granted or vested.
- 4.** In determining whether someone at the Company has engaged in fraud which has resulted in a material negative restatement of the Company’s financial statements the Board will apply the following rules:
  - a.** The Board will base its analysis on the advice of the Company’s auditors or, in the event that either the Company’s auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.
  - b.** In the event that a change of control of the Aspen Group has occurred between the date on which the alleged fraud was perpetrated and the date of the Board’s review, the Board will not reach a determination that fraud has occurred for the purposes of this policy unless this is the conclusion of the Company’s auditors or other, suitably qualified, professional advisors.
  - c.** If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to. As a minimum, this will include observance of their rights to



- a.** until a period of five years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 1 above; and
  - b.** until a period of three years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 2 above
- 8.** If the Company, after due inquiry and investigation, determines that **(i)** the Participant has engaged in fraud, and **(ii)** a material negative restatement of the Company's financial statements as filed with the United States Securities and Exchange Commission (the "SEC") for any period covered by the vesting period set out in clause 4(a) of the Agreement or any prior year has resulted from that fraud, then:
  - a.** the amount of the award granted to the Participant under this Agreement will be reduced by such proportion as the Company determines, in its sole discretion, would not have been awarded to the Participant had the Company's results as originally reported for the year in question been equal to the Company's results for that year as subsequently restated;
  - b.** any unvested portion of the award granted to the Participant under this Agreement reduced by the Company in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Participant and will no longer vest in accordance with the terms of its grant; and
  - c.** the Participant will be required to pay back to the Company an amount equal to the then current value any portion of the award granted to the Participant under this Agreement which has vested and been distributed to them.
- 9.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that the award was granted or vested.
- 10.** In determining whether the Participant has engaged in fraud which has resulted in a material negative restatement of the Company's financial statements the following rules will apply:
  - a.** The Company will base its analysis on the advice of the Company's auditors or, in the event that either the Company's auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.

- b. If an investigation of possible fraud is carried out against the Participant who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to.
  - c. If an investigation of possible fraud is carried out against the Participant who at the time is no longer an employee of the group, the Company will follow a reasonable process in the investigation of any allegation.
  - d. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
11. Subject to any applicable statute of limitation which applies in relation to any employment of the Participant (which shall be neither extended nor reduced by the terms of this policy) the provisions of this Schedule will apply until a period of five years have passed from the date on which award granted under this Agreement vests and has been distributed to the Participant.
12. The provisions of this Schedule shall be without prejudice to any other rights which the Company or any of its subsidiaries may have against the Participant in the event of fraud including, where relevant, immediate dismissal and forfeiture of all unvested awards.

## **Section 5: EX-10.4 (EXHIBIT 10.4)**

THIS RESTRICTED SHARE UNIT AWARD AGREEMENT (the “**Agreement**”), is made effective as of **MONTH DAY YYYY**, between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the “**Company**”), and XXXXX (hereinafter called the “**Participant**”):

**RECITALS:**

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2013 Share Incentive Plan (the “**Plan**”); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Share Units (as defined below) provided for herein (together, the “**Grant**”) to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

**1. Plan and Defined Terms.** The Grant is made pursuant to the Plan, a copy of which the Participant acknowledges having received. The terms and provisions of the Plan are incorporated into this Agreement by this reference. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.

**2. Award.** Pursuant to the provisions of the Plan, the Committee hereby awards to the Participant, on the date hereof, subject to the terms and conditions of the Plan and subject further to the terms and conditions herein set forth, XXXXX Restricted Share Units.

**3. Terms and Conditions.** The award evidenced by this Agreement is subject to the following terms and conditions:

(a) The Participant shall not be entitled to receive payment for the value of Restricted Share Units until vested;

(b) The Company shall not issue any certificates representing Restricted Share Units granted to Participants, and the grant of Restricted Share Units to Participants shall not entitle such Participants to any rights of a holder of Shares, including the right to vote; provided, however, that the Participant shall receive Dividend Equivalents in accordance with the provisions of Section 5 of this Agreement; and

(c) Restricted Share Units and any interest of the Participant therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of. Any attempt to transfer Restricted Share Units in contravention of this Section 3(c) shall be void. Restricted Share Units shall not be subject to execution, attachment or other process.

#### **4. Vesting.**

(a) Subject to earlier termination as provided in Sections 4(b) and 4(c), and subject to the Participant's continued Employment, Restricted Share Units shall vest in tranches with one-third vesting on each of month, date, year, month, date, year and month, date, year.

(b) Subject to the terms of the Participant's employment agreement with the Company, or any of its Affiliates (which, if applicable, shall supersede this provision), if the Participant's employment with the Company or one of its Affiliates is terminated for any reason other than as a result of the Participant's Death or Disability, all unvested Restricted Share Units shall be forfeited on the date of such termination of employment.

(c) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate as a result of the Participant's death or Disability, all unvested Restricted Share Units shall vest on the date of such termination of employment.

