Consolidated Financial Statements of

GREENLIGHT REINSURANCE, LTD.

December 31, 2016 and 2015

GREENLIGHT REINSURANCE, LTD.

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Independent Auditor's Report

The Board of Directors and Shareholder
Greenlight Reinsurance, Ltd.
Grand Cayman, Cayman Islands

We have audited the accompanying consolidated financial statements of Greenlight Reinsurance, Ltd., a wholly owned subsidiary of Greenlight Capital Re, Ltd., as of December 31, 2016 and 2015 and the related consolidated statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenlight Reinsurance, Ltd. at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

BDO

February 22, 2017

BDO Cayman Ltd., a Cayman Islands company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2016	2015
Assets		
Investments		
Debt instruments, trading, at fair value	$ 22,473	$ 39,087
Equity securities, trading, at fair value	844,001	905,994
Other investments, at fair value	156,063	119,083
Total investments	1,022,537	1,064,164
Cash and cash equivalents	33,502	109,289
Restricted cash and cash equivalents	1,195,257	1,236,589
Financial contracts receivable, at fair value	76,381	13,215
Reinsurance balances receivable	198,382	160,704
Loss and loss adjustment expenses recoverable	2,670	3,333
Deferred acquisition costs, net	57,544	54,187
Unearned premiums ceded	1,865	2,627
Notes receivable, net	18,571	22,971
Due from parent company	29,023	16,986
Due from affiliate	925	884
Other assets	2,566	3,826
Total assets	$ 2,639,223	$ 2,688,775
Liabilities and equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 859,902	$ 882,906
Financial contracts payable, at fair value	2,237	28,245
Due to prime brokers	312,436	396,453
Loss and loss adjustment expense reserves	279,610	273,686
Unearned premium reserves	203,203	184,533
Reinsurance balances payable	40,218	17,102
Funds withheld	5,209	6,431
Other liabilities	13,265	10,414
Total liabilities	1,716,080	1,799,770
Equity		
Ordinary share capital (par value $0.10; authorized, 10,000; issued and outstanding, 1,000 (2015: 1,000)	—	—
Additional paid-in capital	472,379	472,379
Retained earnings	361,901	317,102
Shareholder's equity attributable to shareholder	834,280	789,481
Non-controlling interest in joint venture	88,863	99,524
Total equity	923,143	889,005
Total liabilities and equity	$ 2,639,223	$ 2,688,775

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2016, 2015 and 2014
(expressed in thousands of U.S. dollars)

	2016	2015	2014
Revenues			
Gross premiums written	$ 470,600	$ 414,795	$ 252,339
Gross premiums ceded	(8,152)	(7,146)	(12,654)
Net premiums written	462,448	407,649	239,685
Change in net unearned premium reserves	(20,839)	(83,301)	47,269
Net premiums earned	441,609	324,348	286,954
Net investment income (loss)	75,239	(281,880)	117,659
Other income (expense), net	(900)	(3,129)	2,746
Total revenues	515,948	39,339	407,359
Expenses			
Loss and loss adjustment expenses incurred, net	326,358	259,596	181,086
Acquisition costs, net	120,365	94,391	90,179
General and administrative expenses	18,832	17,281	18,158
Total expenses	465,555	371,268	289,423
Net income (loss) including non-controlling interest	50,393	(331,929)	117,936
Loss (income) attributable to non-controlling interest in joint venture	(5,594)	22,445	(4,650)
Net income (loss)	$ 44,799	$ (309,484)	$ 113,286

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Years ended December 31, 2016, 2015 and 2014
(expressed in thousands of U.S. dollars)

	Ordinary share capital	Additional paid-in capital	Retained earnings	Shareholder's equity attributable to shareholders	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2013	$ —	$ 472,379	$ 518,300	$ 990,679	$ 103,221	$ 1,093,900
Non-controlling interest contribution into (withdrawal from) joint venture, net	—	—	—	—	(11,402)	(11,402)
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	4,650	4,650
Net income (loss)	—	—	113,286	113,286	—	113,286
Balance at December 31, 2014	$ —	$ 472,379	$ 631,586	$ 1,103,965	$ 96,469	$ 1,200,434
Non-controlling interest contribution into (withdrawal from) joint venture, net	—	—	—	—	25,500	25,500
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	(22,445)	(22,445)
Dividend paid	—	—	(5,000)	(5,000)	—	(5,000)
Net income (loss)	—	—	(309,484)	(309,484)	—	(309,484)
Balance at December 31, 2015	$ —	$ 472,379	$ 317,102	$ 789,481	$ 99,524	$ 889,005
Non-controlling interest contribution into (withdrawal from) joint venture, net	—	—	—	—	(16,255)	(16,255)
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	5,594	5,594
Net income (loss)	—	—	44,799	44,799	—	44,799
Balance at December 31, 2016	$ —	$ 472,379	$ 361,901	$ 834,280	$ 88,863	$ 923,143

