

ended December 31, 2003. This increase in other underwriting expenses is attributable to an increase in headcount, personnel related costs and other expenses generated by our substantial growth and global and product line diversification over the last three years.

Other Expenses, Net. Other expenses, net, for the year ended December 31, 2004, were \$21.2 million, compared to \$7.9 million for the year ended December 31, 2003. The other expense is primarily comprised of the operating expenses of our holding company and includes audit related fees; Sarbanes-Oxley compliance consulting fees; other corporate related legal and consulting fees; and compensation expense, including the amortization of restricted share grants. Other expenses, net, for the year ended December 31, 2004, also includes the minority interest elimination of an investment that is consolidated in our financial statements (see note 4 to our consolidated financial statements).

Interest Expense. We incurred interest expense, related to our debt obligations, of \$25.6 million for the year ended December 31, 2004, compared to \$12.7 million for the year ended December 31, 2003. The increase is due primarily to the fourth quarter 2003 issuance of \$225.0 million aggregate principal amount of 7.65% senior notes due 2013, offset by the prepayment of \$50.0 million aggregate principal amount of our 7.49% senior notes due 2006.

Federal and Foreign Income Tax Provision. Our federal and foreign income tax provision for the year ended December 31, 2004 decreased by \$37.2 million to \$91.9 million, compared to \$129.1 million for the year ended December 31, 2003, as a result of the decrease in pre-tax income. Our effective tax rates were 33.0% and 34.1% for the years ended December 31, 2004 and 2003, respectively.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Gross Premiums Written. Gross premiums written for the year ended December 31, 2003 increased by \$663.7 million, or 35.0%, to \$2.6 billion from \$1.9 billion for the year ended December 31, 2002. Insurance and reinsurance market conditions improved substantially on a global basis the past two years, providing the key factor for growth. The increase in premium volume is attributable to increases in the Americas division of \$232.4 million, or 19.5%, the EuroAsia division of \$149.5 million, or 57.8%, the London Market division of \$122.6 million, or 38.9%, and the U.S. Insurance division of \$165.2 million, or 98.0%.

On an overall basis, for the year ended December 31, 2003, total reinsurance gross premiums written increased by \$404.4 million, or 25.9%, to \$2.0 billion from \$1.6 billion for the year ended December 31, 2002. Included in this amount are increases in property treaty business of \$161.6 million (31.0%) and casualty treaty business of \$158.9 million (20.9%). Insurance gross premiums written for the year ended December 31, 2003 were \$634.9 million, compared to \$369.5 million for the year ended December 31, 2002, a 71.8% increase.

The Americas division accounted for \$1,421.4 million, or 54.7%, of our gross premiums written for the year ended December 31, 2003, an increase of \$232.4 million, or 19.5%, compared to \$1,189.0 million, or 61.6%, of our gross premiums written for the year ended December 31, 2002. Gross premiums written by the United States unit for the year ended December 31, 2003 were \$1,188.0 million, an increase of \$163.9 million, or 16.0%, compared to \$1,024.1 million for the year ended December 31, 2002. Gross premiums written by the Latin America unit for the year ended December 31, 2003 were \$149.7 million, an increase of \$32.9 million, or 28.2%, compared to \$116.8 million for the year ended December 31, 2002. The Canadian unit had gross premiums written of \$79.6 million for the year ended December 31, 2003, an increase of \$38.8 million, or 95.1%, compared to \$40.8 million for the year ended December 31, 2002.

The increase in the Americas division gross premiums written for the year ended December 31, 2003, compared to 2002, is comprised of increases in treaty property business of \$67.1 million (22.0%), treaty casualty business of \$122.0 million (17.4%), other treaty business of \$10.8 million (15.4%) and facultative reinsurance of \$32.5 million (28.9%).

For the year ended December 31, 2003, the EuroAsia division had gross premiums written of \$408.1 million, or 15.7%, of our gross premiums written, an increase of \$149.4 million, or 57.8%, compared to \$258.6 million, or 13.4%, of our gross premiums written for the year ended December 31, 2002. Opportunities in our EuroAsia division have increased due to catastrophe losses, competitor withdrawals and asset impairments, particularly in Europe. For the years ended December 31, 2003 and 2002, our Paris office had gross premiums written of \$299.9 million and \$186.7 million, respectively, an increase of \$113.2 million, or 60.6%. For the years ended December 31, 2003 and 2002, our Singapore office had gross premiums written of \$90.6 million