**5. Dividend Equivalents.** If a cash dividend is declared on the Shares, the Participant shall be credited with Dividend Equivalents in an amount equal to the number of Restricted Share Units held by the Participant as of the dividend record date, multiplied by the amount of the cash dividend per Share. Dividend Equivalents shall be denominated in cash and paid in cash if and when the underlying Restricted Share Units vest. Dividend Equivalents denominated in cash shall not accrue interest during the period of restriction.

**6. Payment.** Payment for the value of the Participant's Restricted Share Units shall be made to the Participant (or, in the event of the Participant's death, the Participant's beneficiary, or, in the event that no beneficiary shall have been designated, the Participant's estate) as soon as practicable following the date on which such Restricted Share Units vest, but in no event later than March 15th of the calendar year following the end of the calendar year in which the Restricted Share Units vest. Restricted Share Units shall be paid in Shares, less any Shares withheld in accordance with the provisions of Section 9, with one (1) Share paid for each Restricted Share Unit.

**7. Definitions.** For purposes of this Agreement, the following terms, when capitalized, shall have the meanings set forth below:

(a) "**Disability**" means (i) the Participant's entitlement to long-term disability benefits under the long-term disability plan or policy, as the case may be, of Aspen Insurance U.S. Services Inc. as in effect on the date specified in the notice of termination, or (ii) if no such plan or policy is maintained, the Participant's inability to perform the duties provided for in the Employment Agreement for 180 consecutive days.

(b) “**Dividend Equivalent**” means, with respect to Restricted Share Units, the right to receive an amount equal to cash dividends declared on an equal number of outstanding Shares.

(c) “**Employment Agreement**” means the Participant's employment agreement with Aspen Insurance U.S Services Inc., as may be amended from time to time.

(d) “**Restricted Share Units**” means a Share-denominated unit with a value equal to the Fair Market Value of a specified number of Shares that is subject to vesting requirements. Restricted Share Units are bookkeeping units and do not represent ownership of Shares or any other equity security.

(e) “**Share**” means an ordinary share, par value 0.15144558 cents per share, in the capital of the Company.

**8. Vesting into Retirement.** If the Participant is a Qualifying Executive (as defined below) and the Company reasonably believes such Participant is leaving the Company or an Affiliate to enter into Retirement (as defined below) during the term of this Agreement, any outstanding Restricted Share Units held by such Participant at the time of Retirement shall not be forfeited but shall continue to vest in accordance with the criteria described in Section 4 of this Agreement. For avoidance of doubt, pursuant to this Section 8, a Participant that is a Qualifying Executive shall not be subject to any requirements relating to continuous Employment with the Company through the date of vesting of the Restricted Share Units, which shall be deemed waived by the Committee when such Qualifying Executive commences Retirement. Pursuant to this Section 8, the Committee may, in its sole discretion, specify additional criteria which shall apply to the vesting of any Restricted Share Units awarded under this Agreement, including, but not limited to, the Qualifying Executive adhering to reasonable post-termination restrictions; provided, however, that any such additional criteria shall not require the Qualifying Executive to remain an employee of the Company or an Affiliate.

For purposes of Section 8 of this Agreement, the following definitions shall apply:

“**Qualifying Executive**” shall mean an Executive who satisfies one or more of the Service Requirements.

“**Executive**” shall mean a member of the Company’s Executive Committee.

“**Service Requirements**” shall mean any of the following: (i) minimum age at Retirement of fifty-five (55) years and minimum years of continuous service with the Company or any Affiliate at Retirement of ten (10) years; (ii) minimum age at Retirement of sixty (60) years and minimum years of continuous service with the Company or any Affiliate at Retirement of eight (8) years; (iii) or minimum age at Retirement of sixty-two (62) years and minimum years of continuous service with the Company or any Affiliate at Retirement of five (5) years.

“**Retirement**” shall mean when a Qualifying Executive voluntarily ceases his or her employment with the Company or an Affiliate in circumstances where the Executive does not plan to seek full or part time employment with another company.

**9. Taxes.** The Company shall make such provisions as are necessary or appropriate for the withholding of all applicable taxes on this Grant, in accordance with Section 4(d) of the Plan. With respect to any minimum statutory tax withholding required upon vesting or payment of benefits hereunder, the Participant may elect to satisfy all or a portion of such withholding requirement by having the Company withhold Shares.

**10. Regulatory Compliance and Listing.** The issuance or delivery of any certificates representing Shares issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or the NASDAQ system, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to deliver any such Shares to the Participant if either delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority, any national securities exchange or the NASDAQ system, or the Participant shall not yet have complied fully with the provisions of Section 9 hereof.

**11. Bermuda Government Regulations.** No Shares shall be issued pursuant to this Agreement unless and until all licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.

**12. Investment Representations and Related Matters.** The Participant acknowledges and agrees that any sale or distribution of Shares issued pursuant to this Agreement may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has become effective and is current with regard to the Shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, prior to any such sale or distribution. The Participant hereby consents to such action as the Committee or the Company deems necessary or appropriate from time to time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing Shares issued pursuant to this Agreement and delivering stop transfer instructions to the Company's stock transfer agent.