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2016, 2015 and 2014
(expressed in thousands of U.S. dollars)

	2016	2015	2014
Cash provided by (used in) operating activities			
Net income (loss)	$ 44,799	$ (309,484)	$ 113,286
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Net change in unrealized gains and losses on investments and financial contracts	(209,993)	265,401	187,753
Net realized gains (losses) on investments and financial contracts	113,836	(22,227)	(347,633)
Foreign exchange (gains) losses on cash and investments	3,094	6,225	(14,797)
Income (loss) attributable to non-controlling interest in joint venture	5,594	(22,445)	4,650
Depreciation expense	342	341	371
Net change in			
Reinsurance balances receivable	(37,678)	(77,341)	18,139
Loss and loss adjustment expenses recoverable	663	(881)	5,306
Deferred acquisition costs, net	(3,357)	(25,244)	17,590
Unearned premiums ceded	762	1,123	(840)
Due from parent company	(12,037)	(16,986)	3,808
Due from affiliate	(41)	(783)	526
Other assets	918	(959)	301
Loss and loss adjustment expense reserves	5,924	36,821	(70,075)
Unearned premium reserves	18,670	81,435	(47,893)
Reinsurance balances payable	23,116	6,522	1,580
Funds withheld	(1,222)	386	(3,548)
Other liabilities	2,851	(3,524)	3,405
Due to parent company	—	(15,276)	15,276
Due to affiliate	—	—	(375)
Net cash provided by (used in) operating activities	(43,759)	(96,896)	(113,170)
Investing activities			
Purchases of investments, trading	(1,310,837)	(1,252,969)	(1,603,856)
Sales of investments, trading	1,470,118	1,388,162	1,722,936
Payments for financial contracts	(60,414)	(25,765)	(13,302)
Proceeds from financial contracts	20,426	7,002	113,011
Securities sold, not yet purchased	699,237	892,085	934,769
Dispositions of securities sold, not yet purchased	(792,970)	(1,068,891)	(952,843)
Change in due to prime brokers	(84,017)	185,383	(103,632)
Change in restricted cash and cash equivalents, net	44,366	50,400	35,476
Change in notes receivable, net	4,400	2,888	—
Non-controlling interest withdrawal from joint venture, net	(16,255)	25,500	(11,402)
Net cash provided by (used in) investing activities	(25,946)	203,795	121,157
Financing activities			
Dividend paid	—	(5,000)	—
Net cash provided by (used in) financing activities	—	(5,000)	—
Effect of foreign exchange rate changes on cash and cash equivalents	(6,082)	(2,500)	—
Net increase (decrease) in cash and cash equivalents	(75,787)	99,399	7,987
Cash and cash equivalents at beginning of the period	109,289	9,890	1,903
Cash and cash equivalents at end of the period	$ 33,502	$ 109,289	$ 9,890
Supplementary information			
Interest paid in cash	$ —	$ 21,959	$ 21,482
Non-cash transfer to notes receivable	—	25,859	—

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT REINSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016, 2015 and 2014

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Reinsurance, Ltd. (the "Company") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004 and has a Class "D" insurance license issued in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto (the "Law"), and is subject to regulation by the Cayman Islands Monetary Authority ("CIMA") in terms of the Law. The Company provides global specialty property and casualty reinsurance.

The Company is a wholly-owned subsidiary of Greenlight Capital Re, Ltd. (the "Parent"). The Parent's Class A ordinary shares are listed on the Nasdaq Global Select Market under the symbol "GLRE".

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and the joint venture between DME Advisors, LLC. ("DME"), Greenlight Reinsurance Ireland, Designated Activity Company ("GRIL") and the Company. All significant intercompany transactions and balances have been eliminated on consolidation.

Management has evaluated subsequent events through February 22, 2017, the date these consolidated financial statements were available to be issued.

