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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

OR

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

For the Transition Period From _________ to ________

Commission File Number 1-10545

TRANSATLANTIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	13-3355897
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
80 Pine Street, New York, New York	10005
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 770-2000

NONE

Former name, former address and former fiscal year, if changed since last report.

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 period 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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 June 30, 2006. 65,955,548

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
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TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2006 and December 31, 2005
(unaudited)

	2006	2005
	(in thousands, except share data)	
ASSETS		
Investments and cash:		
Fixed maturities:		
Held to maturity, at amortized cost (market value: 2006-$1,253,768; 2005-$1,284,826)	$ 1,256,009	$ 1,257,941
Available for sale, at market value (amortized cost: 2006-$6,402,972; 2005-$6,143,063) (pledged, at market value: 2006-$1,425,073; 2005-$562,007)	6,415,940	6,297,675
Equities:		
Available for sale, at market value:		
Common stocks (cost: 2006-$560,501; 2005-$574,362) (pledged, at market value: 2006-$94,803; 2005-$23,054)	572,861	606,325
Nonredeemable preferred stocks (cost: 2006-$192,516; 2005-$12,390)	191,308	12,420
Trading, at market value, principally common stocks (cost: 2006-$52,570; 2005-$48,124)	52,553	46,493
Other invested assets	175,620	172,869
Short-term investment of funds received under securities loan agreements	1,581,829	606,882
Short-term investments, at cost (approximates market value)	41,659	43,112
Cash and cash equivalents	244,344	198,120
Total investments and cash	10,532,123	9,241,837
Accrued investment income	121,846	107,431
Premium balances receivable, net	684,718	782,880
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses:		
Affiliates	481,671	294,957
Other	1,093,373	1,196,516
Deferred acquisition costs	224,760	217,709
Prepaid reinsurance premiums	110,520	61,291
Deferred income taxes	362,864	302,451
Other assets	109,456	159,604
Total assets	$ 13,721,331	$ 12,364,676
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$ 7,366,471	$ 7,113,294
Unearned premiums	1,159,715	1,082,282
Payable under securities loan agreements	1,581,829	606,882
5.75% senior notes due December 14, 2015:		
Affiliates	447,894	447,812
Other	298,596	298,541
Other liabilities	227,666	271,914
Total liabilities	11,082,171	9,820,725
Preferred Stock, $1.00 par value; shares authorized: 5,000,000; none issued	—	—
Common Stock, $1.00 par value; shares authorized: 100,000,000; shares issued: 2006-66,944,448; 2005-66,900,085	66,944	66,900
Additional paid-in capital	220,179	214,700
Accumulated other comprehensive (loss) income	(64,274)	35,729
Retained earnings	2,438,230	2,248,541
Treasury Stock, at cost; 988,900 shares of common stock	(21,919)	(21,919)
Total stockholders' equity	2,639,160	2,543,951
Total liabilities and stockholders' equity	$ 13,721,331	$ 12,364,676

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in thousands, except per share data)			
Revenues:				
Net premiums written	$ 913,599	$ 883,684	$ 1,828,006	$ 1,769,034
Increase in net unearned premiums	(4,450)	(21,996)	(11,144)	(19,433)
Net premiums earned	909,149	861,688	1,816,862	1,749,601
Net investment income	107,926	83,770	210,247	168,577
Realized net capital (losses) gains	(1,329)	1,921	4,380	10,921
Total revenues	1,015,746	947,379	2,031,489	1,929,099
Expenses:				
Net losses and loss adjustment expenses	618,788	611,706	1,251,695	1,257,513
Net commissions	232,448	217,286	455,863	418,719
Other underwriting expenses	23,437	19,998	44,283	39,605
Increase in deferred acquisition costs	(3,915)	(1,854)	(7,051)	(2,129)
Interest on senior notes	10,851	—	21,700	—
Other, net	2,073	2,761	5,133	5,048
Total expenses	883,682	849,897	1,771,623	1,718,756
Income before income taxes	132,064	97,482	259,866	210,343
Income taxes	27,625	18,255	53,454	41,753
Net income	$ 104,439	$ 79,227	$ 206,412	$ 168,590
Net income per common share:				
Basic	$ 1.58	$ 1.20	$ 3.13	$ 2.56
Diluted	1.58	1.20	3.12	2.55
Dividends per common share	0.135	0.120	0.255	0.220
Weighted average common shares outstanding:				
Basic	65,940	65,837	65,931	65,828
Diluted	66,204	66,144	66,230	66,189

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in thousands)	
Net cash provided by operating activities	$ 404,443	$ 331,440
Cash flows from investing activities:		
Proceeds of fixed maturities available for sale sold	366,681	280,499
Proceeds of fixed maturities available for sale redeemed or matured	204,323	138,938
Proceeds of equities available for sale sold	299,247	413,891
Purchase of fixed maturities held to maturity	—	(96,264)
Purchase of fixed maturities available for sale	(735,631)	(622,299)
Purchase of equities available for sale	(448,798)	(431,536)
Net sale (purchase) of other invested assets	4,269	(16,016)
Net (purchase) sale of short-term investment of funds received under securities loan agreements	(945,728)	8,368
Net sale of short-term investments	2,382	12,887
Change in other liabilities for securities in course of settlement	(43,074)	(20,060)
Other, net	4,189	1,580
Net cash used in investing activities	(1,292,140)	(330,012)
Cash flows from financing activities:		
Net funds received (disbursed) under securities loan agreements	945,728	(8,368)
Dividends to stockholders	(15,824)	(13,167)
Proceeds from common stock issued	1,434	1,294
Acquisition of treasury stock	—	(3,890)
Costs related to issuance of senior notes	(859)	—
Other, net	(219)	(58)
Net cash provided by (used in) financing activities	930,260	(24,189)
Effect of exchange rate changes on cash and cash equivalents	3,661	(3,300)
Change in cash and cash equivalents	46,224	(26,061)
Cash and cash equivalents, beginning of period	198,120	143,435
Cash and cash equivalents, end of period	$ 244,344	$ 117,374
Supplemental cash flow information:		
Income taxes paid, net	$ 17,876	$ 42,539
Interest paid on senior notes	21,563	—

The accompanying notes are an integral part of the condensed consolidated financial statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in thousands)			
Net income	$ 104,439	$ 79,227	$ 206,412	$ 168,590
Other comprehensive (loss) income:				
Net unrealized (depreciation) appreciation of investments, net of tax:				
Net unrealized holding (losses) gains	(99,271)	95,552	(159,803)	31,797
Deferred income tax benefit (charge) on above	34,745	(33,443)	55,931	(11,128)
Reclassification adjustment for losses (gains) included in net income	4,602	(1,921)	(4,307)	(10,921)
Deferred income tax (benefit) charge on above	(1,611)	672	1,507	3,822
	(61,535)	60,860	(106,672)	13,570
Net unrealized foreign currency translation gain (loss), net of tax:				
Net unrealized foreign currency translation gain (loss)	16,883	(5,060)	10,260	(51,931)
Deferred income tax (charge) benefit on above	(5,909)	1,771	(3,591)	18,176
	10,974	(3,289)	6,669	(33,755)
Other comprehensive (loss) income	(50,561)	57,571	(100,003)	(20,185)
Comprehensive income	$ 53,878	$ 136,798	$ 106,409	$ 148,405

The accompanying notes are an integral part of the condensed consolidated financial statements.

1. General

The condensed consolidated financial statements are unaudited, but have been prepared on the basis of accounting principles generally accepted in the United States of America and, in the opinion of management, reflect all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of results for such periods. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year. As such, these financial statements should be read in conjunction with the audited consolidated financial statements of Transatlantic Holdings, Inc. on Form 10-K for the year ended December 31, 2005. In addition, for further information, refer to the Transatlantic Holdings, Inc. Form 10-Q filing for the quarter ended March 31, 2006.

These financial statements include the accounts of Transatlantic Holdings, Inc. (the Company, and collectively with its subsidiaries, TRH) and its subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to conform the prior year's presentation with 2006.

2. Net Income Per Common Share

Net income per common share for the periods presented below has been computed based upon weighted average common shares outstanding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands, except per share data)			
Net income (numerator)	$ 104,439	$ 79,227	$ 206,412	$ 168,590
Weighted average common shares outstanding used in the computation of net income per share:				
Average shares issued	66,929	66,773	66,920	66,748
Less: Average shares in treasury	989	936	989	920
Average outstanding shares - basic (denominator)	65,940	65,837	65,931	65,828
Average potential shares, principally stock options (a)	264	307	299	361
Average outstanding shares - diluted (denominator)	66,204	66,144	66,230	66,189
Net income per common share:				
Basic	$ 1.58	$ 1.20	$ 3.13	$ 2.56
Diluted	1.58	1.20	3.12	2.55

(a) The three and six months ended June 30, 2006 exclude the effect of 1.2 million anti-dilutive shares (from a total of 2.8 million potential shares). The three and six months ended June 30, 2005 exclude the effect of 0.9 million and 0.9 million anti-dilutive shares, respectively (from a total of 2.6 million and 2.7 million potential shares, respectively).

3. Impact of Significant Catastrophe Events

There were no significant net catastrophe costs for events occurring during the first six months of 2006.

The second quarter of 2005 includes net catastrophe costs of $24.2 million, including $19.1 million of net ceded reinstatement premiums. Net catastrophe costs for the second quarter of 2005 related principally to catastrophes occurring in 2004. The first six months of 2005 includes net catastrophe costs of $49.5 million, including $19.1 million of net ceded reinstatement premiums. Net catastrophe costs for the first six months of 2005 related principally to European Windstorm Erwin (approximately $14.9 million) and to catastrophes occurring in 2004. The costs recorded for these events represent TRH's estimate of, or net changes in prior estimates of, aggregate ultimate losses based upon available information at that time.

Net ceded reinstatement premiums serve to reduce net premiums written and earned by such amounts in their respective periods. Reinstatement premiums may arise on assumed and ceded business as a result of contractual provisions found in many excess-of-loss catastrophe reinsurance contracts that require additional premium to be paid in the event of a loss to reinstate coverage for the remaining portion of the contract period.

A summary of pre-tax net catastrophe costs for the three and six month periods ended June 30, 2006 and 2005 is presented below:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in millions)			
Domestic	($ 6.8)	$ 28.8	$ 3.6	$ 28.5
International:				
Europe	15.8	6.9	16.8	16.0
Other	(2.9)	(11.5)	(5.7)	5.0
Total International	12.9	(4.6)	11.1	21.0
Total	$ 6.1	$ 24.2	$ 14.7	$ 49.5

4. Stock-Based Compensation Plans

Effective January 1, 2006, TRH adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised), "Share-Based Payment" (SFAS No. 123R) utilizing the Modified Prospective Application method. The Modified Prospective Application method entails using a fair-value method of expensing all stock compensation awards granted or modified after the adoption of SFAS No. 123R and the unvested portions of awards granted prior to adoption of SFAS No. 123R. Financial statement amounts for periods prior to January 1, 2006 have not been restated. The impact of adopting SFAS No. 123R was not material to income before income taxes, net income (including per share amounts), financial condition or cash flows in the second quarter or first six months of 2006 (see Note 10).

At June 30, 2006, TRH had four stock-based compensation plans, the Transatlantic Holdings, Inc. 1995 Stock Option Plan (the 1995 Plan), the Transatlantic Holdings, Inc. 2000 Stock Option Plan, as amended, (the 2000 Plan and collectively with the 1995 Plan, the Stock Option Plans), the Transatlantic Holdings, Inc. 2003 Stock Incentive Plan, as amended, (the Stock Incentive Plan) and the Transatlantic Holdings, Inc. 1990 Employee Stock Purchase Plan, as amended (the Stock Purchase Plan). In addition, certain TRH employees participate in past stock-based compensation plans of Starr International Company, Inc. (SICO) and certain American International Group, Inc. (AIG) stock-based compensation plans.

4. Stock-Based Compensation Plans (continued)

Expenses related to stock-based compensation arrangements totaled $2.6 million and $2.1 million for the second quarter of 2006 and 2005, respectively, and $4.9 million and $3.2 million for the first half of 2006 and 2005, respectively. Income tax benefits related to stock-based compensation arrangements totaled $0.8 million and $0.6 million for the second quarter of 2006 and 2005, respectively, and $1.5 million and $0.9 million for the first half of 2006 and 2005, respectively. Total cash received from exercises of stock-based compensation was $0.5 million and $0.1 million during the second quarter of 2006 and 2005, respectively, and $1.4 million and $1.3 million during the first six months of 2006 and 2005, respectively. TRH has not paid out any cash to settle share-based payment awards during the first six months of 2006 or 2005.