**13. Arbitration.** In the event of any controversy between the Participant and the Company arising out of, or relating to, the Plan or this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. If the parties are unable to agree on the selection of an arbitrator, then either the Participant or the Company may



petition the American Arbitration Association for the appointment of the arbitrator, which appointment shall be made within ten (10) days of the petition therefor. Either party to the dispute may institute such arbitration proceeding by giving written notice to the other party. A hearing shall be held by the arbitrator in New York, London or Bermuda as agreed by the parties (or, failing such agreement, in Bermuda) within thirty (30) days of his or her appointment. The decision of the arbitrator shall be final and binding upon the parties and shall be rendered pursuant to a written decision that contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

**14. No Right To Continued Employment.** This Agreement does not confer upon the Participant any right to continued Employment, nor shall it interfere in any way with the right of the Participant's employer to terminate the Participant's Employment at any time for any reason or no reason.

**15. Construction.** The Plan and this Agreement will be construed by and administered under the supervision of the Committee, and all determinations of the Committee will be final and binding on the Participant and the Company.

**16. Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

**17. Failure to Enforce Not a Waiver.** The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

**18. Governing Law.** This Agreement shall be governed by and construed according to the laws of Bermuda, without regard to the conflicts of laws provisions thereof.

**19. Claw-Back Policy.** The Claw-Back Policy set out in the Schedule to this Agreement applies to the awards granted under this Agreement.

**20. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

**21. Miscellaneous.** This Agreement can be changed or terminated only in a writing signed by both parties hereto. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**ASPEN INSURANCE HOLDINGS LIMITED**



**Mike Cain**  
**Group General Counsel**

**NAME**

**DATE:**

**SCHEDULE**  
**CLAW BACK POLICY**

**Aspen Insurance Holdings Limited (the “Company”) – claw-back policy applicable to bonus and LTIP awards**

The 2009 bonus letters issued to members of the Group Executive Committee noted that the Compensation Committee of the Board of the Company had resolved to subject certain bonus and LTIP awards granted to members of the Group Executive Committee to a “claw-back” policy in circumstances where there is a subsequent and material negative restatement of the Company’s published financial results as a result of fraud. This document sets out that policy.

This policy applies to (i) discretionary bonus awards paid to members of the Group Executive Committee for 2009 and subsequent years (an “Annual Bonus”), and (ii) LTIP awards granted to members of the Group Executive Committee in 2010 and subsequent years (an “Annual LTIP Award”) in circumstances where there is a restatement of the Company’s published financial results for the year in relation to which the Annual Bonus was granted, being the year preceding that in which an associated Annual LTIP Award is made (the “Award Year”). This policy applies to all Annual Bonuses and Annual LTIP Awards granted to members of the Group Executive Committee until further notice.

"Fraud," for purposes of this policy, means (a) a willful and intentionally false, misleading, unwarranted or exaggerated statement of material fact, (b) the willful and intentional omission to state a material fact necessary to make statements made, in light of all circumstances under which they were made, not misleading, (c) employing a device, scheme or artifice to with deliberate intent to defraud or deceive, or (d) willfully and intentionally engaging in any act, practice or course of dealing that operates or would operate as a fraud or deceit.

**Under this policy:**

- 1.** If the Board, after due inquiry and investigation, determines that **(i)** a member of the Group Executive Committee has engaged in fraud (the “Fraudulent Party”), and **(ii)** a material negative restatement of the Company’s financial statements as filed with the United States Securities and Exchange Commission (the “SEC”) for the relevant Award Year resulted from that fraud:
  - a.** the Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines, in its sole discretion, would not have been paid to them had the Company’s results as reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated; and

- b.** the amount of the Annual LTIP Award granted to the Fraudulent Party in the year immediately following the relevant Award Year will be reduced by such proportion as the Board determines, in its sole discretion, would not have been awarded to the Fraudulent Party had the Company's results as originally reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. Any unvested portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Fraudulent Party and will no longer vest in accordance with the terms of its grant.

The Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph which has vested and been distributed to them.

- 2.** If the Board, after due inquiry and investigation, determines that (i) fraud has taken place by someone at the Company (ii) a material negative restatement of the Company's financial statements as filed with the SEC for the relevant Award Year resulted from that fraud, and (iii) that a member of the Group Executive Committee (the "Non-Fraudulent Party") did not personally perpetrate the fraud, but either had actual knowledge of the fraud or could reasonably have been expected to have had such knowledge based on their position within the Company, their oversight responsibilities, the information actually made available to them and all applicable regulatory and ethical considerations (including the application of internal ethical walls):