Reclassifications

During the year ended December 31, 2016, the Company revised its classification of the lines of business presented in Note 14 of the consolidated financial statements. As a result the gross written premiums relating to certain lines of business previously reported for the years ended December 31, 2015 and 2014, have been reclassified to conform to the current period presentation. The reclassification resulted in no changes to net income (loss) or retained earnings for any of the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and certain short-term, highly liquid investments with original maturity dates of three months or less.

Restricted Cash and Cash Equivalents

The Company is required to maintain certain cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased and derivatives. Additionally, restricted cash and cash equivalent balances are held to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 4 and 6). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased, and the collateral required by the cedents in the form of trust accounts and letters of credit. In addition, derivative counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying financial instrument.

Premium Revenue Recognition

The Company accounts for reinsurance contracts in accordance with U.S. GAAP. In the event that a reinsurance contract does not transfer sufficient risk, deposit accounting is used and the contract is reported as a deposit liability.

The Company writes excess of loss contracts as well as quota share contracts. The Company estimates the ultimate premiums for the entire contract period. These estimates are based on information received from the ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedents which typically are received monthly or quarterly depending on the terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premium estimates. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts, are expected and may result in significant adjustments in any period. A significant portion of amounts included in reinsurance balances receivable represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts.

Certain contracts allow for reinstatement premiums in the event of a full limit loss prior to the expiry of a contract. A reinstatement premium is not due until there is a full limit loss event and therefore, in accordance with U.S. GAAP, the Company records a reinstatement premium as written only in the event that a client incurs a full limit loss on the contract and the contract allows for a reinstatement of coverage upon payment of an additional premium. For catastrophe contracts which contractually require the payment of a reinstatement premium equal to or greater than the original premium upon the occurrence of a full limit loss, the reinstatement premiums are earned over the original contract period. Reinstatement premiums that are contractually calculated on a pro-rata basis of the original premiums, are earned over the remaining coverage period. For additional premiums which are due on a contract that has no remaining coverage period, the additional premiums are earned in full when due.

Certain contracts may provide for a penalty to be paid if the contract is terminated and canceled prior to its expiration term. Cancellation penalties are recognized in the period the notice of cancellation is received and are recorded in the consolidated statements of income under "other income (expense), net".

Premiums written are generally recognized as earned over the contract period in proportion to the period of risk covered. Unearned premiums consist of the unexpired portion of reinsurance provided.

Reinsurance Premiums Ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (retrocessionaires). The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for their unpaid obligations.

Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

Deferred Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to, and vary with, the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortized over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognized. At December 31, 2016 and 2015, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

Acquisition costs also include profit commissions which are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms. As of December 31, 2016, $14.0 million (2015: $11.1 million) of profit commission reserves were included in reinsurance balances payable on the consolidated balance sheets. For the year ended December 31, 2016, $5.8 million (2015: $6.6 million and 2014: $2.6 million, respectively) of net profit commission expense was included in acquisition costs in the consolidated statements of income.

Funds Withheld

Funds withheld include reinsurance balances retained from retrocessionaires as security for a period of time in accordance with the contract terms. Any interest expense that the Company incurs during the period these funds are withheld, are included under net investment income in the consolidated statements of income.

Loss and Loss Adjustment Expense Reserves and Recoverable

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR"). These estimated ultimate reserves are based on the Company's own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company periodically on a contract by contract basis and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss and loss adjustment expenses recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately recover the loss and loss adjustment expense recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

Consideration paid by the Company for retroactive reinsurance that meets the conditions for reinsurance accounting (e.g. loss portfolio transfers) are reported as loss and loss adjustment expenses recoverable to the extent those amounts do not exceed the associated liabilities. If the amounts paid for retroactive reinsurance exceed the liabilities, the Company increases the related liabilities, at the time the reinsurance contract is effective, and the excess is charged to net income as losses incurred. If the liabilities exceed the amounts paid, the recoverable balance is increased to reflect the difference, and the resulting gain is deferred and amortized over the estimated loss payout period. Changes in the estimated amount of liabilities relating to the underlying reinsured contracts are recognized in net income in the period of the change.

Notes Receivable

Notes receivable include promissory notes receivable from third party entities. These notes are recorded at cost along with accrued interest, if any, which approximates the fair value. Interest income and realized gains or losses on sale of notes receivable are included under net investment income (loss) in the consolidated statements of income.