If TRH had adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) for recognizing compensation expense commencing at the date of grant for awards, the effect would not have been material to net income or basic or diluted earnings per share for the three and six month periods ended June 30, 2005.

Historically, TRH has settled stock-based compensation exercises through the issuance of new shares.

(a) Stock Option Plans

In 2000, the Company's Board of Directors (the Board) adopted, and the stockholders approved, the 2000 Plan. In 2006, the Board adopted, and the stockholders approved, amendments to the 2000 Plan increasing the maximum number of options which may be granted under the plan to 3,712,500 and increasing the maximum number of options which may be granted to any one employee to 600,000. This plan provides that options to purchase the Company's common stock may be granted to certain key employees and non-employee directors at prices not less than their fair market value at the date of grant.

For options granted under the 2000 Plan, in general, 25% of the options become exercisable on the anniversary date of the grant in each of the four years following the grant and expire 10 years from the date of grant. Options granted under the 1995 Plan operate under substantially similar terms as options granted under the 2000 Plan. At June 30, 2006, 1,587,876 shares were available for future grants under the 2000 Plan. No further options can be granted under the 1995 Plan, although options outstanding continue in force until exercise, expiration or forfeiture. No options were granted in the first six months of 2006 or 2005.

A summary of the status of the Stock Option Plans as of June 30, 2006 and the changes since January 1, 2006 are presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2006	2,658,417	$ 55.18		
Granted	—	—		
Exercised	(46,235)	33.28		
Forfeited or expired	(9,123)	70.30		
Outstanding at June 30, 2006	2,603,059	$ 55.52	5.9 years	$ 12,676
Exercisable at June 30, 2006	1,788,083	$ 52.11	4.8 years	$ 12,441

The aggregate intrinsic value of options exercised (the aggregate amount by which the market price of the Company's common stock at the time of exercise exceeds the exercise price of options exercised) was $0.7 million and $3.5 million in the second quarter of 2006 and 2005, respectively, and $1.2 million and $4.2 million in the first six months of 2006 and 2005, respectively.

As of June 30, 2006, there was $8.9 million of total unrecognized compensation costs related to options granted but not yet vested under the 2000 Plan. Compensation expense for options granted under the 2000 Plan is recognized on a straight-line basis. These costs are expected to be recognized over a weighted average period of 2.4 years.

4. Stock-Based Compensation Plans (continued)

(b) Stock Incentive Plan

In 2003, the Board adopted, and the stockholders approved, the Stock Incentive Plan. In 2006, the Board adopted, and the stockholders approved, certain amendments which increased the maximum number of shares available for grant under the Stock Incentive Plan to 925,000, increased the maximum number of awards a grantee may receive in any one year to 60,000 and allowed for flexibility in determining the vesting terms of grants. This plan provides that equity-based or equity-related awards can be granted to officers, directors, employees and other individuals as determined by the Board. No award may be made to directors who are not employees of the Company without stockholder approval.

As of June 30, 2006, there were 749,595 shares of common stock available for issuance in connection with future grants of awards under the Stock Incentive Plan.

From adoption through June 30, 2006, only restricted stock units (RSU) have been granted by the Company under the Stock Incentive Plan. The great majority of RSUs will vest on the fourth anniversary of the date of grant for those grantees with continued employment through such date. The Company reserves the right to make payment for the RSUs in shares of common stock or the cash equivalent of the market value of such shares on the date of vesting.

The fair value of each RSU grant is estimated on the date of grant based on the closing market price of the Company's common stock on the date of grant discounted for expected dividends during the vesting period. In the three and six month periods ended June 30, 2006, 23,350 RSUs were granted. The weighted average grant date fair value of the RSUs granted was estimated using the following weighted average assumptions: risk-free interest rate of 5.0%; expected dividend yield of 1.0%. No awards were granted under the Stock Incentive Plan in the first six months of 2005.

A summary of the status of the RSUs granted under the Stock Incentive Plan as of June 30, 2006 and the changes since January 1, 2006 are presented below:

	Number of Shares	Weighted Average Grant Day Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
RSUs outstanding at January 1, 2006	151,905	$ 67.41		
Granted	23,350	55.06		
Vested	—	—		
Forfeited or expired	—	—		
RSUs outstanding at June 30, 2006	175,255	$ 65.86	3.0 years	$ 9,797

There were no RSUs vested in the first six months of 2006 and 2005.

As of June 30, 2006, there was $7.9 million of total unrecognized compensation costs related to RSUs granted but not yet vested under the Stock Incentive Plan. These costs are expected to be recognized over a weighted average period of 3.1 years.

(c) Stock Purchase Plan

Under the Stock Purchase Plan, full-time employees with at least one year of employment with the Company or any of its subsidiaries are eligible to receive privileges to purchase shares of the Company's common stock at a price which is 85% of the fair market value of such stock on the date of subscription. Activity in the Stock Purchase Plan is immaterial in the second quarter and first six months of 2006 and 2005.

4. Stock-Based Compensation Plans (continued)

(d) Compensation to Certain TRH Employees from SICO

In 1975, the voting shareholders and Board of Directors of SICO, a private holding company which has no direct ownership interest in TRH, decided that a portion of the capital value of SICO (AIG shares or their cash equivalent) should be used to provide an incentive plan for current and succeeding management of all American International companies, including TRH. Past SICO Deferred Compensation Profit Participation Plans (the SICO Plans) provided that shares currently held by SICO are held aside for the benefit of participants and distributed upon retirement. None of the costs of the various benefits provided under past SICO Plans were paid by TRH.

In 2005, AIG included, for the first time, in its restated financial statements for 2000 through 2003 and its financial statements for 2004 (as included in AIG's Annual Report on Form 10-K for the year ended December 31, 2004), adjustments attributable to compensation expense related to past SICO Plans. TRH then determined that, as a subsidiary of AIG, it was appropriate to record the compensation expense related to its employees' participation in such plans.

Compensation expense recorded related to past SICO Plans in the second quarter and first six months of 2006 was $0.4 million and in the second quarter and first six months of 2005 was $1.1 million. As of June 30, 2006, there was $10.2 million of total unrecognized compensation costs related to past SICO Plans. These costs are expected to be recognized over a weighted average period of 10.7 years.

(e) Participation of Certain TRH Employees in AIG Stock-Based Compensation Plans

Certain TRH employees participate in various AIG stock-based compensation plans, including the 2005 – 2006 Deferred Compensation Profit Participation Plan and AIG's stock purchase plan. Such AIG stock-based compensation plans were not material to TRH in the second quarter and first six months of 2006 and 2005.

5. Reinsurance

Premiums written, premiums earned and losses and loss adjustment expenses incurred were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Gross premiums written	$ 994,046	$ 975,669	$ 2,040,908	$ 1,971,510
Reinsurance premiums ceded	(80,447)	(91,985)	(212,902)	(202,476)
Net premiums written	$ 913,599	$ 883,684	$ 1,828,006	$ 1,769,034
Gross premiums earned	$ 989,234	$ 965,525	$ 1,980,535	$ 1,950,403
Reinsurance premiums ceded	(80,085)	(103,837)	(163,673)	(200,802)
Net premiums earned	$ 909,149	$ 861,688	$ 1,816,862	$ 1,749,601
Gross incurred losses and loss adjustment expenses	$ 892,792	$ 708,563	$ 1,568,324	$ 1,351,071
Reinsured losses and loss adjustment expenses ceded	(274,004)	(96,857)	(316,629)	(93,558)
Net losses and loss adjustment expenses	$ 618,788	$ 611,706	$ 1,251,695	$ 1,257,513

6. Cash Dividends

In the second quarter of 2006, the Board declared a dividend of $0.135 per common share, or approximately $8.9 million in the aggregate, payable on September 8, 2006.

7. Segment Information

The Domestic segment includes financial data from branches in the United States that underwrite primarily domestic business, as well as stock compensation expense and other general corporate revenues and expenses. In addition, assets purchased with the proceeds from the $750 million aggregate principal amount of senior notes and interest expense on such senior notes are reflected in the Domestic segment. Financial data from the London and Paris branches and from Trans Re Zurich are reported in the aggregate as International – Europe and considered as one segment due to operational and regional similarities. Data from branches in the Americas, other than those in the United States which underwrite primarily domestic business, (*i.e.,* the Toronto branch and the Miami branch (which serves Latin America and the Caribbean)) and from branches in the Asia Pacific region are grouped as International – Other and represent the aggregation of non-material segments.

The following table presents a summary of comparative financial data by segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Domestic:				
Net premiums written	$ 443,468	$ 389,777	$ 889,842	$ 799,406
Net premiums earned(a)	428,277	371,417	843,693	765,749
Net investment income	72,560	52,312	141,547	107,121
Realized net capital gains	(5,706)	2,159	2,260	10,691
Revenues	495,131	425,888	987,500	883,561
Net losses and loss adjustment expenses	324,034	299,537	653,212	597,031
Underwriting expenses(b)	119,796	106,161	225,446	201,090
Underwriting (loss) profit(c)(d)	(11,585)	(29,767)	(23,224)	(24,337)
Income before income taxes	42,308	21,544	93,525	88,498
International-Europe:				
Net premiums written	$ 339,137	$ 383,407	$ 692,656	$ 756,262
Net premiums earned(a)	344,470	381,235	689,194	761,603
Net investment income	29,310	26,782	56,020	52,160
Realized net capital (losses) gains	1,175	7	(761)	78
Revenues(e)	374,955	408,024	744,453	813,841
Net losses and loss adjustment expenses	233,176	257,640	461,699	532,777
Underwriting expenses(b)	96,645	95,406	195,088	184,664
Underwriting profit(c)(d)	16,144	25,385	36,670	40,049
Income before income taxes	46,667	52,784	91,967	92,127
International-Other:(f)				
Net premiums written	$ 130,994	$ 110,500	$ 245,508	$ 213,366
Net premiums earned(a)	136,402	109,036	283,975	222,249
Net investment income	6,056	4,676	12,680	9,296
Realized net capital (losses) gains	3,202	(245)	2,881	152
Revenues	145,660	113,467	299,536	231,697
Net losses and loss adjustment expenses	61,578	54,529	136,784	127,705
Underwriting expenses(b)	39,444	35,717	79,612	72,570
Underwriting profit(c)(d)	33,832	18,934	58,626	20,181
Income before income taxes	43,089	23,154	74,374	29,718

7. Segment Information (continued)

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
	(in thousands)			
Consolidated:				
Net premiums written	$ 913,599	$ 883,684	$ 1,828,006	$ 1,769,034
Net premiums earned(a)	909,149	861,688	1,816,862	1,749,601
Net investment income	107,926	83,770	210,247	168,577
Realized net capital (losses) gains	(1,329)	1,921	4,380	10,921
Revenues(e)	1,015,746	947,379	2,031,489	1,929,099
Net losses and loss adjustment expenses	618,788	611,706	1,251,695	1,257,513
Underwriting expenses(b)	255,885	237,284	500,146	458,324
Underwriting profit(c)(d)	38,391	14,552	72,072	35,893
Income before income taxes	132,064	97,482	259,866	210,343

(a) Net premiums earned from affiliates approximate $105 million and $107 million for the three months ended June 30, 2006 and 2005, respectively, and approximate $203 million and $207 million for the six months ended June 30, 2006 and 2005, respectively, and are included mainly in Domestic.

(b) Underwriting expenses represent the sum of net commissions and other underwriting expenses.

(c) Underwriting profit (loss) represents net premiums earned less net losses and loss adjustment expenses and underwriting expenses, plus (minus) the increase (decrease) in deferred acquisition costs.

(d) See Footnote 3 for net catastrophe costs by segment.

(e) Revenues from the London, England office totaled $204.3 million and $210.5 million for the three months ended June 30, 2006 and 2005, respectively, and $400.5 million and $424.6 million for the six months ended June 30, 2006 and 2005, respectively. Revenues from Trans Re Zurich totaled $94.4 million and $97.4 million for the three months ended June 30, 2006 and 2005, respectively, and $178.5 million and $194.5 million for the six months ended June 30, 2006 and 2005, respectively.

(f) As the Miami branch segment data is considered significant to segment data in the 2006 periods only, certain key Miami data elements which are included in International - Other in the 2006 periods are as follows: Revenues - second quarter $73.2 million; first six months $152.8 million; Income before income taxes - second quarter $19.2 million; first six months $35.9 million. As the Toronto branch segment data is considered significant to segment data in the 2006 periods only, certain key Toronto data elements which are included in International - Other in the 2006 periods are as follows: Revenue - second quarter $28.4 million; first six months $55.0 million; Income before income taxes - second quarter $15.5 million; first six months $23.7 million.