  - a.** the Non-Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines would not have been paid to them had the Company's results as reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. The determination of the amount of any repayment due from a Non-Fraudulent Party in these circumstances will be determined by the Board based on the recommendation of the Company's Chief Executive Officer, unless the Board reasonably concludes that the Chief Executive Officer is conflicted in such circumstances. The Chief Executive Officer will make his recommendation to the Board based on his evaluation of the circumstances of the fraud and the extent of any personal culpability which might reasonably be expected to apply to a Non-Fraudulent Party in such circumstances. If the Board is not in agreement with the amount of any repayment proposed by the Chief Executive Officer (or believes that the Chief Executive Officer's decision may be conflicted) the amount of any repayment will be calculated by applying the percentage reduction in ROAE between the Company's financial results for the relevant Award Year as originally filed with the SEC

and the Company's financial results financial results for the relevant Award Year as subsequently restated to the scale originally used by the Compensation Committee to determine the bonus pool for the relevant Award Year. Any resulting reduction in the percentage of the available bonus pool for the relevant Award Year will then be applied to the Annual Bonus paid to the Non-Fraudulent Party for that year and the Non-Fraudulent Party will be required to pay back the resulting difference. If this calculation results in a determination that there would have been no automatic funding of the bonus pool for the Award Year in question, the Board will determine in its sole discretion the level of any bonus that would have been paid to a Non-Fraudulent Party for that Award Year and the amount of any repayment due under this policy as a result.

- b.** the amount of any Annual LTIP Award granted to a Non-Fraudulent Party in the year following the relevant Award Year will be reduced by the proportional reduction in ROAE determined in accordance with paragraph 2 (a) above. Any unvested portion of an Annual LTIP Award reduced in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Non-Fraudulent Party and will no longer vest in accordance with the terms of its grant. The Non-Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced in accordance with this paragraph which has vested and been distributed to them.
- 3.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that any Annual Bonus was made or any Annual LTIP Award was granted or vested.
- 4.** In determining whether someone at the Company has engaged in fraud which has resulted in a material negative restatement of the Company's financial statements the Board will apply the following rules:
  - a.** The Board will base its analysis on the advice of the Company's auditors or, in the event that either the Company's auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.
  - b.** In the event that a change of control of the Aspen Group has occurred between the date on which the alleged fraud was perpetrated and the date of the Board's review, the Board will not reach a determination that fraud has occurred for the purposes of this policy unless this is the conclusion of the Company's auditors or other, suitably qualified, professional advisors.

- c. If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to. As a minimum, this will include observance of their rights to understand the nature of any allegation made against them, to challenge those allegations, to have free access for them and any counsel acting on their behalf to all relevant, non-privileged documentation on which any such allegation is based, to make reasonable requests for access to additional documents and records which they believe may assist in their defence and to make their case to an officer of the Company appointed by the Board.
  - d. If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time is no longer an employee of the Group, the Board will follow a reasonable process in the investigation of any allegation. As a minimum, where relevant, this will include observance of their rights to understand the nature of any allegation made against them, to challenge those allegations, to have free access for them and any counsel acting on their behalf to all relevant, non-privileged documentation on which any such allegation is based and to make reasonable requests for access to additional documents and records which they believe may assist in their defence.
  - e. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
5. If a member of the Group Executive Committee dies in the period in which this policy is operative the provisions of paragraph 2 above will cease to apply to them. Subject to this, however, the policy shall continue to apply to a member of the Group Executive Committee notwithstanding their departure, resignation or retirement from the Company for whatever reason.
6. For the avoidance of doubt, no repayment shall arise under this policy where there is a restatement of the Company's financial statements filed with the SEC, but no instance of fraud or intentional misconduct giving rise to fraud which causes, or substantially causes, that restatement. This statement shall, however, be without prejudice to any other rights which the Company or any of its subsidiaries may have against any person in such circumstances.

7. Subject to any applicable statute of limitation which applies in relation to any employment of a member of the Group Executive Committee (which shall be neither extended nor reduced by the terms of this policy) this policy will apply to members of the Group Executive Committee for the following periods:
  - a. until a period of five years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 1 above; and
  - b. until a period of three years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 2 above
8. If the Company, after due inquiry and investigation, determines that (i) the Participant has engaged in fraud, and (ii) a material negative restatement of the Company's financial statements as filed with the United States Securities and Exchange Commission (the "SEC") for any period covered by the vesting period set out in clause 4(a) of the Agreement or any prior year has resulted from that fraud, then:
  - a. the amount of the award granted to the Participant under this Agreement will be reduced by such proportion as the Company determines, in its sole discretion, would not have been awarded to the Participant had the Company's results as originally reported for the year in question been equal to the Company's results for that year as subsequently restated;
  - b. any unvested portion of the award granted to the Participant under this Agreement reduced by the Company in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Participant and will no longer vest in accordance with the terms of its grant; and
  - c. the Participant will be required to pay back to the Company an amount equal to the then current value any portion of the award granted to the Participant under this Agreement which has vested and been distributed to them.
9. Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that the award was granted or vested.
10. In determining whether the Participant has engaged in fraud which has resulted in a material negative restatement of the Company's financial statements the following rules will apply:
  - a. The Company will base its analysis on the advice of the Company's auditors or, in the event that either the Company's auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict

or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.