The Company regularly reviews all notes receivable individually for impairment and records valuation allowance provisions for uncollectible and non-performing notes. The Company places notes on non-accrual status when the recorded value of the note is not considered impaired but there is uncertainty as to the collection of interest in accordance with the terms of the note. For notes receivable placed on non-accrual status, the notes are recorded excluding any accrued interest amount. The Company resumes accrual of interest on a note when none of the principal or interest remains past due, and the Company expects to collect the remaining contractual principal and interest. Interest collected on notes that are placed on non-accrual status is treated on a cash-basis and recorded as interest income when collected, provided that the recorded value of the note is deemed to be fully collectible. Where doubt exists as to the collectability of the remaining recorded value of the notes placed on non-accrual status, any payments received are applied to reduce the recorded value of the notes.

At December 31, 2016, $18.6 million of notes receivable (net of any valuation allowance) were on non-accrual status (2015: $23.0 million) and any payments received were applied to reduce the recorded value of the notes.

At December 31, 2016 and 2015, there was no accrued interest included in the notes receivable balance. Based on management's assessment, the recorded values of the notes receivable, net of valuation allowance, at December 31, 2016 and 2015, were expected to be fully collectible.

Deposit Assets and Liabilities

In accordance with U.S. GAAP, deposit accounting is used in the event that a reinsurance contract does not transfer sufficient insurance risk, or a contract provides retroactive reinsurance that does not meet the conditions for reinsurance accounting. Any losses on such contracts are charged to earnings immediately. Any gains relating to such contracts are deferred and amortized over the estimated remaining settlement period. All such deferred gains are included in reinsurance balances payable in the consolidated balance sheets. Amortized gains are recorded in the consolidated statements of income as other income. At December 31, 2016 and 2015, there were no material deposit assets or deposit liabilities and no material gains or losses on deposit accounted contracts.

Fixed Assets

Fixed assets are included in other assets on the consolidated balance sheets and are recorded at cost when acquired. Fixed assets are comprised of computer software, furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for both computer software, and furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or remaining lease term. The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows. For the years ended December 31, 2016, 2015 and 2014, there were no impairments in fixed assets.

At December 31, 2016, the cost, accumulated depreciation and net book values of the fixed assets were as follows:

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (420)	$ 136
Furniture and fixtures	430	(379)	51
Leasehold improvements	1,732	(1,345)	387
Total	$ 2,718	$ (2,144)	$ 574

At December 31, 2015, the cost, accumulated depreciation and net book values of the fixed assets were as follows:

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (348)	$ 208
Furniture and fixtures	430	(345)	85
Leasehold improvements	1,732	(1,109)	623
Total	$ 2,718	$ (1,802)	$ 916

Financial Instruments

Investments in Securities and Investments in Securities Sold, Not Yet Purchased

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs). The fair values of listed equities that have restrictions on sale or transfer which expire within one year, are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs. The fair values of debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximizes the use of observable direct or indirect inputs (Level 2 inputs) when deriving the fair values for "other investments". For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments. For certain private equity fund investments the Company has elected to measure the fair value using the net asset value practical expedient allowed under U.S. GAAP, and accordingly these investments are not classified as Level 1, 2 or 3 in the fair value hierarchy.

For securities classified as "trading securities" and "other investments", any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in net investment income (loss) in the consolidated statements of income.

Dividend income and expense are recorded on the ex-dividend date. The ex-dividend date is the date as of when the underlying security must have been traded to be eligible for the dividend declared. Interest income and interest expense are recorded on an accrual basis.

Derivative Financial Instruments

U.S. GAAP requires that an entity recognize all derivatives in the balance sheet at fair value. It also requires that unrealized gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivative financial instrument assets are included in financial contracts receivable. Derivative financial instrument liabilities are generally included in financial contracts payable. The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the consolidated balance sheets on a gross basis and not offset against any collateral pledged or received. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements, securities lending agreements and other agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off outstanding balances due from the defaulting party against payments owed to the defaulting party or collateral held by the non-defaulting party. The Company may from time to time enter into underwriting contracts such as industry loss warranty contracts ("ILW") that are treated as derivatives for U.S. GAAP purposes.