8. Related Party Transactions

(a) Transactions with AIG and its Subsidiaries

As of June 30, 2006 and 2005, AIG beneficially owned approximately 60% of Transatlantic Holdings, Inc.'s outstanding common stock.

Approximately $155.0 million (15.6%) and $158.5 million (16.2%) in the second quarter of 2006 and 2005, respectively, and $328.6 million (16.1%) and $309.7 million (15.7%) in the first six months of 2006 and 2005, respectively, of gross premiums written by TRH were attributable to reinsurance purchased by other subsidiaries of AIG. (The preceding amounts include transactions with C.V. Starr & Co., Inc. (Starr) as described in Note 8(b).) In the second quarter of 2006, the great majority of such gross premiums written were recorded in the property, other liability and marine and aviation lines. In the first six months of 2006, the great majority of such gross premiums written were recorded in the property, other liability and medical malpractice lines. In the second quarter and first six months of 2005, the great majority of such gross premiums written were recorded in the other liability, property, medical malpractice and marine and aviation lines.

Of the amounts above, $74.7 million and $60.7 million in the second quarter of 2006 and 2005, respectively, and $156.4 million and $128.5 million in the first six months of 2006 and 2005, respectively, represent premiums resulting from certain insurance business written by AIG subsidiaries that, by prearrangement with TRH, is almost entirely reinsured by TRH (of which, $48.0 million and $36.7 million in the second quarter of 2006 and 2005, respectively, and $104.3 million and $76.4 million in the first six months of 2006 and 2005, respectively, were subsequently ceded in an equal amount to other AIG subsidiaries).

8. Related Party Transactions (continued)

(b) Transactions with Starr

According to the Schedule 13D filed on May 26, 2006 by Starr, SICO, Edward E. Matthews, Maurice R. Greenberg, the Maurice R. and Corinne P. Greenberg Family Foundation, Inc., Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC and the Universal Foundation, Inc., these reporting persons may be deemed to beneficially own 393.2 million shares of AIG common stock. Based on the shares of AIG common stock outstanding as of March 31, 2006, this ownership represents approximately 15% of the voting stock of AIG. Throughout 2005, certain directors of TRH were also stockholders, executive officers or directors of Starr. In 2006, no TRH directors are stockholders, executive officers or directors of Starr.

In the normal course of business, certain of Starr's subsidiaries operate as insurance agencies or brokers for insurance subsidiaries of AIG and, in such capacity, have produced reinsurance business for TRH. Commissions paid to such Starr subsidiaries are insignificant for the second quarter and first six months of 2006. TRH paid commissions to Starr subsidiaries of $2.5 million and $5.1 million in the second quarter and first six months of 2005, respectively, for such reinsurance purchased by subsidiaries of AIG totaling $18.4 million and $31.3 million for the second quarter and first six months of 2005.

(c) Stock-Based Compensation

Certain TRH employees participate in past stock-based compensation plans of SICO and in certain AIG stock-based compensation plans (see Note 4).

9. Contingencies

Various regulators including the United States Department of Justice (DOJ), the Securities and Exchange Commission (SEC), the Office of the New York State Attorney General (NYAG) and the New York State Department of Insurance (DOI) have been conducting investigations relating to certain reinsurance transactions within the industry and at AIG. In connection with these investigations, AIG requested that TRH, as a subsidiary of AIG, review its documents and practices, and TRH has cooperated with AIG in all such requests.

On February 9, 2006, AIG announced that it has reached a resolution of claims and matters under investigation with the DOJ, SEC, NYAG and DOI. AIG stated that the settlements resolve outstanding litigation filed by the SEC, NYAG and DOI against AIG and conclude negotiations with these authorities and the DOJ in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments.

As part of its settlements, AIG has agreed to retain for a period of three years an Independent Consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review. TRH, as a subsidiary of AIG, will cooperate with the terms of the settlement that are applicable to TRH.

In April 2005, TRH received subpoenas from the Insurance Departments of Florida and Georgia seeking information relating to finite insurance and reinsurance transactions. In addition, TRH has received a subpoena from the Insurance Department of New York seeking information relating to Transatlantic Reinsurance Company's (TRC) relationship and transactions with Sunrise Professional Indemnity, Ltd., a foreign reinsurer providing reinsurance to TRC, and Gallagher Healthcare Insurance Services, Inc., a provider of insurance and risk management services to healthcare providers and a wholly owned subsidiary of Arthur J. Gallagher & Co., Inc.

In July 2005, TRH received subpoenas from the Insurance Department of the State of Oklahoma. The subpoenas seek information related to so-called bid rigging or the use of "fictitious quotes" or "inflated quotes" through intermediaries in the placing of insurance for "Insureds" or "Public Entities" domiciled in Oklahoma. The subpoenas also seek information related to the amount of compensation received or paid by TRH to or from any intermediary and charged to the "Insured" or "Public Entity" domiciled in Oklahoma. In May 2006, the Insurance Department of the State of Oklahoma notified TRH that it concluded its examination of TRH's Oklahoma business without the issuance of an examination report.

9. Contingencies (continued)

TRH has responded to these subpoenas and continues to cooperate with these regulatory requests. There have been no further inquiries concerning the matters raised by the subpoenas received from the States of Florida and Georgia. While TRH does not believe that any of these inquiries will have a material impact on TRH's business or financial results, it is not possible to predict with any certainty at this time what impact, if any, these inquiries may have on TRH's business or financial results.

10. Accounting Standards

(a) Change in Accounting Principle

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R. SFAS No. 123R and its related interpretive guidance replaced SFAS No. 123 and supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123 as originally issued in 1995, established as preferable a fair-value method of accounting for share-based payment transactions with employees. SFAS No. 123R requires share-based payment transactions with employees to be accounted for using a fair-value based method and broadens the recognition provisions to include share based payments awarded to an employee by related parties or other holders of an economic interest in the reporting entity.

On January 1, 2003, TRH adopted the recognition provisions of SFAS No. 123 using the prospective method of transition. For the period from January 1, 2003 through December 31, 2005, TRH accounted for share-based payment transactions with employees under SFAS No. 123. Effective January 1, 2006, TRH adopted SFAS No. 123R using the Modified Prospective Application method. The Modified Prospective Application method provides for the recognition of the fair value with respect to stock-based compensation for shares granted or modified on or after January 1, 2006 and for all previously granted but unvested awards as of January 1, 2006. Accordingly, financial statement amounts for the 2005 periods presented in this Form 10-Q have not been restated. The impact of adopting SFAS No. 123R was not material to income before income taxes, net income (including per share amounts), financial condition or cash flows in the second quarter and first six months of 2006. (See Note 4 for a discussion of stock-compensation plans.)

(b) Other Accounting Standards

In September 2005, the American Institute of Certified Public Accountants (AICPA) issued, and the FASB cleared, Statement of Position 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts" (SOP 05-1). SOP 05-1 provides guidance on accounting for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights or coverage that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. The effective date of the implementation guidance is January 1, 2007. TRH is currently assessing the effect of implementing this guidance.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q and other publicly available documents may include, and Transatlantic Holdings, Inc. and its subsidiaries (collectively, TRH) officers and representatives may from time to time make statements which may constitute “forward-looking statements” within the meaning of the U.S. federal securities laws. These forward-looking statements are identified, including without limitation, by their use of such terms and phrases as “intends,” “intend,” “intended,” “goal,” “estimate,” “estimates,” “expects,” “expect,” “expected,” “project,” “projects,” “projected,” “projections,” “plans,” “anticipates,” “anticipated,” “should,” “think,” “thinks,” “designed to,” “foreseeable future,” “believe,” “believes,” “scheduled” and similar expressions. These statements are not historical facts but instead represent only TRH’s belief regarding future events and financial performance, many of which, by their nature, are inherently uncertain and outside of TRH’s control. These statements may address, among other things, TRH’s strategy and expectations for growth, product development, government and industry regulatory actions, legal matters, market conditions, financial results and reserves, as well as the expected impact on TRH of natural and man-made (*e.g.*, terrorist attacks) catastrophic events and political, economic, legal and social conditions.

It is possible that TRH’s actual results, financial condition and expected outcomes may differ, possibly materially, from those anticipated in these forward-looking statements. Important factors that could cause TRH’s actual results to differ, possibly materially, from those discussed in the specific forward-looking statements may include, but are not limited to, uncertainties relating to economic conditions and cyclical industry conditions, credit quality, government, regulatory and accounting policies, volatile and unpredictable developments (including natural and man-made catastrophes), the legal environment, legal and regulatory proceedings, the reserving process, the competitive environment in which TRH operates, interest rate and foreign currency exchange rate fluctuations, and the uncertainties inherent in international operations.

These factors are further discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations and in Risk Factors in Part I, Item 1A in the Transatlantic Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 2005, in Part II, Item 1A of the Transatlantic Holdings, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and in Part II, Item 1A of this Quarterly Report on Form 10-Q. TRH is not under any obligation to (and expressly disclaims any such obligations to) update or alter any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
JUNE 30, 2006

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion), Transatlantic Holdings, Inc. and its subsidiaries (TRH) presents its operations in the way it believes will be most meaningful. TRH's unpaid losses and loss adjustment expenses net of related reinsurance recoverable (net loss reserves) and TRH's combined ratio and its components are included herein and presented in accordance with principles prescribed or permitted by insurance regulatory authorities as these are standard measures in the insurance and reinsurance industries.

FINANCIAL STATEMENTS

The following discussion refers to the consolidated financial statements of TRH as of June 30, 2006 and December 31, 2005 and for the three and six month periods ended June 30, 2006 and 2005, which are presented elsewhere herein. Financial data discussed below have been affected by certain transactions between TRH and related parties. (See Notes 4 and 8 of Notes to Condensed Consolidated Financial Statements.)

EXECUTIVE OVERVIEW

The operations of Transatlantic Holdings, Inc. (the Company) are conducted principally by its three major operating subsidiaries – Transatlantic Reinsurance Company (TRC), Trans Re Zurich (TRZ) and Putnam Reinsurance Company (Putnam) – and managed based on its geographic segments. Through its operations on six continents, TRH offers reinsurance capacity on both a treaty and facultative basis – structuring programs for a full range of property and casualty products, with an emphasis on specialty lines, which, along with catastrophe-exposed property and casualty risks, may exhibit greater volatility of results over time than most other lines. Such capacity is offered through reinsurance brokers and, to a lesser extent, directly to domestic and foreign insurance and reinsurance entities.

TRH conducts its business and assesses performance through segments organized along geographic lines. Financial data from branches in the United States that underwrite primarily domestic business, as well as stock compensation expense and general corporate revenues and expenses, are reported in the Domestic segment. In addition, assets purchased with the proceeds from the $750 million aggregate principal amount of senior notes (issued in December 2005), related investment returns and the interest expense on such senior notes are reflected in the Domestic segment. Data from the London and Paris branches and from TRZ are reported in the aggregate as International – Europe and considered as one segment due to operational and regional similarities. Data from branches in the Americas, other than those in the United States which underwrite primarily domestic business, (*i.e.*, the Toronto branch and the Miami branch (which serves Latin America and the Caribbean)) and from branches in the Asia Pacific region are grouped together as International – Other and represent the aggregation of non-material segments.

TRH's operating strategy emphasizes product and geographic diversification as key elements in managing its level of risk concentration. TRH also adjusts its mix of business to take advantage of market opportunities. Over time, TRH has also capitalized on market opportunities when they arise by strategically expanding operations in an existing location or opening a branch or representative office in new locations (except for the acquisition of TRZ in 1996). TRH's operations that serve international markets leverage TRH's product knowledge, worldwide resources and financial strength, typically utilizing indigenous management and staff with a thorough knowledge of local markets and product characteristics.

In recent periods, casualty lines have comprised approximately 70% of TRH's net premiums written, while property lines comprised the balance. In addition, treaty reinsurance has totaled approximately 95% of net premiums written in such years, with the balance representing facultative accounts. Moreover, business written by international branches has represented approximately half of net premiums written in such years. (See OPERATIONAL REVIEW for detailed period to period comparisons of such measures.)

American International Group, Inc. (AIG), which through its subsidiaries is one of the largest providers of insurance and investment products and services to businesses and individuals around the world, beneficially owned approximately 60% of the common stock of the Company as of June 30, 2006.