- b. If an investigation of possible fraud is carried out against the Participant who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to.
  - c. If an investigation of possible fraud is carried out against the Participant who at the time is no longer an employee of the group, the Company will follow a reasonable process in the investigation of any allegation.
  - d. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
11. Subject to any applicable statute of limitation which applies in relation to any employment of the Participant (which shall be neither extended nor reduced by the terms of this policy) the provisions of this Schedule will apply until a period of five years have passed from the date on which award granted under this Agreement vests and has been distributed to the Participant.
12. The provisions of this Schedule shall be without prejudice to any other rights which the Company or any of its subsidiaries may have against the Participant in the event of fraud including, where relevant, immediate dismissal and forfeiture of all unvested awards.

## **Section 6: EX-10.5 (EXHIBIT 10.5)**

**Exhibit 10.5**

**ASPEN INSURANCE HOLDINGS LIMITED**

**LTIP RESTRICTED SHARE UNIT AWARD AGREEMENT**

THIS RESTRICTED SHARE UNIT AWARD AGREEMENT (the "**Agreement**"), is made effective as of the 8th day of February, 2016 between Aspen Insurance Holdings Limited, a Bermuda corporation (hereinafter called the "**Company**"), and



XXXXX (hereinafter called the “**Participant**”):

**R E C I T A L S:**

WHEREAS, the Company has adopted the Aspen Insurance Holdings Limited 2013 Share Incentive Plan (the “**Plan**”); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Share Units (as defined below) provided for herein (together, the “**Grant**”) to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Plan and Defined Terms.** The Grant is made pursuant to the Plan, a copy of which the Participant acknowledges having received. The terms and provisions of the Plan are incorporated into this Agreement by this reference. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. **Award.** Pursuant to the provisions of the Plan, the Committee hereby awards to the Participant, on the date hereof, subject to the terms and conditions of the Plan and subject further to the terms and conditions herein set forth, XXXXX Restricted Share Units.
3. **Terms and Conditions.** The award evidenced by this Agreement is subject to the following terms and conditions:
  - (a) The Participant shall not be entitled to receive payment for the value of Restricted Share Units until vested;
  - (b) The Company shall not issue any certificates representing Restricted Share Units granted to Participants, and the grant of Restricted Share Units to Participants shall not entitle such Participants to any rights of a holder of Shares, including the right to vote; provided, however, that the Participant shall receive Dividend Equivalents in accordance with the provisions of Section 5 of this Agreement; and

(c) Restricted Share Units and any interest of the Participant therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of. Any attempt to transfer Restricted Share Units in contravention of this Section 3(c) shall be void. Restricted Share Units shall not be subject to execution, attachment or other process.

#### 4. **Vesting.**

(a) Subject to earlier termination as provided in Sections 4(b) and 4(c), and subject to the Participant's continued Employment, Restricted Share Units shall vest in tranches with one-third vesting on each of month, date, year, month, date, year and month, date, year.

(b) Subject to the terms of the Participant's employment agreement with the Company, or any of its Affiliates (which, if applicable, shall supersede this provision), if the Participant's employment with the Company or one of its Affiliates is terminated for any reason other than as a result of the Participant's Death or Disability, all unvested Restricted Share Units shall be forfeited on the date of such termination of employment.

(c) If the Participant's employment with the Company or one of its Affiliates is terminated by the Company or an Affiliate as a result of the Participant's death or Disability, all unvested Restricted Share Units shall vest on the date of such termination of employment.

5. **Dividend Equivalents.** If a cash dividend is declared on the Shares, the Participant shall be credited with Dividend Equivalents in an amount equal to the number of Restricted Share Units held by the Participant as of the dividend record date, multiplied by the amount of the cash dividend per Share. Dividend Equivalents shall be denominated in cash and paid in cash if and when the underlying Restricted Share Units vest. Dividend Equivalents denominated in cash shall not accrue interest during the period of restriction.

6. **Payment.** Payment for the value of the Participant's Restricted Share Units shall be made to the Participant (or, in the event of the Participant's death, the Participant's beneficiary, or, in the event that no beneficiary shall have been designated, the Participant's estate) as soon as practicable following the date on which such Restricted Share Units vest, but in no event later than March 15th of the calendar year following the end of the calendar year in which the Restricted Share Units vest. Restricted Share Units shall be paid in Shares, less any Shares withheld in accordance with the provisions of Section 9, with one (1) Share paid for each Restricted Share Unit.

7. **Definitions.** For purposes of this Agreement, the following terms, when capitalized, shall have the meanings set forth below:

(a) "**Disability**" means (i) the Participant's entitlement to long-term disability benefits under the long-term disability plan or policy, as the case may be, of Aspen Insurance UK Services Limited as in effect on the date specified in the notice of termination, or (ii) if no such plan or policy is maintained, the Participant's inability to perform the duties provided for in the Employment Agreement for 180 consecutive days.

(b) “**Dividend Equivalent**” means, with respect to Restricted Share Units, the right to receive an amount equal to cash dividends declared on an equal number of outstanding Shares.

(c) “**Employment Agreement**” means the Participant's employment agreement with Aspen Insurance UK Services Limited, as may be amended from time to time.