Financial Contracts

The Company enters into financial contracts with counterparties as part of its investment strategy. Financial contracts, which include total return swaps, credit default swaps ("CDS"), futures, options, currency forwards and other derivative instruments, are recorded at their fair value with any unrealized gains and losses included in net investment income (loss) in the consolidated statements of income. Financial contracts receivable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be entitled to receive payments upon settlement of the contract. Financial contracts payable represents derivative contracts whereby, based upon each contract's current fair value, the Company will be obligated to make payments upon settlement of the contract.

Total return swap agreements, included on the consolidated balance sheets as financial contracts receivable and financial contracts payable, are derivative financial instruments whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company may not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on interest rates, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair value movements of the underlying security together with any other payments due. These contracts are carried at fair value, based on observable inputs (Level 2 inputs) with the resultant unrealized gains and losses reflected in net investment income (loss) in the consolidated statements of income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in net investment income (loss) in the consolidated statements of income.

Financial contracts may also include exchange traded futures or options contracts that are based on the movement of a particular index, equity security, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company's obligations or rights on these contracts are recorded at fair value based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on

actual transactions (Level 2). Amounts invested in exchange traded options and over the counter ("OTC") options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company may purchase and sell CDS for strategic investment purposes. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market (Level 2) or based on the current credit spreads on identical contracts (Level 2).

Foreign Exchange

The reporting and functional currency of the Company and all its subsidiaries is the U.S. dollar. Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the exchange rate in effect at the balance sheet date and translation exchange gains and losses, if any, are included in "other income (expense), net" in the consolidated statements of income.

Other Assets

Other assets consist primarily of investment income receivable, prepaid expenses, fixed assets and deferred tax assets.

Other Liabilities

Other liabilities consist primarily of dividends payable on securities sold, not yet purchased, and employee bonus accruals. At December 31, 2016, other liabilities included accrued bonus of $8.0 million (2015: $7.2 million). Under the Company's bonus program, each employee's target bonus consists of two components: a discretionary component based on a qualitative assessment of each employee's performance and a quantitative component based on the return on deployed equity ("RODE") for each underwriting year relating to reinsurance operations. The qualitative portion of an employee's annual bonus is accrued at each employee's target amount, which may differ significantly from the actual amount approved and awarded annually by the Compensation Committee. The quantitative portion of each employee's annual bonus is accrued based on the expected RODE for each underwriting year and adjusted for changes in the expected RODE and actual investment return each quarter until all losses are settled and the underwriting year is declared closed. The quantitative bonus is calculated and paid, with the approval of the Compensation Committee, in annual installments between three to five years from the end of the fiscal year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation utilizes proprietary models which require significant estimation and judgment. Actual RODE may vary significantly from the expected RODE and any adjustments to the quantitative bonus estimates, which may be material, are recorded in the period in which they are determined.

Also included in other liabilities are income taxes payable, dividends payable on investments, and accruals for professional fees and other general expenses.

Non-controlling Interest

Non-controlling interest in joint venture on the consolidated balance sheets represents DME Advisors, LLC's ("DME") share of assets in the joint venture whereby DME is a participant in the joint venture as disclosed in Note 12. DME's share of investment income or loss is included in the consolidated statements of income as income attributable to non-controlling interest in joint venture.

Comprehensive Income (Loss)

The Company has no comprehensive income or loss, other than the net income or loss disclosed in the consolidated statements of income.

Segment Information

Under U.S. GAAP, operating segments are based on the internal information that management uses for allocating resources and assessing performance as the source of the Company's reportable segments.

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance, in accordance with the qualitative and quantitative criteria established by U.S. GAAP.

Recent Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent" ("ASU 2015-07"). The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value ("NAV") per share (or its equivalent) as a practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share as a practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share as a practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in ASU 2015-07 are effective for reporting periods beginning after December 15, 2015, with early adoption permitted. Entities are required to apply the amendments in this update retrospectively to all periods presented. The Company adopted ASU 2015-07 during the first quarter of 2016. As the Company measures certain investments in private equity funds using the NAV as a practicable expedient, upon adoption of ASU 2015-07, the fair value of these investments was removed from the fair value hierarchy for all periods presented in the Company's consolidated financial statements. The Company will continue to disclose information on those investments for which fair value is measured at NAV as a practical expedient. Please refer to Note 3 "Financial Instruments" for the updated fair value hierarchy tables.