TRH's major sources of revenues are net premiums earned for reinsurance risks undertaken and net investment income earned on investments made. The great majority of TRH's investments are in fixed maturity securities with an average duration of 5.8 years as of June 30, 2006. In general, premiums are received significantly in advance of related claims payments. The following table summarizes TRH's revenues, income before income taxes and net income for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
	(dollars in millions)					
Revenues	$ 1,015.7	$ 947.4	7.2%	$ 2,031.5	$ 1,929.1	5.3%
Income before income taxes	132.1	97.5	35.5	259.9	210.3	23.5
Net income	104.4	79.2	31.8	206.4	168.6	22.4

CONSOLIDATED RESULTS AND MARKET CONDITIONS

Revenues for the second quarter and first six months of 2006 increased compared to the same prior year periods, principally due to an increase in Domestic and International – Other net premiums earned and consolidated net investment income offset, in part, by a decrease in International – Europe net premiums earned. The increase in International – Other net premiums earned occurred principally in the Miami (serving Latin America and the Caribbean) and, to lesser extents, in the Hong Kong and Toronto branches. The Paris branch reported the great majority of the decrease in International – Europe net premiums earned in the second quarter of 2006. The Paris and London branches reported the great majority of the decrease in International – Europe net premiums earned in the first six months of 2006. Such decrease in International - Europe was due, in part, to changes in foreign currency exchange rates. Net investment income increased in the second quarter and first six months of 2006 due largely to an increase in fixed maturity investment income and, to a lesser extent, to an increase in partnership income. The increase in fixed maturity investment income was a result of investment returns from continued positive operating cash flow and the investment of the net proceeds from the issuance of $750 million principal amount senior notes in December 2005.

There were no significant net catastrophe costs for events occurring in the first six months of 2006. The second quarter of 2005 includes net catastrophe costs of $24.2 million, including $19.1 million of net ceded reinstatement premiums. The first half of 2005 includes net catastrophe costs of $49.5 million, including $19.1 million of net ceded reinstatement premiums. Reinstatement premiums may arise on both assumed and ceded business as a result of contractual provisions found in many excess-of-loss catastrophe contracts that require additional premium to be paid in the event of a loss to reinstate coverage for the remaining portion of the contract period.

Income before income taxes and net income increased in the second quarter and first half of 2006 as compared to the same prior year periods principally due to increased net investment income and underwriting profit (loss), offset, in part, by interest expense on TRH's senior notes. The reasons for the increase in net investment income are as discussed earlier. The increased underwriting profit (loss) in the 2006 periods reflect an improved combined ratio resulting largely from reduced significant net catastrophe costs and lower net adverse loss reserve development, offset, in part, by higher commission costs. In the second quarter and first six months of 2006 as compared to the same year ago periods, decreases in net catastrophe costs and lower net adverse loss reserve development in the aggregate increased underwriting profit (loss) by approximately $24.6 million and $64.4 million, respectively.

Underwriting profit (loss) is defined as net premiums earned less net losses and loss adjustment expenses (LAE), net commissions and other underwriting expenses, plus (minus) the increase (decrease) in deferred acquisition costs. (See OPERATIONAL REVIEW for further discussion.)

Market conditions were generally softening in property and many casualty lines in 2005 prior to the occurrence of record catastrophe losses in the second half of the year. Pricing, terms and conditions on catastrophe-affected short tail lines of business, such as property and certain marine lines, improved significantly in the United States and, to some degree, outside the United States, after Hurricanes Katrina, Rita and Wilma. The improvements were driven by several factors, including the amount of industry capital consumed by the losses, market-wide adjustments for the failure of traditional property catastrophe models to accurately capture the severity of a Hurricane Katrina type flood loss and the modification of capital adequacy models by certain rating agencies to increase capital charges related to catastrophe exposure. Firming was also observed in certain casualty lines as well, but to a much lesser extent.

In 2006, market conditions continued to improve in the property sector, most significantly in catastrophe-affected areas. Improvements in the property sector were more significant domestically. Casualty rates have remained flat or have shown some weakness domestically, while internationally, casualty rates have weakened more meaningfully from their recent peaks. In addition, in certain cases increased ceding company retentions served to mitigate premium growth in 2006.

The existence of favorable market conditions in certain regions and lines of business do not necessarily translate into ultimate pricing adequacy for business written under such conditions. In addition, there is no guarantee that these conditions will remain in effect as TRH cannot predict, with any reasonable certainty, future market conditions.

Further information related to items discussed in this EXECUTIVE OVERVIEW may be found throughout this Management's Discussion.

CRITICAL ACCOUNTING ESTIMATES

This discussion and analysis of financial condition and results of operations are based on TRH's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and judgments that affect the reported amounts and related disclosures. TRH relies on historical experience and on various other assumptions, that it believes to be reasonable under the circumstances, to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

TRH believes its most critical accounting estimates are those with respect to loss reserves, premium revenues and deferred acquisition costs, as they require management's most significant exercise of judgment on both a quantitative and qualitative basis used in the preparation of TRH's consolidated financial statements and footnotes. The accounting estimates that result require the use of assumptions about certain matters that are highly uncertain at the time of estimation. A discussion of the most critical accounting estimates follow:

LOSS RESERVES

Estimates of loss reserves take into account TRH's assumptions with respect to many factors that will affect ultimate loss costs but are not yet known. The ultimate process by which actual carried reserves are determined considers not only actuarial estimates but a myriad of other factors. Such factors, both internal and external, which contribute to the variability and unpredictability of loss costs, include trends related to jury awards, social inflation, medical inflation, worldwide economic conditions, tort reforms, court interpretations of coverages, the regulatory environment, underlying policy pricing, terms and conditions and claims handling, among others. In addition, information gathered through underwriting and claims audits are also considered. To the extent that these assumptions underlying the loss reserve estimates are significantly incorrect, ultimate losses may be materially different from the estimates included in the financial statements and may materially affect net income. The impact of those differences is reflected in the period they become known.

The reserving process is inherently difficult and subjective, especially in view of changes in the legal and tort environment which impact the development of loss reserves, and therefore quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. Trends that have affected development of liabilities in the past may not necessarily occur or affect development to the same degree in the future.

While this process is difficult for ceding companies, the inherent uncertainties of estimating loss reserves are even greater for reinsurers, due primarily to the longer term nature of much reinsurance business, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies, which are subject to change without notice. Nevertheless, data received from cedants is subjected to audits from time to time by TRH claims and underwriting personnel, to help ensure that reported data is supported by proper documentation and conforms to contract terms, and analyzed, as appropriate, by TRH underwriting and actuarial personnel. Such analysis often includes a detailed review of reported data to assess the underwriting results of reinsurance assumed and to explain any significant departures from expected performance. Over time, reported loss information is ultimately corroborated when such information eventually attains paid status.

Standard actuarial methodologies employed to estimate ultimate losses incorporate the inherent "lag" from the time claims are reported to the cedant to when the cedant reports the claims to the reinsurer. Certain actuarial methodologies may be more appropriate than others in instances where this "lag" may not be consistent from period to period, so additional actuarial judgment is employed in the selection of methodologies to best incorporate the potential impact of this situation.

Generally, for each longer tail line of business, significant actuarial judgments are made with respect to the following factors used in the loss reserve setting process:

- **Loss trend factors** are used to establish expected loss and LAE ratios for subsequent accident years based on the projected loss and LAE ratios for prior accident years. Provisions for inflation and social inflation (*e.g.*, awards by judges and juries which progressively increase in size at a rate exceeding that of general inflation) and trends in court interpretations of coverage are among the factors which must be considered.
- **Expected loss and LAE ratios** for the latest accident years generally reflect the expected loss and LAE ratios from prior accident years adjusted for the loss trend factor (see loss trend factors discussion immediately above), as well as the impact of rate level changes and other quantifiable factors. For certain longer tail lines of business that are typically lower frequency, higher severity classes, such as excess medical malpractice and directors' and officers' liability (D&O), expected loss and LAE ratios are often utilized for the last several accident years.

- **Loss development factors** are used to arrive at the ultimate amount of losses incurred for each accident year based on reported loss information. These factors, which are initially calculated based on historical loss development patterns (*i.e.*, the emergence of reported losses over time relative to the ultimate losses to be paid), are then adjusted for current trends.

During the loss settlement period, which can be many years in duration, additional facts regarding individual claims and trends usually become known. As these facts and trends emerge, it usually becomes necessary to refine and adjust the loss reserves upward or downward and even then the ultimate net liability may be materially different from the revised estimates.

Net loss reserves include amounts for risks related to environmental impairment and asbestos-related illnesses. The majority of TRH's environmental and asbestos-related liabilities arose from contracts entered into after 1985 that were underwritten specifically as environmental or asbestos-related coverages rather than as standard general liability coverages, where the environmental or asbestos-related liabilities were neither clearly defined nor specifically excluded. The reserves carried for these claims, including loss and loss adjustment expenses incurred but not reported (IBNR), are based upon known facts and current law. However, significant uncertainty exists in determining the amount of ultimate liability for environmental impairment and asbestos-related losses, particularly for those occurring in 1985 and prior. This uncertainty is due to inconsistent court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other things.

Net loss reserves also include amounts resulting from the September 11, 2001 terrorist attack. These amounts are subject to significant uncertainty due to a variety of issues such as coverage disputes, the assignment of liability and a potentially long latency period for claims due to respiratory disorders and stress.

In addition, net loss reserves include amounts resulting from Hurricane Katrina, which principally related to property and ocean marine coverages. Due to the unprecedented nature of Hurricane Katrina, including the related legal and regulatory uncertainty, there is significant uncertainty at this time as to the ultimate costs that TRH will bear.

See discussion of net adverse development on losses occurring in prior years under RESULTS OF OPERATIONS and for discussion about loss and LAE reserves under FINANCIAL CONDITION AND LIQUIDITY.

PREMIUM REVENUES

Management must make certain judgments in the determination of premiums written and earned by TRH. For pro rata treaty contracts, premiums written and earned are based on reports received from ceding companies. Generally for excess-of-loss treaty contracts, premiums are recorded as written based on contract terms and are earned ratably over the terms of the related coverages provided. In recent years, treaty contracts have generated approximately 95% of TRH's premium revenues. Unearned premiums and prepaid reinsurance premiums represent the portion of gross premiums assumed and reinsurance ceded, respectively, relating to the unexpired terms of such coverages. The relationship between net premiums written and net premiums earned will, therefore, vary depending generally on the volume and inception dates of the business assumed and ceded and the mix of such business between pro rata and excess-of-loss reinsurance.

Premiums written and earned, along with related costs, for which data has not been reported by the ceding companies, are estimated based on historical patterns and other relevant information. Such estimates of premiums earned are considered when establishing the reserve for loss and LAE IBNR. The differences between these estimates and the actual data subsequently reported, which may be material as a result of the diversity of cedants, reporting practices and the inherent difficulty in estimating premium inflows, among other factors, are recorded in the period when the actual data becomes available and may materially affect net income. In the Consolidated Statements of Operations, premiums written and earned and the change in unearned premiums are presented net of reinsurance ceded.

TRH has provided no allowance for bad debts related to the premium estimates based on its historical experience, general profile of its cedants and the ability TRH has in most cases to significantly offset these premium receivables with losses and LAE or other amounts payable to the same parties.

DEFERRED ACQUISITION COSTS

Acquisition costs, consisting primarily of net commissions incurred on business conducted through reinsurance contracts or certificates, are deferred, and then amortized over the period in which the related premiums are earned, generally one year. The evaluation of recoverability of acquisition costs to be deferred considers the expected profitability of the underlying treaties and facultative certificates, which may vary materially from actual results. If the actual profitability varies from the expected profitability, the impact of such differences are recorded, as appropriate, when actual results become known and may have a material effect on net income.

OPERATIONAL REVIEW

RESULTS OF OPERATIONS

TRH derives its revenue from two principal sources: premiums from reinsurance assumed net of reinsurance ceded (*i.e.,* net premiums earned) and income from investments. The following table shows net premiums written, net premiums earned and net investment income of TRH for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
	(dollars in millions)					
Net premiums written	$ 913.6	$ 883.7	3.4%	$ 1,828.0	$ 1,769.0	3.3%
Net premiums earned	909.1	861.7	5.5	1,816.9	1,749.6	3.8
Net investment income	107.9	83.8	28.8	210.2	168.6	24.7

The increase in net premiums written for the second quarter and first six months of 2006 compared with the same prior year periods occurred in Domestic and, to a lesser extent, International – Other operations offset, in part, by decreased net premiums written from International – Europe. The increase in the six month period was also partially offset by the adverse impact of changes in foreign currency exchange rates on international net premiums written. On a worldwide basis, casualty lines business represented 71.6% of net premiums written in the six months ended June 30, 2006 versus 70.0% in the same 2005 period. The balance represented property lines. Treaty business represented 95.6% of net premiums written in the first six months of 2006 versus 95.7% in the year ago period. The balance represented facultative accounts.