(d) “**Restricted Share Units**” means a Share-denominated unit with a value equal to the Fair Market Value of a specified number of Shares that is subject to vesting requirements. Restricted Share Units are bookkeeping units and do not represent ownership of Shares or any other equity security.

(e) “**Share**” means an ordinary share, par value 0.15144558 cents per share, in the capital of the Company.

**8. Vesting into Retirement.** If the Participant is a Qualifying Executive (as defined below) and the Company reasonably believes such Participant is leaving the Company or an Affiliate to enter into Retirement (as defined below) during the term of this Agreement, any outstanding Restricted Share Units held by such Participant at the time of Retirement shall not be forfeited but shall continue to vest in accordance with the criteria described in Section 4 of this Agreement. For avoidance of doubt, pursuant to this Section 8, a Participant that is a Qualifying Executive shall not be subject to any requirements relating to continuous Employment with the Company through the date of vesting of the Restricted Share Units, which shall be deemed waived by the Committee when such Qualifying Executive commences Retirement. Pursuant to this Section 8, the Committee may, in its sole discretion, specify additional criteria which shall apply to the vesting of any Restricted Share Units awarded under this Agreement, including, but not limited to, the Qualifying Executive adhering to reasonable post-termination restrictions; provided, however, that any such additional criteria shall not require the Qualifying Executive to remain an employee of the Company or an Affiliate.

For purposes of Section 8 of this Agreement, the following definitions shall apply:

“**Qualifying Executive**” shall mean an Executive who satisfies one or more of the Service Requirements.

“**Executive**” shall mean a member of the Company’s Executive Committee.

“**Service Requirements**” shall mean any of the following: (i) minimum age at Retirement of fifty-five (55) years and minimum years of continuous service with the Company or any Affiliate at Retirement of ten (10) years; (ii) minimum age at Retirement of sixty (60) years and minimum years of continuous service with the Company or any Affiliate at Retirement of eight (8) years; (iii) or minimum age at Retirement of sixty-two (62) years and minimum years of continuous service with the Company or any Affiliate at Retirement of five (5) years.

“**Retirement**” shall mean when a Qualifying Executive voluntarily ceases his or her employment with the Company or an Affiliate in circumstances where the Executive does not plan to seek full or part time employment with another company.

**9. Taxes.** The Company shall make such provisions as are necessary or appropriate for the withholding of all applicable taxes on this Grant, in accordance with Section 4(d) of the Plan. With respect to any minimum statutory tax withholding required upon vesting or payment of benefits hereunder, the Participant may elect to satisfy all or a portion of such withholding requirement by having the Company withhold Shares.

**10. Regulatory Compliance and Listing.** The issuance or delivery of any certificates representing Shares issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or the NASDAQ system, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to deliver any such Shares to the Participant if either delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority, any national securities exchange or the NASDAQ system, or the Participant shall not yet have complied fully with the provisions of Section 9 hereof.

**11. Bermuda Government Regulations.** No Shares shall be issued pursuant to this Agreement unless and until all licenses, permissions and authorizations required to be granted by the Government of Bermuda, or by any authority or agency thereof, shall have been duly received.

**12. Investment Representations and Related Matters.** The Participant acknowledges and agrees that any sale or distribution of Shares issued pursuant to this Agreement may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has become effective and is current with regard to the Shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, prior to any such sale or distribution. The Participant hereby consents to such action as the Committee or the Company deems necessary or appropriate from time to time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing Shares issued pursuant to this Agreement and delivering stop transfer instructions to the Company's stock transfer agent.

**13. Arbitration.** In the event of any controversy between the Participant and the Company arising out of, or relating to, the Plan or this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. If the parties are unable to agree on the selection of an arbitrator, then either the Participant or the Company may petition the American Arbitration Association for the appointment of the arbitrator, which appointment shall be made within ten (10) days of the petition therefor. Either party to the dispute may institute such arbitration proceeding by giving written notice to the other party. A hearing shall be held by the arbitrator in New York, London or Bermuda as agreed by the parties (or, failing such agreement, in Bermuda) within

thirty (30) days of his or her appointment. The decision of the arbitrator shall be final and binding upon the parties and shall be rendered pursuant to a written decision that contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

**14. No Right To Continued Employment.** This Agreement does not confer upon the Participant any right to continued Employment, nor shall it interfere in any way with the right of the Participant's employer to terminate the Participant's Employment at any time for any reason or no reason.

**15. Construction.** The Plan and this Agreement will be construed by and administered under the supervision of the Committee, and all determinations of the Committee will be final and binding on the Participant and the Company.

**16. Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

**17. Failure to Enforce Not a Waiver.** The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

**18. Governing Law.** This Agreement shall be governed by and construed according to the laws of Bermuda, without regard to the conflicts of laws provisions thereof.

**19. Claw-Back Policy.** The Claw-Back Policy set out in the Schedule to this Agreement applies to the awards granted under this Agreement.