In May 2015, the FASB issued ASU 2015-09, "Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts" ("ASU 2015-09"). ASU 2015-09 requires additional disclosures for short-duration contracts including incurred and paid claims development information, claims duration information, quantitative claims frequency information (unless impracticable), and an explanation of significant changes in methodologies and assumptions used to calculate the loss and loss adjustment expense reserves. ASU 2015-09 is effective for public entities for annual reporting periods beginning after December 15, 2015, and interim reporting periods within annual reporting periods beginning after December 15, 2016 with early adoption permitted. The Company adopted ASU 2015-09 during 2016 and disclosed the additional information in its consolidated financial statements for the fiscal year ending December 31, 2016. Please refer to Note 7 "Loss and Loss Adjustments Expense Reserves" for the disclosures relating to ASU 2015-09.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The new guidance is intended to improve the recognition and measurement of financial instruments. ASU 2016-01, among other things, requires equity investments to be measured at fair value with changes in fair value recognized in net income or loss, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. ASU 2016-01 affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of adopting ASU 2016-01 on the Company's consolidated financial statements. However, the adoption of this guidance is not expected to have a significant impact on the Company's net income or loss or retained earnings since the Company's investments are currently classified as "trading" and the unrealized gains and losses are already recognized in net income or loss.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted for any organization in any interim or annual period. The Company currently has two operating leases for its office spaces as disclosed in Note 14 of the consolidated financial statements. The Company is in the process of evaluating the impact of adopting ASU 2016-02 on the Company's consolidated financial statements and anticipates implementing ASU 2016-02 during the fiscal year 2019. The Company currently has two operating leases for its office spaces as disclosed in Note 13 of the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the guidance on reporting credits losses and affects loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have the contractual right to receive cash. The amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization for annual periods beginning after December 15, 2018 and interim periods within those annual periods. The Company is in the process of evaluating the impact of the requirements of ASU 2016-13 on the Company's consolidated financial statements and anticipates implementing ASU 2016-13 during the fiscal year 2020.

In November 2016, the FASB issued ASU 2016-18, "Statements of Cash Flows - Restricted Cash (Topic 230)" ("ASU 2016-18"). ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents in the statement of cash flows and disclose the nature of the restrictions on cash and cash equivalents. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company currently separately discloses the restrictions on cash and cash equivalents in Note 6 of the consolidated financial statements and expects to continue these disclosures since ASU 2016-18 does not change the requirement in Regulation S-X (Rule 5-02) to separately disclose cash and cash equivalents that have restrictions on withdrawal or use. The Company currently presents changes in restricted cash and cash equivalents under investing activities in the consolidated statements of cash flows. Upon adoption of ASU 2016-18, the Company will amend the presentation in the statement of cash flows to include the restricted cash and cash equivalents with cash and cash equivalents in the consolidated statements of cash flows and will retrospectively reclassify all periods presented.

3. FINANCIAL INSTRUMENTS

In the normal course of its business, the Company purchases and sells various financial instruments, which include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased.

The Company is exposed to credit risk in relation to counterparties that may default on their obligations to the Company. The amount of counterparty credit risk predominantly relates to the value of financial contracts receivable and assets held at counterparties. The Company mitigates its counterparty credit risk by using several counterparties which decreases the likelihood of any significant concentration of credit risk with any one counterparty. The Company mitigates its exposure to counterparty risk by obtaining collateral from its counterparties based on the value of the financial contracts receivable. In addition, the Company is exposed to credit risk on corporate and sovereign debt instruments to the extent that the debtors may default on their debt obligations.

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realized upon the sale of its holdings as well as the amount of net investment income reported in the consolidated statements of income. Management utilizes the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of potential loss due to changes in market values. The investment advisor may be limited in its ability to trade certain investments on behalf of the Company.

Purchases and sales of investments are disclosed in the consolidated statements of cash flows. Net realized losses on the sale of investments, financial contracts, and investments sold, not yet purchased during 2016 were $113.8 million (2015: $22.2 million gains, 2014: $352.1 million gains). Gross realized gains were $188.7 million (2015: $350.5 million, 2014: $596.6 million) and gross realized losses were $302.5 million (2015: $328.3 million, 2014: $244.5 million). For the year ended December 31, 2016, included in net investment income in the consolidated statements of income were $210.0 million of net gains (2015: $265.4 million of net losses, 2014: $187.8 million of net losses) relating to change in unrealized gains and losses on trading securities still held at the balance sheet date.