The following table summarizes the net effect of changes in foreign currency exchange rates compared to the U.S. dollar on the percentage change in net premiums written in the second quarter and first half of 2006 compared to the same 2005 periods:

	Three Months Ended June 30	Six Months Ended June 30
Increase in orignal currency	2.7%	4.3%
Foreign exchange effect	0.7	(1.0)
Increase as reported in U.S. dollars	3.4	3.3

Domestic net premiums written increased in the second quarter of 2006 by $53.7 million, or 13.8%, compared to the second quarter of 2005, to $443.5 million. Significant increases in domestic net premiums written were recorded in the auto liability ($34.1 million), accident and health (A&H) ($21.2 million), property ($13.8 million) and other liability ($11.7 million) lines. These increases were offset, in part, by a significant decrease in the medical malpractice ($24.1 million) line. Domestic net premiums written increased in the first six months of 2006 by $90.4 million, or 11.3%, compared to the same prior year period, to $889.8 million. Significant increases in net premiums written were recorded in the other liability ($41.5 million), property ($30.9 million) and A&H ($11.6 million) lines along with relatively minor increases spread among several other lines. These increases were partially offset by a significant decrease in the ocean marine and aviation ($14.3 million) lines.

International net premiums written decreased in the second quarter of 2006 by $23.8 million, or 4.8%, compared to the same prior year period, to $470.1 million. The Paris branch, TRZ and the London branch experienced the largest declines with decreases of $23.8 million, $10.4 million and $10.1 million, respectively, offset, in part, by a significant increase in the Miami branch of $11.9 million. In the second quarter of 2006 compared to the same 2005 quarter, international net premiums written decreased significantly in the property ($32.5 million) and auto liability ($25.8 million) lines, partially offset by significant increases in the medical malpractice ($9.8 million) line and relatively minor increases spread among several other lines. International net premiums written decreased in the first six months of 2006 by $31.5 million, or 3.2%, compared to the same prior year period, to $938.2 million. The Paris and London branches and TRZ experienced the largest declines with decreases of $23.9 million, $22.0 million and $17.7 million, respectively, offset, in part, by a significant increase in the Miami branch of $24.5 million. In the first six months of 2006 compared to the same 2005 period, international net premiums written decreased significantly in the auto liability ($49.6 million), property ($42.6 million) and other liability ($13.2 million) lines, partially offset by significant increases in the A&H ($18.9 million), ocean marine ($17.9 million) and medical malpractice ($10.7 million) lines along with relatively minor increases spread among several other lines. The overall change in international net premiums written in the three and six month periods include the impact of changes in foreign currency exchange rates between the U.S. dollar and the currencies in which TRH does business as discussed earlier. International business represented 51.3% of worldwide net premiums written for the first six months of 2006 compared to 54.8% for the respective 2005 period.

Net reinstatement premiums were not significant in the second quarter or first six months of 2006. Net premiums written and earned in the second quarter and first six months of 2005 include net ceded reinstatement premiums related to catastrophe losses from 2004 of $19.1 million.

Generally, the reasons for changes in gross premiums written between periods are similar to those for net premiums written, except as discussed earlier as regards reinstatement premiums. A significant portion of the decrease in ceded premiums written in the second quarter of 2006 compared to the same 2005 period is due to a reduction in ceded reinstatement premiums related to prior year catastrophes, partially offset by increases in premiums assumed from an affiliate that, by prearrangement, were ceded in an equal amount to other affiliates. A significant portion of the increase in ceded premiums written in the first six months of 2006 compared to the same 2005 period is due to an increase in premiums assumed from an affiliate that, by prearrangement, were ceded in an equal amount to other affiliates, partially offset by the aforementioned reduction in ceded reinstatement premiums related to prior year catastrophes.

As premiums written are primarily earned ratably over the terms of the related coverage, the reasons for changes in net premiums earned are generally similar to the reasons for changes in net premiums written over time.

Net investment income increased in the second quarter and first six months of 2006 as compared to the same prior year periods due generally to investment returns from continued positive operating cash flow, the investment of the net proceeds from issuance of $750 million principal amount senior notes in December 2005 and increases in partnership income. The components of net investment income for the periods indicated are presented in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in millions)			
Fixed maturities	$ 87.6	$ 74.5	$ 173.3	$ 147.5
Equities	9.5	7.5	15.3	14.0
Other invested assets (principally partnerships)	8.6	0.8	18.2	7.3
Other	5.2	2.8	9.2	4.7
Total investment income	110.9	85.6	216.0	173.5
Investment expenses	3.0	1.8	5.8	4.9
Net investment income	$ 107.9	$ 83.8	$ 210.2	$ 168.6

The pre-tax effective yield on investments was 4.3% for the three and six month periods ending June 30, 2006 compared to 4.0% for the same prior year periods. The pre-tax effective yield on investments represents annualized pre-tax net investment income for the periods indicated divided by the average balance sheet carrying value of investments and interest-bearing cash for such periods.

Realized net capital (losses) gains totaled ($1.3) million and $1.9 million for the second quarter of 2006 and 2005, respectively. Realized net capital gains totaled $4.4 million and $10.9 million for the first six months of 2006 and 2005, respectively. Realized capital gains and losses include investment dispositions, which reflect TRH's investment and tax planning strategies to maximize after-tax income, and write-downs of securities that, in the opinion of management, had experienced a decline in market value that was other than temporary. There were no such write-downs in the second quarter of 2006 and 2005. Such charges were insignificant in the first half of 2006 and 2005. Upon the ultimate disposition of securities which have recorded write-downs, a portion of the write-downs may be recoverable depending on market conditions at the time of disposition. (See discussion under FINANCIAL CONDITION AND LIQUIDITY for criteria used in the determination of such write-downs.) In addition, realized net capital (losses) gains in the second quarter and first six months of 2006 were increased by net foreign currency transaction gains related to non-functional currencies of $3.3 million and $0.1 million, respectively.

The property and casualty insurance and reinsurance industries use the combined ratio as a measure of underwriting profitability. The combined ratio reflects only underwriting results, and does not include income from investments. Generally, a combined ratio under 100% indicates an underwriting profit and a combined ratio exceeding 100% indicates an underwriting loss. Underwriting profitability is subject to significant fluctuations due to competition, natural and man-made catastrophic events, economic and social conditions, foreign currency exchange rate fluctuations, interest rates and other factors. The loss and LAE ratio represents net losses and LAE incurred divided by net premiums earned. The underwriting expense ratio represents the sum of net commissions and other underwriting expenses expressed as a percentage of net premiums written. The combined ratio represents the sum of the loss and LAE ratio and the underwriting expense ratio.

The following table presents loss and LAE ratios, underwriting expense ratios and combined ratios for consolidated TRH, and separately for its domestic and international components, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Consolidated:				
Loss and LAE ratio	68.1%	71.0%	68.9%	71.9%
Underwriting expense ratio	28.0	26.8	27.4	25.9
Combined ratio	96.1	97.8	96.3	97.8
Domestic:				
Loss and LAE ratio	75.7%	80.7%	77.4%	78.0%
Underwriting expense ratio	27.0	27.2	25.4	25.1
Combined ratio	102.7	107.9	102.8	103.1
International:				
Loss and LAE ratio	61.3%	63.7%	61.5%	67.2%
Underwriting expense ratio	28.9	26.5	29.3	26.5
Combined ratio	90.2	90.2	90.8	93.7

The improvement in the loss and LAE ratio for consolidated TRH in the second quarter and first six months of 2006 as compared to the same 2005 periods relates to a lower loss and LAE ratio from international and domestic operations. Two factors in the improvement in the loss and LAE ratio for consolidated TRH are lower net adverse development, primarily from domestic operations, and lower net catastrophe costs.

There were no significant net catastrophe costs for events occurring during the first six months of 2006. The second quarter and first six months of 2005 includes net catastrophe costs of $24.2 million and $49.5 million, respectively. Such net catastrophe costs included net ceded reinstatement premiums of $19.1 million in the second quarter and first six months of 2005. Additionally, European Windstorm Erwin accounted for approximately $14.9 million of the aforementioned total net catastrophe costs in the first six months of 2005. Net catastrophe costs in the aggregate added (reduced) 0.7%, (1.6)% and 2.7% to the second quarter of 2006 and 0.8%, 0.4% and 1.2% to the first six months of 2006 combined ratios for consolidated, domestic and international, respectively. Net catastrophe costs in the aggregate added (reduced) 2.7%, 7.7% and (1.2%) to the second quarter of 2005 and 2.8%, 3.7% and 2.0% to the first six months of 2005 combined ratios for consolidated TRH, domestic and international, respectively. (See discussion under Note 3 of Notes to Condensed Consolidated Financial Statements for the amounts of net catastrophe costs by segment.)

While TRH believes that it has taken appropriate steps to manage its exposure to possible future catastrophe losses, the occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses could have a material adverse effect on TRH's results of operations, liquidity or financial condition. Current techniques and models may not accurately predict the probability of catastrophic events in the future and the extent of the resulting losses. Moreover, one or more catastrophe losses could weaken TRH's retrocessionnaires and result in an inability of TRH to collect reinsurance recoverables.

TRH writes a significant amount of non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess casualty business for such volatile classes as medical malpractice and D&O. At the primary level, there are significant risk factors that contribute to the variability and unpredictability of the loss trend factor for this business such as jury awards, social inflation, medical inflation, tort reforms and court interpretations of coverage. In addition, as a reinsurer, TRH is also highly dependent upon the claims reserving and reporting practices of its cedants, which vary greatly by size, specialization and country of origin and whose practices are subject to change without notice.

Consolidated net losses and LAE includes net adverse development related to losses occurring in prior years which, in total, approximated $30 million and $65 million for the second quarter and first six months of 2006, respectively. The net adverse loss reserve development for the first six months of 2006 was comprised of approximately $140 million related to losses occurring in 2002 and prior, partially offset by favorable development of approximately $75 million related primarily to losses occurring in 2005. Net adverse development related to losses occurring in prior years totaled approximately $35 million and $90 million for the three and six month periods ended June 30, 2005, respectively. The great majority of such development in both the 2006 and 2005 periods relates to domestic operations. For both the 2006 and 2005 periods, significant adverse loss reserve development was related to non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess casualty business for such classes as D&O.

Additionally, included in the above total net adverse development amounts are amounts related to the net adverse development on significant catastrophe losses occurring in prior years, a component of net catastrophe costs. Such net adverse development for the three and six months ended June 30, 2006 totaled approximately $10 million and $20 million, respectively, related principally to catastrophe loss events occurring in 2005. For the second quarter and first half of 2005, approximately $8 million and $15 million, respectively, of net adverse loss reserve development related to significant catastrophe losses, principally related to events occurring in 2004.

The main reason for the increase in gross and ceded losses and LAE incurred in the three and six month periods ended June 30, 2006 compared to the same prior year periods is the increase in losses and LAE incurred related to business assumed from an affiliate which, by prearrangement with TRH, was then ceded in an equal amount to other affiliates.

The underwriting expense ratio for consolidated TRH increased in the second quarter and first six months of 2006 compared to the same 2005 periods. The increase in the second quarter is comprised of an increase of 0.9% in the commission expense component and an increase of 0.3% in the other underwriting expense component. The increase in the first six months is principally comprised of an increase of 1.3% in the commission expense component and an increase of 0.2% in the other underwriting expense component. The increases in the commission expense component are due largely to higher commission costs from London operations, primarily related to pro rata business.

Deferred acquisition costs vary as the components of net unearned premiums change and the deferral rate changes. Acquisition costs, consisting primarily of commissions incurred, are charged to earnings over the period in which the related premiums are earned.

In December 2005, the Company completed a public offering of $750 million principal amount of its 5.75% senior notes due in 2015 (the Senior Notes). The second quarter and first half of 2006 includes interest expense incurred of $10.9 million and $21.7 million, respectively, and interest paid of $21.6 million in connection with the Senior Notes.

Expenses related to stock compensation agreements totaled $2.6 million and $2.1 million in the second quarter of 2006 and 2005, respectively, and $4.9 million and $3.2 million for the first six months of 2006 and 2005, respectively. The majority of such expenses are in "other, net" in the Consolidated Statements of Operations. "Other, net" also contains general corporate expenses and other miscellaneous items.