**20. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

**21. Miscellaneous.** This Agreement can be changed or terminated only in a writing signed by both parties hereto. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**ASPEN INSURANCE HOLDINGS LIMITED**



**Mike Cain**  
**Group General Counsel**

**NAME:**

**DATE:**

## SCHEDULE

### CLAW BACK POLICY

#### **Aspen Insurance Holdings Limited (the “Company”) – claw-back policy applicable to bonus and LTIP awards**

The 2009 bonus letters issued to members of the Group Executive Committee noted that the Compensation Committee of the Board of the Company had resolved to subject certain bonus and LTIP awards granted to members of the Group Executive Committee to a “claw-back” policy in circumstances where there is a subsequent and material negative restatement of the Company’s published financial results as a result of fraud. This document sets out that policy.

This policy applies to (i) discretionary bonus awards paid to members of the Group Executive Committee for 2009 and subsequent years (an “Annual Bonus”), and (ii) LTIP awards granted to members of the Group Executive Committee in 2010 and subsequent years (an “Annual LTIP Award”) in circumstances where there is a restatement of the Company’s published financial results for the year in relation to which the Annual Bonus was granted, being the year preceding that in which an associated Annual LTIP Award is made (the “Award Year”). This policy applies to all Annual Bonuses and Annual LTIP Awards granted to members of the Group Executive Committee until further notice.

"Fraud," for purposes of this policy, means (a) a willful and intentionally false, misleading, unwarranted or exaggerated statement of material fact, (b) the willful and intentional omission to state a material fact necessary to make statements made, in light of all circumstances under which they were made, not misleading, (c) employing a device, scheme or artifice to with deliberate intent to defraud or deceive, or (d) willfully and intentionally engaging in any act, practice or course of dealing that operates or would operate as a fraud or deceit.

#### **Under this policy:**

- 1.** If the Board, after due inquiry and investigation, determines that **(i)** a member of the Group Executive Committee has engaged in fraud (the “Fraudulent Party”), and **(ii)** a material negative restatement of the Company’s financial statements as filed with the United States Securities and Exchange Commission (the “SEC”) for the relevant Award Year resulted from that fraud:
  - a.** the Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines, in its sole discretion, would not have been paid to them had the Company’s results as reported for that Award Year been equal to the Company’s results for that Award Year as subsequently restated; and

- b.** the amount of the Annual LTIP Award granted to the Fraudulent Party in the year immediately following the relevant Award Year will be reduced by such proportion as the Board determines, in its sole discretion, would not have been awarded to the Fraudulent Party had the Company's results as originally reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. Any unvested portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Fraudulent Party and will no longer vest in accordance with the terms of its grant.

The Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced by the Board in accordance with this paragraph which has vested and been distributed to them.

- 2.** If the Board, after due inquiry and investigation, determines that **(i)** fraud has taken place by someone at the Company **(ii)** a material negative restatement of the Company's financial statements as filed with the SEC for the relevant Award Year resulted from that fraud, and **(iii)** that a member of the Group Executive Committee (the "Non-Fraudulent Party") did not personally perpetrate the fraud, but either had actual knowledge of the fraud or could reasonably have been expected to have had such knowledge based on their position within the Company, their oversight responsibilities, the information actually made available to them and all applicable regulatory and ethical considerations (including the application of internal ethical walls):

- a.** the Non-Fraudulent Party will promptly reimburse to the Company a sum equal to such amount of the Annual Bonus paid to them for that Award Year as the Board determines would not have been paid to them had the Company's results as reported for that Award Year been equal to the Company's results for that Award Year as subsequently restated. The determination of the amount of any repayment due from a Non-Fraudulent Party in these circumstances will be determined by the Board based on the recommendation of the Company's Chief Executive Officer, unless the Board reasonably concludes that the Chief Executive Officer is conflicted in such circumstances. The Chief Executive Officer will make his recommendation to the Board based on his evaluation of the circumstances of the fraud and the extent of any personal culpability which might reasonably be expected to apply to a Non-Fraudulent Party in such circumstances. If the Board is not in agreement with the amount of any repayment proposed by the Chief Executive Officer (or believes that the Chief Executive Officer's decision may be conflicted) the amount of any repayment will be calculated by applying the percentage reduction in ROAE between the Company's financial results for the relevant Award Year as originally filed with the SEC and the Company's financial results for the relevant Award Year as subsequently restated to



the scale originally used by the Compensation Committee to determine the bonus pool for the relevant Award Year. Any resulting reduction in the percentage of the available bonus pool for the relevant Award Year will then be applied to the Annual Bonus paid to the Non-Fraudulent Party for that year and the Non-Fraudulent Party will be required to pay back the resulting difference. If this calculation results in a determination that there would have been no automatic funding of the bonus pool for the Award Year in question, the Board will determine in its sole discretion the level of any bonus that would have been paid to a Non-Fraudulent Party for that Award Year and the amount of any repayment due under this policy as a result.