As of December 31, 2016, cash and investments with a fair value of $310.9 million (2015: $324.3 million) have been pledged as security against letters of credit issued, and $79.0 million (2015: $78.6 million) have been pledged as security relating to regulatory trusts.

As of December 31, 2016, the Company's investments in gold and gold derivatives and General Motors (GM) were the only investments in excess of 10% of the Company's shareholder's equity, with a fair value of $137.3 million, or 14.9%, and $92.9 million, or 10.1%, respectively, of shareholder's equity.

As of December 31, 2015, the Company's investment in gold and gold derivatives, was the only investment in excess of 10% of the Company's shareholder's equity, with fair values of $98.0 million, or 11.0%, of shareholder's equity.

Fair Value Hierarchy

The Company's financial instruments are carried at fair value, and the net unrealized gains or losses are included in net investment income (loss) in the consolidated statements of income.

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2016:

	Fair value measurements as of December 31, 2016			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	($ in thousands)			
Assets:				
Debt instruments	$ —	$ 21,819	$ 654	$ 22,473
Listed equity securities	823,421	20,580	—	844,001
Commodities	137,296	—	—	137,296
Private and unlisted equity securities	—	—	6,109	6,109
	$ 960,717	$ 42,399	$ 6,763	$ 1,009,879
Private equity funds measured at net asset value [(1)]				12,658
Total investments				$ 1,022,537
Financial contracts receivable	$ 20	$ 76,361	$ —	$ 76,381
Liabilities:				
Listed equity securities, sold not yet purchased	$ (770,267)	$ —	—	$ (770,267)
Debt instruments, sold not yet purchased	—	(89,635)	—	(89,635)
Total securities sold, not yet purchased	$ (770,267)	$ (89,635)	—	$ (859,902)
Financial contracts payable	$ —	$ (2,237)	—	$ (2,237)

[(1)] Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the consolidated balance sheets.

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2015:

Description	Fair value measurements as of December 31, 2015 Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	($ in thousands)			
Assets:				
Debt instruments	$ —	$ 38,582	$ 505	$ 39,087
Listed equity securities	900,369	5,625	—	905,994
Commodities	98,046	—	—	98,046
Private and unlisted equity securities	—	—	8,452	8,452
	$ 998,415	$ 44,207	$ 8,957	$ 1,051,579
Private equity funds measured at net asset value [(1)]				12,585
Total investments				$ 1,064,164
Financial contracts receivable	$ 20	$ 13,195	$ —	$ 13,215
Liabilities:				
Listed equity securities, sold not yet purchased	$ (808,481)	$ —	$ —	$ (808,481)
Debt instruments, sold not yet purchased	—	(74,425)	—	(74,425)
Total securities sold, not yet purchased	$ (808,481)	$ (74,425)	$ —	$ (882,906)
Financial contracts payable	$ (488)	$ (27,757)	$ —	$ (28,245)

(1) Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the consolidated balance sheets.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2016		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$ 505	$ 8,452	$ 8,957
Purchases	—	—	—
Sales	—	(2,539)	(2,539)
Total realized and unrealized gains (losses) and amortization included in earnings, net	149	196	345
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$ 654	$ 6,109	$ 6,763

There were no transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2016.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Year ended December 31, 2015					
	Assets					Liabilities
	Debt instruments	Private and unlisted equity securities (1)	Financial contracts receivable	Listed equity securities	Total	Financial contracts payable
	($ in thousands)					
Beginning balance	22,259	6,449	—	—	28,708	—
Purchases	—	1,769	2,340	—	4,109	—
Sales	(21,561)	(41)	—	—	(21,602)	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	(193)	275	(3,027)	(692)	(3,637)	314
Transfers into Level 3	—	—	2,536	5,189	7,725	8,835
Transfers out of Level 3	—	—	(1,849)	(4,497)	(6,346)	(9,149)
Ending balance	$ 505	$ 8,452	$ —	$ —	$ 8,957	$ —

(1) Restated to exclude investments measured at fair value using the net asset value practical expedient which are no longer classified in the fair value hierarchy.