Income before income taxes amounted to $132.1 million and $259.9 million for the three and six months ended June 30, 2006, respectively, compared to $97.5 million and $210.3 million in the same 2005 periods. The increases in income before income taxes in the 2006 periods compared to the amounts in the same prior year periods were due to increased net investment income and higher underwriting profit (loss) in the 2006 periods, offset, in part, by interest expense related to the Senior Notes in the 2006 periods. In the second quarter and first six months of 2006 as compared to the same year ago periods, the higher underwriting profit (loss) was due, in part, to decreases in net catastrophe costs and lower net adverse loss reserve development, which in the aggregate increased underwriting profit (loss) by approximately $24.6 million and $64.4 million, respectively.

Federal and foreign income tax expense of $27.6 million and $18.3 million were recorded in the second quarter of 2006 and 2005, respectively. Federal and foreign income tax expense of $53.5 million and $41.8 million were recorded in the first six months of 2006 and 2005, respectively. The Company and its domestic subsidiaries, TRC (which includes foreign operations) and Putnam, file consolidated federal income tax returns. The tax burden among the companies is allocated in accordance with a tax sharing agreement. TRC also includes as part of its taxable income or loss those items of income of the non-U.S. subsidiary, TRZ, which are subject to U.S. income tax currently, pursuant to Subpart F income rules of the Internal Revenue Code, and included, as appropriate, in the consolidated federal income tax return.

The effective tax rates, which represent income taxes divided by income before income taxes, were 20.9% and 18.7% in the second quarter of 2006 and 2005, respectively, and were 20.6% and 19.8% in the first six months of 2006 and 2005, respectively. For the full year 2005, TRH recognized a tax benefit of $8.5 million and $17.3 million related to net catastrophe costs recorded in the second quarter and first six months of 2005, respectively. Through the application of the effective tax rate method, TRH recognized tax benefits of $7.7 million and $13.9 million related to net catastrophe costs in the second quarter and first six months of 2005, respectively, and has recognized certain minor additional amounts of tax benefits related to such costs from such periods in the remaining quarters of 2005.

Net income for the second quarter of 2006 was $104.4 million, or $1.58 per common share (diluted), compared to net income of $79.2 million, or $1.20 per common share (diluted), in the 2005 second quarter. Net income for the first six months of 2006 was $206.4 million, or $3.12 per common share (diluted), compared to net income of $168.6 million, or $2.55 per common share (diluted), in the same 2005 period. Reasons for the changes in the components of net income between periods are as discussed earlier in RESULTS OF OPERATIONS.

SEGMENT RESULTS

(a) Domestic:

Comparing the results for the three month and six month periods ended June 30, 2006 with the same prior year periods, revenues increased due primarily to increases in net premiums written, as discussed earlier in RESULTS OF OPERATIONS, and increased net investment income. A significant portion of the increase in net investment income is due to the investment of the net proceeds from the issuance of the Senior Notes in the fourth quarter of 2005 and increases in partnership income.

Income before income taxes increased in both the second quarter and first six months of 2006 as compared to the same 2005 periods primarily due to an increase in net investment income and, for the second quarter only, a reduction in the underwriting loss offset, in part, by interest expense on the Senior Notes in the 2006 periods. The reduced underwriting loss in the 2006 second quarter is due principally to a lower loss and LAE ratio due, in part, to lower net catastrophe costs, which includes net development on prior events.

The second quarter and first six months of 2006 include approximately ($6.8) million and $3.6 million, respectively, of net catastrophe costs. The second quarter and first six months of 2005 include approximately $28.8 million and $28.5 million, respectively, of net catastrophe costs.

(b) International – Europe (London and Paris branches and TRZ):

Comparing the results for the three month and six month periods ended June 30, 2006 with the same prior year periods, revenues decreased due primarily to a decrease in net premiums written, net of the change in unearned premiums, in each branch and TRZ. The decrease in net premiums written for the three month period relates largely to the auto liability and property lines. The decrease in net premiums written for the six month period relates largely to the auto liability, property and other liability lines offset, in part, by increases in the ocean marine line. The overall decrease in net premiums written for the six month period was due, in part, to the change in foreign currency exchange rates between the U.S. dollar and the currencies in which premiums were written in the 2006 period as compared to the same prior year period.

Income before income taxes in the second quarter of 2006 decreased compared to the same 2005 period due primarily to decreased underwriting profit (loss), partially offset by an increase in net investment income. The decrease in underwriting profit (loss) in the 2006 second quarter compared to the same 2005 period is due largely to a higher underwriting expense ratio in the 2006 period caused largely by higher commission costs from the London branch, primarily related to pro rata business.

Income before income taxes in the first six months of 2006 was level with the same 2005 period as decreased underwriting profit (loss) was offset by increased net investment income. The decrease in underwriting profit (loss) in the first half of 2006 compared to the same 2005 period is due, in large part, to the 2006 period having a higher underwriting expense ratio caused by higher commission costs from the London branch, primarily related to pro rata business, partially offset by a lower loss and LAE ratio due to improved loss experience.

The second quarter and first six months of 2006 include approximately $15.8 million and $16.8 million, respectively, of net catastrophe costs. The second quarter and first six months of 2005 include approximately $6.9 million and $16.0 million ($14.9 million related to European Windstorm Erwin) of net catastrophe costs, respectively.

(c) International – Other (Miami (serving Latin America and the Caribbean), Toronto, Hong Kong and Tokyo branches):

Revenues for the second quarter and first six months of 2006 increased compared to the same 2005 periods due primarily to increased net premiums written, net of the change in unearned premiums, with the largest increases in the Miami and, to lesser extents, in the Hong Kong and Toronto branches. Significant increases in net premiums written occurred in the auto liability line along with relatively minor increases spread among several other lines.

Income before income taxes in the three and six month periods ended June 30, 2006 increased compared to the comparable 2005 periods primarily due to increases in underwriting profit (loss) due largely to improved loss experience.

The second quarter and first six months of 2006 includes approximately ($2.9) million and ($5.7) million, respectively, of net catastrophe costs. The second quarter and first six months of 2005 includes approximately ($11.5) million and $5.0 million, respectively, of net catastrophe costs.

FINANCIAL CONDITION AND LIQUIDITY

As a holding company, the Company's assets consist primarily of the stock of TRC. The Company's liabilities consist primarily of the Senior Notes and related interest payable. The Company's future cash flows and its ability to make interest payments (approximately $43 million annually) on the Senior Notes depend on the availability of dividends or other statutorily permissible payments from TRC and its wholly-owned operating subsidiaries, TRZ and Putnam. In the second quarter of 2006 and 2005, the Company received cash dividends from TRC of $29.6 million and $9.5 million, respectively. For the first six months of 2006 and 2005, the Company received cash dividends from TRC of $37.6 million and $19.0 million, respectively.

Sources of funds for the operating subsidiaries consist primarily of premiums, reinsurance recoverables, investment income, proceeds from sales, redemptions and the maturing of investments and funds received under securities loan agreements. Funds are applied by the operating subsidiaries primarily to payments of claims, commissions, ceded reinsurance premiums, insurance operating expenses, income taxes and investments in fixed income and equity securities, as well as the short-term investment of funds received under securities loan agreements. Premiums are generally received substantially in advance of related claims payments. Cash and cash equivalents are maintained for the payment of claims and expenses as they become due. TRH does not anticipate any material capital expenditures in the foreseeable future.

While the overall duration of liabilities is considered in the investment management process, it is not the only factor considered as TRH has historically funded its claims payments from current operating cash flows. As a result of such funding history, TRH does not maintain a credit facility. TRH's primary investment goal is to maximize after-tax income through a high quality diversified taxable fixed maturity and tax-exempt municipal fixed maturity portfolio, while maintaining an adequate level of liquidity. See discussion later in this section of the potential liquidity strain that could arise as a result of significant acceleration of paid losses beyond TRH's ability to fund such payments.

At June 30, 2006, total investments and cash were $10.53 billion compared to $9.24 billion at December 31, 2005. The increase was caused, in large part, by $404.4 million of cash provided by operating activities, $945.7 million of net funds received under securities loan agreements and by an increase of approximately $160 million due to the foreign exchange impact of the weakening U.S. dollar against certain currencies in which the investments are denominated over the first six months of 2006, offset, in part, by a decrease in unrealized appreciation of investments of $164.2 million (see discussion of the change in unrealized appreciation of investments, net of tax, below).

TRH's fixed maturity investments, approximately 74.6% of total investments as of June 30, 2006, are predominantly investment grade, liquid securities, approximately 96.1% of which will mature in less than 10 years. The average duration of the fixed maturity portfolio was 5.8 years as of June 30, 2006. Also as of that date, approximately 7.9% of total investments were in common and nonredeemable preferred stocks, approximately 1.7% of total investments were in other invested assets, consisting of investments in partnerships, approximately 15.4% of total investments were in the short-term investment of funds received under securities loan agreements, and the remaining 0.4% consisted of short-term investments. Based on the foregoing, TRH considers its liquidity to be adequate through the end of 2006 and thereafter for a period the length of which is difficult to predict, but which TRH believes will be at least one year.

Activity within the fixed maturities available for sale portfolio for the periods under discussion generally represented strategic portfolio realignments to maximize after-tax income. TRH adjusts its mix of taxable and tax-exempt investments, as appropriate, generally as a result of strategic investment and tax planning considerations. TRH purchases certain fixed maturities which are classified as held-to-maturity and carried at amortized cost if TRH has the positive intent and ability to hold each of these securities to maturity. TRH purchases certain equities, which are classified as trading, to meet short term investment objectives. In the second quarter of 2006, TRH increased its holdings in nonredeemable preferred stocks, consistent with its overall investment objectives. In addition, TRH engaged in securities lending transactions whereby certain securities (*i.e.*, fixed maturities and common stocks available for sale) from its portfolio were loaned to third parties. In these transactions, initial collateral, principally cash, is received by TRH in an amount exceeding the market value of the loaned security and is invested in a pooled account (shown on the balance sheet at cost, which approximates market value) of the lending agent, an AIG subsidiary, in these transactions. A liability is recorded in an amount equal to the collateral received to recognize TRH's obligation to return such funds when the related loaned securities are returned. The market values of fixed maturities and common stocks available for sale that are on loan are reflected parenthetically as pledged on the balance sheet and totaled $1,425.1 million and $94.8 million, respectively, as of June 30, 2006. The increase in short-term investment of funds received under securities loan agreements reflects increased demand to borrow securities denominated in certain European currencies.

At June 30, 2006, gross unrealized gains and losses on all fixed maturities (including those held to maturity and carried at amortized cost) amounted to $83.8 million and $73.1 million, respectively. The reduction in gross unrealized gains and the increase in gross unrealized losses on such fixed maturities from December 31, 2005 is due primarily to an increase in market interest rates in the first half of 2006. At June 30, 2006, gross unrealized gains and losses on equities available for sale amounted to $28.2 million and $17.0 million, respectively.

As of June 30, 2006, 95.6% of the fixed maturity portfolio was rated Aaa or Aa, 3.8% was rated A, an additional 0.4% was also rated investment grade, and 0.2% was not rated. Also, as of June 30, 2006, TRH had no derivative instruments.

Management reviews TRH's investments on a continual basis for evidence of other than temporary declines in market value, exercising its judgment in making such a determination, and calculates the amount of loss recognition (as a realized capital loss) resulting from investment write-downs.

In general, a security is considered a candidate for such a write-down if it meets any of the following criteria:

- Trading at a significant (25% or more) discount to par, amortized cost (if lower) or cost for an extended period of time;
- The occurrence of a discrete credit event resulting in (i) the issuer defaulting on a material outstanding obligation; or (ii) the issuer seeking protection from creditors under the bankruptcy laws or any similar laws intended for the court supervised reorganization of insolvent enterprises; or (iii) the issuer proposing a voluntary reorganization pursuant to which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than par value of their claims; or
- In the opinion of management, it is probable that TRH may not realize a full recovery on its investment, irrespective of the occurrence of one of the foregoing events.

At each balance sheet date, TRH evaluates its securities holdings in an unrealized loss position. Where TRH does not intend to hold such securities until they have fully recovered their carrying value based on the circumstances present at the date of evaluation, TRH records the unrealized loss in income. If events or circumstances change, such as unexpected changes in creditworthiness of the obligor, general interest rate environment, tax circumstances, liquidity events and statutory capital management considerations among others, TRH revisits its intent to determine if a loss should be recorded in income. Further, if a loss is recognized from a sale subsequent to a balance sheet date pursuant to these changes in circumstances, the loss is recognized in the period in which the intent to hold the securities no longer exists.

Once a security has been identified as other than temporarily impaired, the amount of such impairment is determined by reference to that security's contemporaneous market price.