- b.** the amount of any Annual LTIP Award granted to a Non-Fraudulent Party in the year following the relevant Award Year will be reduced by the proportional reduction in ROAE determined in accordance with paragraph 2 (a) above. Any unvested portion of an Annual LTIP Award reduced in accordance with this paragraph (whether “banked” or otherwise) will be forfeited by the Non-Fraudulent Party and will no longer vest in accordance with the terms of its grant. The Non-Fraudulent Party will be required to pay back to the Company an amount equal to the then current value any portion of an Annual LTIP Award reduced in accordance with this paragraph which has vested and been distributed to them.
- 3.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that any Annual Bonus was made or any Annual LTIP Award was granted or vested.
- 4.** In determining whether someone at the Company has engaged in fraud which has resulted in a material negative restatement of the Company’s financial statements the Board will apply the following rules:
  - a.** The Board will base its analysis on the advice of the Company’s auditors or, in the event that either the Company’s auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.
  - b.** In the event that a change of control of the Aspen Group has occurred between the date on which the alleged fraud was perpetrated and the date of the Board’s review, the Board will not reach a determination that fraud has occurred for the purposes of this policy unless this is the conclusion of the Company’s auditors or other, suitably qualified, professional advisors.
  - c.** If an investigation of possible fraud is carried out against a member of the Group Executive Committee who at the time remains an employee



- a.** until a period of five years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 1 above; and
  - b.** until a period of three years have passed from the date on which any Annual Bonus is paid to them or Annual LTIP Award is granted to them in relation to a repayment arising under paragraph 2 above
- 8.** If the Company, after due inquiry and investigation, determines that **(i)** the Participant has engaged in fraud, and **(ii)** a material negative restatement of the Company's financial statements as filed with the United States Securities and Exchange Commission (the "SEC") for any period covered by the vesting period set out in clause 4(a) of the Agreement or any prior year has resulted from that fraud, then:
  - a.** the amount of the award granted to the Participant under this Agreement will be reduced by such proportion as the Company determines, in its sole discretion, would not have been awarded to the Participant had the Company's results as originally reported for the year in question been equal to the Company's results for that year as subsequently restated;
  - b.** any unvested portion of the award granted to the Participant under this Agreement reduced by the Company in accordance with this paragraph (whether "banked" or otherwise) will be forfeited by the Participant and will no longer vest in accordance with the terms of its grant; and
  - c.** the Participant will be required to pay back to the Company an amount equal to the then current value any portion of the award granted to the Participant under this Agreement which has vested and been distributed to them.
- 9.** Any repayments due under this policy will take into account all tax and social security payments and will therefore be made net of any tax paid at the time that the award was granted or vested.
- 10.** In determining whether the Participant has engaged in fraud which has resulted in a material negative restatement of the Company's financial statements the following rules will apply:
  - a.** The Company will base its analysis on the advice of the Company's auditors or, in the event that either the Company's auditors will not accept such an appointment or the Chairman of the Board determines that there is a conflict or potential conflict of interests, on the advice of alternative, suitably qualified, professional advisors appointed by the Chairman of the Board in consultation with the Chairman of the Audit Committee.

- b. If an investigation of possible fraud is carried out against the Participant who at the time remains an employee of the Group, all applicable employee disciplinary policies will be adhered to.
  - c. If an investigation of possible fraud is carried out against the Participant who at the time is no longer an employee of the group, the Company will follow a reasonable process in the investigation of any allegation.
  - d. No determination of fraud or willful or intentional misconduct will be reached against any person in circumstances where they (i) acted in reasonable compliance with professional advice received by the Company, (ii) acted in accordance with legal or accounting practices accepted within the industry at the time at which the conduct in question took place (iii) undertook a reasonable estimate in good faith of the potential insurance or reinsurance liabilities associated with a specific transaction for the purposes of the Company's reserving or (iv) otherwise acted reasonably in the proper discharge of their duties.
11. Subject to any applicable statute of limitation which applies in relation to any employment of the Participant (which shall be neither extended nor reduced by the terms of this policy) the provisions of this Schedule will apply until a period of five years have passed from the date on which award granted under this Agreement vests and has been distributed to the Participant.
12. The provisions of this Schedule shall be without prejudice to any other rights which the Company or any of its subsidiaries may have against the Participant in the event of fraud including, where relevant, immediate dismissal and forfeiture of all unvested awards.

## **Section 7: EX-31.1 (EXHIBIT 31.1)**

**Exhibit 31.1**

### **CERTIFICATIONS**

I, Christopher O'Kane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Christopher O'Kane

Name: Christopher O'Kane

Title: Chief Executive Officer

Date: April 28, 2016

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## Section 8: EX-31.2 (EXHIBIT 31.2)

**Exhibit 31.2**

### CERTIFICATIONS

I, Scott Kirk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as

defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Scott Kirk

Name: Scott Kirk

Title: Chief Financial Officer

Date: April 28, 2016

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## Section 9: EX-32.1 (EXHIBIT 32.1)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Aspen Insurance Holdings Limited (the "Company") for the three months ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher O'Kane as Chief Executive Officer and Scott Kirk as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

By: /s/ Christopher O'Kane

Name: Christopher O'Kane

Title: Chief Executive Officer

Date: April 28, 2016

By: /s/ Scott Kirk

Name: Scott Kirk

Title: Chief Financial Officer

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

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