TRH has the ability to hold any security to its stated maturity. Therefore, the decision to sell reflects the judgment of management that the security sold is unlikely to provide, on a relative value basis, as attractive a return in the future as alternative securities entailing comparable risks. With respect to distressed securities, the sale decision reflects management's judgment that the risk-discounted anticipated ultimate recovery is less than the value achievable on sale. (See OPERATIONAL REVIEW for a discussion of realized capital losses resulting from write-downs of securities for other than temporary declines in market value.)

At June 30, 2006, unpaid losses and loss adjustment expenses (gross loss reserves) totaled $7.37 billion, an increase of $253.2 million, or 3.6%, as compared to December 31, 2005. The increase in gross loss reserves since the end of 2005 is due largely to the setting of reserves on current year business and increased reserves for losses on business assumed from an affiliate which, by prearrangement with TRH, were then ceded in an equal amount to other affiliates, partially offset by the impact of paid losses, which include paid losses related to catastrophes occurring principally in 2005 and prior years and losses related to certain A&H treaties that by prearrangement were almost entirely reinsured by third parties. Changes in foreign currency exchange rates since the end of 2005 also served to increase reserves in 2006.

The components of gross loss reserves as of June 30, 2006 consisted of $4.23 billion of reported amounts (case reserves) and $3.14 billion of IBNR amounts. Gross loss reserves represent the accumulation of estimates for losses occurring on or prior to the balance sheet date. Gross loss reserves are principally based on reports and individual case estimates received from ceding companies. The IBNR portion of gross loss reserves is based on past experience and other factors. The methods used to determine such estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments are reflected in income currently.

At June 30, 2006, reinsurance recoverable on gross loss reserves totaled $1.46 billion (which is net of an allowance for uncollectible reinsurance recoverable of approximately $13 million), an increase of $50.9 million, or 3.6%, from the prior year end. The increase in reinsurance recoverable on gross loss reserves from year end 2005 is due, in part, to an increase in reinsurance recoverable on business assumed from an affiliate which, by prearrangement with TRH, was then ceded in an equal amount to other affiliates offset, in part, by a decrease in reinsurance recoverable related to the A&H treaties referenced in the discussion of gross loss reserves.

Net loss reserves totaled $5.89 billion at June 30, 2006, an increase of $202.3 million, or 3.6%, from the prior year end. The increase in loss reserves includes the impacts of foreign currency exchange rate changes of $106 million and net adverse loss reserve development. The second quarter and first six months of 2006 included paid losses and loss adjustment expenses, net of reinsurance, related to net catastrophe losses of approximately $59 million and $185 million, respectively, principally related to events occurring in 2005. The 2005 second quarter and first six months included paid losses and loss adjustment expenses, net of reinsurance recovered, related to net catastrophe losses of approximately $73 million and $146 million, respectively, principally related to events occurring in 2004. Net loss reserves are charged to income as incurred.

An analysis of the change in gross and net loss reserves for the first six months of 2006, with comparable 2005 data, follows:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in millions)	
At beginning of year:		
Gross loss reserve	$ 7,113.3	$ 5,941.5
Less reinsurance recoverable	(1,422.9)	(960.9)
Net loss reserve	5,690.4	4,980.6
Net losses and LAE incurred (including net adverse development on losses occurring in prior years of: 2006 - $65 million; 2005 - $90 million)	1,251.7	1,257.5
Net losses and loss adjustment expenses paid	1,155.3	1,097.7
Foreign exchange effect	105.9	(83.7)
At end of period:		
Net loss reserve	5,892.7	5,056.7
Plus reinsurance recoverable	1,473.8	990.9
Gross loss reserve	$ 7,366.5	$ 6,047.6

Because the reserving process is inherently difficult and subjective, actual losses may materially differ from reserves and related reinsurance recoverables reflected in TRH's consolidated financial statements, and, accordingly, may have a material effect on future results of operations. And while there is also the possibility of changes in statutes, laws, regulations and other factors that could have a material effect on these liabilities and, accordingly, future earnings, TRH believes that its loss reserves carried at June 30, 2006 are adequate.

See CRITICAL ACCOUNTING ESTIMATES for a discussion of the significant assumptions and factors considered in the reserve setting process.

In the ordinary course of business, TRH is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine TRH's rights and obligations under reinsurance agreements and other more general contracts. In some disputes, TRH seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, TRH is resisting attempts by others to enforce alleged rights. Such disputes are resolved through formal and informal means, including litigation, arbitration and mediation.

In all such matters, TRH believes that its positions are legally and commercially reasonable. TRH also regularly evaluates those positions, and where appropriate, establishes or adjusts loss reserves to reflect its evaluation. TRH's aggregate loss reserves take into account the possibility that TRH may not ultimately prevail in each and every disputed matter. TRH takes into consideration changes in judicial interpretation of legal liability and policy coverages, changes in claims handling practices and inflation. TRH considers not only monetary increases in the cost of what it reinsures, but also changes in societal factors that influence jury verdicts and case law, TRH's approach to claim resolution, and, in turn, claim costs. TRH believes its aggregate loss reserves reduce the potential that an adverse resolution of one or more of these matters, at any point in time, would have a material impact on TRH's financial condition or results of operations. However, there can be no assurance that adverse resolutions of such matters in any one period or in the aggregate will not result in a material adverse effect on TRH's results of operations.

For the first six months of 2006, TRH's operating cash flow was $404.4 million, an increase of $73.0 million from the same 2005 period. The increase in operating cash flow, which emanated mainly from domestic sources, is primarily due to increased investment income received, increased recoveries of reinsurance recoverables and decreased income taxes paid.

As significant losses from catastrophes occurring in 2005, the September 11, 2001 terrorist attack and Enron reinsurance exposure remain unpaid, TRH expects that payments related to these events will have an adverse impact on operating cash flows in future quarters of 2006 and perhaps thereafter.

If paid losses accelerated significantly beyond TRH's ability to fund such paid losses from current operating cash flows, TRH would be compelled to liquidate a portion of its investment portfolio and/or arrange for financing. Such events that may cause such a liquidity strain could be the result of several catastrophic events occurring in a relatively short period of time. Additional strain on liquidity could occur if the investments sold to fund such paid losses were sold in a depressed marketplace and/or reinsurance recoverable on such paid losses became uncollectible.

Of total consolidated operating cash flows, $196.8 million and $179.9 million were derived from international operations in the first six months of 2006 and 2005, respectively. In each of these periods, London was the most significant source of international operating cash flows.

TRH believes that its balance of cash and cash equivalents of $244.3 million as of June 30, 2006 and its future cash flows will be sufficient to meet TRH's cash requirements through the end of 2006 and thereafter for a period the length of which is difficult to predict, but which TRH believes will be at least one year.

TRH's operations are exposed to market risk. Market risk is the risk of loss of fair market value resulting from adverse fluctuations in interest rates, equity prices and foreign currency exchange rates. (See Part I – Item 3 for further discussion.)

TRH's stockholders' equity totaled $2.64 billion at June 30, 2006, an increase of $95.2 million from year end 2005. The net increase consisted primarily of net income of $206.4 million, partially offset by a decrease in accumulated other comprehensive income of $100.0 million and cash dividends declared of $16.7 million.

The abovementioned decrease in accumulated other comprehensive income consisted of net unrealized depreciation of investments, net of income taxes, of $106.7 million, partially offset by a net unrealized foreign currency translation gain from functional currencies, net of income taxes, of $6.7 million. The net unrealized depreciation of investments, net of income taxes, is composed principally of a decrease of $92.1 million in unrealized appreciation of fixed maturities available for sale, due generally to increases in market interest rates, and a decrease of $13.5 million in unrealized appreciation of equities available for sale.

Net unrealized appreciation (depreciation) of investments, net of income taxes, is subject to significant volatility resulting from changes in the market value of fixed maturities and equities available for sale. Market values may fluctuate due to changes in general economic and political conditions, market interest rates, prospects of investee companies and other factors.

RECENT ACCOUNTING STANDARDS

(a) Change in Accounting Principle

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payments" (SFAS No. 123R). SFAS No. 123R and its related interpretive guidance replaced SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) and supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123 as originally issued in 1995, established as preferable a fair-value method of accounting for share-based payment transactions with employees. SFAS No. 123R requires share-based payment transactions with employees to be accounted for using a fair-value based method and broadens the recognition provisions to include share-based payments awarded to an employee by related parties or other holders of an economic interest in the reporting entity.

On January 1, 2003, TRH adopted the recognition provisions of SFAS No. 123 using the prospective method of transition. For the period from January 1, 2003 through December 31, 2005, TRH accounted for share-based payment transactions with employees under SFAS No. 123. Effective January 1, 2006, TRH adopted SFAS No. 123R using the Modified Prospective Application method. The Modified Prospective Application method provides for the recognition of the fair value with respect to stock-based compensation for shares granted or modified on or after January 1, 2006 and for all previously granted but unvested awards as of January 1, 2006. Accordingly, financial statement amounts for the 2005 periods presented in this Form 10-Q have not been restated. The impact of adopting SFAS No. 123R was not material to income before income taxes, net income (including per share amounts), financial condition or cash flows in the second quarter and first six months of 2006.

(b) Other Accounting Standards

In September 2005, the American Institute of Certified Public Accountants (AICPA) issued, and the FASB cleared, Statement of Position 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts" (SOP 05-1). SOP 05-1 provides guidance on accounting for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights or coverage that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. The effective date of the implementation guidance is January 1, 2007. TRH is currently assessing the effect of implementing this guidance.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK

Transatlantic Holdings, Inc. and its subsidiaries (collectively, TRH) operations are exposed to market risk. Market risk is the risk of loss of fair market value resulting from adverse fluctuations in interest rates, equity prices and foreign currency exchange rates.

Measuring potential losses in fair values is a major focus of risk management efforts by many companies. Such measurements are performed through the application of various statistical techniques. One such technique is Value at Risk (VaR). VaR is a summary statistical measure that uses changes in historical interest rates, equity prices and foreign currency exchange rates to calculate the maximum loss that could occur over a defined period of time given a certain probability.

TRH believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established in creating the related models. Therefore, such models are tools and do not substitute for the experience or judgment of senior management.

TRH has performed VaR analyses to estimate the maximum potential loss of fair value for financial instruments for each type of market risk. In this analysis, financial instrument assets include all investments and cash and accrued investment income. Financial instrument liabilities include unpaid losses and loss adjustment expenses and unearned premiums, each net of reinsurance, and the Senior Notes. TRH has calculated the VaR for the first six months of 2006 and the year ending December 31, 2005 using historical simulation. The historical simulation methodology entails re-pricing all assets and liabilities under explicit changes in market rates within a specific historical time period. In this case, the most recent three years of historical market information for interest rates, equity index prices and foreign currency exchange rates are used to construct the historical scenarios. For each scenario, each transaction is re-priced. Consolidated totals are calculated by netting the values of all the underlying assets and liabilities. The final VaR number represents the maximum potential loss incurred with 95% confidence (*i.e.,* only 5% of historical scenarios show losses greater than the VaR figure). A one-month holding period is assumed in computing the VaR figure.

The following table presents the VaR on a combined basis and of each component of market risk for the six months ended June 30, 2006 and for the year ended December 31, 2005. VaR with respect to combined operations cannot be derived by aggregating the individual risk amounts presented herein.

Market Risk

(in millions)

	2006				2005			
	As of June 30,	Average	High	Low	As of December 31,	Average	High	Low
Combined	$ 187	$ 199	$ 211	$ 187	$ 199	$ 191	$ 199	$ 181
Interest rate	183	198	207	183	205	212	228	205
Equity	47	45	47	42	46	54	65	46
Currency	18	18	19	17	17	15	19	12

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
CONTROLS AND PROCEDURES

Transatlantic Holdings, Inc. and its subsidiaries (collectively, TRH) disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that TRH files or submits under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC). Disclosure controls and procedures include controls and procedures reasonably designed to ensure that information required to be disclosed by TRH in the reports that it files or submits under the Exchange Act is accumulated and communicated to TRH's management, including TRH's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. TRH's management, with the participation of TRH's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of TRH's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, TRH's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that the information required to be disclosed in the reports TRH files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. In addition, there has been no change in TRH's internal control over financial reporting that occurred during the second fiscal quarter of 2006 that has materially affected, or is reasonably likely to materially affect, TRH's internal control over financial reporting.

Part II – Item 1. Legal Proceedings

Various regulators including the United States Department of Justice (DOJ), the Securities and Exchange Commission (SEC), the Office of the New York State Attorney General (NYAG) and the New York State Department of Insurance (DOI) have been conducting investigations relating to certain reinsurance transactions within the industry and at AIG. In connection with these investigations, AIG requested that TRH, as a subsidiary of AIG, review its documents and practices, and TRH has cooperated with AIG in all such requests.

On February 9, 2006, AIG announced that it has reached a resolution of claims and matters under investigation with the DOJ, SEC, NYAG and DOI. AIG stated that the settlements resolve outstanding litigation filed by the SEC, NYAG and DOI against AIG and conclude negotiations with these authorities and the DOJ in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments.

As part of its settlements, AIG has agreed to retain for a period of three years an Independent Consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review. TRH, as a subsidiary of AIG, will cooperate with the terms of the settlement that are applicable to TRH.

In April 2005, TRH received subpoenas from the Insurance Departments of Florida and Georgia seeking information relating to finite insurance and reinsurance transactions. In addition, TRH has received a subpoena from the Insurance Department of New York seeking information relating to Transatlantic Reinsurance Company's (TRC) relationship and transactions with Sunrise Professional Indemnity, Ltd., a foreign reinsurer providing reinsurance to TRC, and Gallagher Healthcare Insurance Services, Inc., a provider of insurance and risk management services to healthcare providers and a wholly owned subsidiary of Arthur J. Gallagher & Co., Inc.

In July 2005, TRH received subpoenas from the Insurance Department of the State of Oklahoma. The subpoenas seek information related to so-called bid rigging or the use of "fictitious quotes" or "inflated quotes" through intermediaries in the placing of insurance for "Insureds" or "Public Entities" domiciled in Oklahoma. The subpoenas also seek information related to the amount of compensation received or paid by TRH to or from any intermediary and charged to the "Insured" or "Public Entity" domiciled in Oklahoma. In May 2006, the Insurance Department of the State of Oklahoma notified TRH that it concluded its examination of TRH's Oklahoma business without the issuance of an examination report.

TRH has responded to these subpoenas and continues to cooperate with these regulatory requests. There have been no further inquiries concerning the matters raised by the subpoenas received from the States of Florida and Georgia. While TRH does not believe that any of these inquiries will have a material impact on TRH's business or financial results, it is not possible to predict with any certainty at this time what impact, if any, these inquiries may have on TRH's business or financial results.

Included below are risks which could materially affect TRH's business, results of operations, cash flows or financial condition that have changed since the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

A downgrade in the ratings assigned to TRH's operating subsidiaries could adversely affect TRH's ability to write new business and may adversely impact TRH's existing agreements.

A.M. Best Company (Best), Standard & Poor's (S&P) and Moody's Investors Service (Moody's) are generally considered to be significant rating agencies with respect to the evaluation of insurance and reinsurance companies. Ratings are used by ceding companies and reinsurance intermediaries as an important means of assessing the financial strength and quality of reinsurers. These ratings are subject to periodic review at the discretion of each respective rating agency and may be revised downward or revoked at their sole discretion. Rating agencies also may increase their scrutiny of rated companies, revise their rating standards or take other action. In addition, a ceding company's own rating may be adversely affected by a downgrade in the rating of its reinsurer or an affiliated company. Therefore, a downgrade of TRH's rating may dissuade a ceding company from reinsuring with TRH and may influence a ceding company to reinsure with a competitor of TRH that has a higher financial strength rating.

Best maintains a financial strength rating of A+ (Superior) and issuer credit ratings of aa- on the Company's major operating subsidiaries, TRC, Putnam and TRZ. The outlook for these ratings is stable. These financial strength ratings represent the second highest rating level and these issuer credit ratings represent the fourth highest rating level. In the second quarter of 2006, Best removed these ratings from under review with negative implications, consistent with their actions on all AIG subsidiaries. Best had previously stated that the ratings would remain under review with negative implications until AIG's subsidiaries' ratings are removed from that status, due to AIG's approximately 60% ownership of the Company and the level of rating enhancement the Company's operating subsidiaries continue to receive through their relationship with AIG.

S&P maintains counterparty credit and insurer financial strength ratings on each of TRC, Putnam and TRZ of AA- (Very Strong). The outlook for these ratings is stable. This rating is the fourth highest rating level.

Moody's maintains an insurance financial strength rating of Aa3 (Excellent) on TRC. The outlook for the rating is stable. This rating is the fourth highest rating level.

An increasingly significant portion of TRH's reinsurance contracts contain terms that would allow ceding companies to cancel the contract or require collateral to be posted for all or a portion of TRH's obligations under the contract if TRH is downgraded below a certain rating level, generally A-. When a contract is cancelled on a cut-off basis, for example, the liability of the reinsurer under policies which became effective under the treaty prior to the cancellation date of such treaty ceases with respect to losses resulting from events taking place on and after said cancellation date. Accordingly, unearned premiums on that business as of the cut off date are returned to the ceding company, net of a proportionate share of the original ceding commission. Whether a client would exercise this cancellation right would depend on, among other factors, the reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Therefore, TRH cannot predict in advance the extent to which this cancellation right would be exercised, if at all, or what effect such cancellations would have on TRH's financial condition or future operations, but such effect potentially could be material.

TRH may secure its obligations under its various reinsurance contracts using trusts and letters of credit. TRH may enter into agreements with ceding companies that require TRH to provide collateral for its obligations under certain reinsurance contracts with these ceding companies under various circumstances, including where TRH's obligations to these ceding companies exceed negotiated thresholds. These thresholds may vary depending on TRH's ratings and a downgrade of TRH's ratings or a failure to achieve a certain rating may increase the amount of collateral TRH is required to provide. TRH may provide the collateral by delivering letters of credit to the ceding company, depositing assets into trust for the benefit of the ceding company or permitting the ceding company to withhold funds that would otherwise be delivered to TRH under the reinsurance contract. The amount of collateral TRH is required to provide typically represents all or a portion of the obligations TRH may owe the ceding company, often including estimates made by the ceding company of IBNR claims. Since TRH may be required to provide collateral based on the ceding company's estimate, TRH may be obligated to provide collateral that exceeds its estimates of the ultimate liability to the ceding company.

These debt and financial strength ratings are current opinions of the rating agencies. As such, they may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances, including TRH's relationship with AIG. Ratings may also be withdrawn at the request of TRH's management. Ratings are not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating.

The current investigations into certain non-traditional, or loss mitigation, insurance products and other legal matters could have a material adverse effect on TRH's financial condition or results of operations.

Various regulators including the DOJ, the SEC, the NYAG and the DOI have been conducting investigations relating to certain insurance and reinsurance business practices, non-traditional insurance products and assumed reinsurance transactions within the industry and at AIG. In connection with these investigations, AIG requested that TRH, as a subsidiary of AIG, review its documents and practices, and TRH has cooperated with AIG in all such requests.

On February 9, 2006, AIG announced that it has reached a resolution of claims and matters under investigation with the DOJ, SEC, NYAG and DOI. AIG stated that the settlements resolve outstanding litigation filed by the SEC, NYAG and DOI against AIG and conclude negotiations with these authorities and the DOJ in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers compensation premium taxes and other assessments.

As part of its settlements, AIG has agreed to retain for a period of three years an Independent Consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review. TRH, as a subsidiary of AIG, will cooperate with the terms of the settlements that are applicable to TRH.

In April 2005, TRH received subpoenas from the Insurance Departments of Florida and Georgia seeking information relating to finite insurance and reinsurance transactions. In addition, TRH has received a subpoena from the Insurance Department of New York seeking information relating to TRC's relationship and transactions with Sunrise Professional Indemnity, Ltd., a foreign reinsurer providing reinsurance to TRC, and Gallagher Healthcare Insurance Services, Inc., a provider of insurance and risk management services to healthcare providers and a wholly owned subsidiary of Arthur J. Gallagher & Co., Inc.

In July 2005, TRH received subpoenas from the Insurance Department of the State of Oklahoma. The subpoenas seek information related to so-called bid rigging or the use of "fictitious quotes" or "inflated quotes" through intermediaries in the placing of insurance for "Insureds'' or "Public Entities" domiciled in Oklahoma. The subpoenas also seek information related to the amount of compensation received or paid by TRH to or from any intermediary and charged to the "Insured" or "Public Entity" domiciled in Oklahoma. In May 2006, the Insurance Department of the State of Oklahoma notified TRH that it concluded its examination of TRH's Oklahoma business without the issuance of an examination report.

TRH has responded to these subpoenas and continues to cooperate with these regulatory requests. There have been no further inquiries concerning the matters raised by the subpoenas received from the States of Florida and Georgia. While TRH does not believe that any of these inquiries will have a material impact on TRH's business or financial results, it is not possible to predict with any certainty at this time what impact, if any, these inquiries may have on TRH's business or financial results.

Part II – Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In November 2000, the Board of Directors authorized the purchase of up to 200,000 shares (375,000 shares after adjustment for subsequent stock splits) of Transatlantic Holdings, Inc.'s common stock in the open market or through negotiated transactions. The purchase program has no set expiration or termination date. As of June 30, 2006, 170,050 shares may still be purchased pursuant to this authorization. No shares were purchased in the second quarter of 2006. The preceding does not include 2,461 shares related to options exercised in the three and six months ended June 30, 2006 that were attested to in satisfaction of the exercise price by holders of the Company's employee or director stock options.

Part II – Item 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders held on May 25, 2006, the stockholders:

(a) elected eight directors for a one year term, as follows:

NOMINEE	SHARES FOR	SHARES WITHHELD
James Balog	64,270,603	392,257
Steven J. Bensinger	61,369,115	3,293,745
C. Fred Bergsten	64,297,502	365,358
John J. Mackowski	64,271,071	391,789
Diana K. Mayer	64,300,188	362,672
Robert F. Orlich	63,234,062	1,428,798
Martin J. Sullivan	61,413,705	3,249,155
Thomas R. Tizzio	63,054,312	1,608,548

(b) approved, by a vote of 61,806,794 shares in favor to 1,384,793 shares opposed, with 311,461 abstentions, 1,159,812 broker non-votes and 1,266,546 shares not voting, a proposal to amend the 2000 Stock Option Plan.

(c) approved, by a vote of 61,787,068 shares in favor to 1,401,087 shares opposed, with 314,893 abstentions, 1,159,812 broker non-votes and 1,266,546 shares not voting, a proposal to amend the 2003 Stock Incentive Plan.

(d) approved, by a vote of 64,445,694 shares in favor to 208,040 shares opposed, with 9,126 abstentions and 1,266,546 shares not voting, a proposal to ratify the selection of PricewaterhouseCoopers LLP as Transatlantic Holdings, Inc.'s. independent registered public accounting firm for 2006.

Part II – Item 5. Other Information

On August 2, 2006, the Board of Directors of Transatlantic Holdings, Inc. elected Mr. Richard S. Press a Director. Mr. Press will be serving on the Audit and Finance Committees. As of August 2, 2006, the Company's Board of Directors has one vacancy.

Part II – Item 6. Exhibits

See accompanying Exhibit Index.

Omitted from this Part II are items which are inapplicable or to which the answer is negative for the period covered.

SIGNATURES

Pursuant to the requirements 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.

TRANSATLANTIC HOLDINGS, INC.

(Registrant)

/s/ STEVEN S. SKALICKY

Steven S. Skalicky
On behalf of the registrant and in his capacity as Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Dated: August 8, 2006

<u>EXHIBIT INDEX</u>

Exhibit Number	Description	Location
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Robert F. Orlich, President and Chief Executive Officer.	Filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Steven S. Skalicky, Executive Vice President and Chief Financial Officer.	Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Robert F. Orlich, President and Chief Executive Officer.	Provided herewith.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Steven S. Skalicky, Executive Vice President and Chief Financial Officer.	Provided herewith.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Robert F. Orlich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transatlantic Holdings, Inc.;

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; and

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 the 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.

/s/ ROBERT F. ORLICH

Robert F. Orlich
President and Chief Executive Officer

Date: August 8, 2006

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Steven S. Skalicky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transatlantic Holdings, Inc.;

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; and

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 the 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.

/s/ STEVEN S. SKALICKY

Steven S. Skalicky
Executive Vice President and Chief Financial Officer

Date: August 8, 2006

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 the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 of Transatlantic Holdings, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert F. Orlich, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(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.

/s/ ROBERT F. ORLICH

Robert F. Orlich
President and Chief Executive Officer

Date: August 8, 2006

The foregoing is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of this Quarterly Report on Form 10-Q or as a separate disclosure document.

Exhibit 32.2

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 the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 of Transatlantic Holdings, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven S. Skalicky, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(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.

/s/ STEVEN S. SKALICKY

Steven S. Skalicky
Executive Vice President and Chief Financial Officer

Date: August 8, 2006

The foregoing is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of this Quarterly Report on Form 10-Q or as a separate disclosure document.