During the year ended December 31, 2015, $5.2 million of equity securities that were listed on the Athens Stock Exchange (the "ASE") were transferred from Level 1 to Level 3 due to trading being halted after June 26, 2015 for all equity securities listed on the ASE. As of June 30, 2015 there was no active market with observable trading prices to determine the fair values of these securities. Therefore, the fair values for these securities, as of June 30, 2015, were based on the last trading price of these securities on the ASE and adjusted for the estimated decline in the fair value of American depository receipts of other comparable securities for the period from June 27, 2015 to June 30, 2015. The ASE resumed trading on August 3, 2015 and the fair values of the ASE listed equity securities were once again based on observable prices in an active market. Therefore, $4.5 million of listed equity securities were transferred from Level 3 to Level 1 securities during the year ended December 31, 2015.

The fair values for derivatives for which the underlying securities traded on the ASE were also transferred to Level 3 securities during 2015 when the ASE halted trading, and were subsequently transferred out of Level 3 securities when the ASE resumed trading. Therefore, for the year ended December 31, 2015, $2.5 million and $8.8 million of financial contracts receivable and financial contracts payable, respectively, were transfered from Level 2 to Level 3 due to the fair values being based on unobservable inputs during the period that the ASE had halted trading. During the year ended December 31, 2015, $1.8 million of financial contracts receivable and $9.1 million of financial contracts payable, respectively, were transfered from Level 3 to Level 2 as fair values were based on observable inputs once the ASE resumed trading.

There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2015.

As of December 31, 2016, the Company held investments in private equity funds of $12.7 million (December 31, 2015: $12.6 million) with fair values measured using the unadjusted net asset values as reported by the managers of these funds as a practical expedient. Some of these net asset values were reported from periods prior to December 31, 2016. The private equity funds have varying lock-up periods and, as of December 31, 2016, all of the funds had redemption restrictions. The redemption restrictions have been in place since inception of the investments and are not expected to lapse in the near future. As of December 31, 2016, the Company had $9.2 million (December 31, 2015: $6.1 million) of unfunded commitments relating to private equity funds whose fair values are determined based on unadjusted net asset values reported by the managers of these funds. These commitments are included in the amounts presented in the schedule of commitments and contingencies in Note 13 of these consolidated financial statements.

For the year ended December 31, 2016, included in net investment income in the consolidated statements of income were net realized losses relating to Level 3 securities of $1.4 million (2015: net realized losses of $1.4 million). In addition, for the year ended December 31, 2016, amortization expense of nil (2015: $2.3 million) relating to financial contracts receivable, valued using unobservable inputs, was included in the consolidated statements of income as “other income (expense), net”.

For Level 3 securities still held as of the reporting date, the change in net unrealized gain for the year ended December 31, 2016 of $0.3 million (2015: net unrealized gains $0.6 million), were included in net investment income (loss) in the consolidated statements of income.

Investments

Debt instruments, trading

At December 31, 2016, the following investments were included in debt instruments:

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 21,294	$ 6,509	$ (5,331)	$ 22,472
Corporate debt – Non U.S.	2,109	—	(2,108)	1
Total debt instruments	$ 23,403	$ 6,509	$ (7,439)	$ 22,473

At December 31, 2015, the following investments were included in debt instruments:

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 25,674	$ 155	$ (5,519)	$ 20,310
Corporate debt – Non U.S.	2,109	—	(1,795)	314
Sovereign debt – Non U.S.	17,688	1,225	(450)	18,463
Total debt instruments	$ 45,471	$ 1,380	$ (7,764)	$ 39,087

The maturity distribution for debt instruments held at December 31, 2016 and 2015, was as follows:

	2016		2015	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
	($ in thousands)			
Within one year	$ —	$ —	$ —	$ —
From one to five years	17,803	19,492	4,202	4,129
From five to ten years	4,649	2,327	18,840	14,780
More than ten years	951	654	22,429	20,178
	$ 23,403	$ 22,473	$ 45,471	$ 39,087

Equity securities, trading

At December 31, 2016, the following long positions were included in equity securities, trading:

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Equities – listed	$ 753,813	$ 115,379	$ (40,706)	$ 828,486
Exchange traded funds	15,056	459	—	15,515
Total equity securities	$ 768,869	$ 115,838	$ (40,706)	$ 844,001

At December 31, 2015, the following long positions were included in equity securities, trading:

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Equities – listed	$ 1,011,424	$ 67,114	$ (187,885)	$ 890,653
Exchange traded funds	31,570	—	(16,229)	15,341
Total equity securities	$ 1,042,994	$ 67,114	$ (204,114)	$ 905,994

Other Investments

"Other investments" include commodities and private and unlisted equity securities. As of December 31, 2016 and 2015, all commodities were comprised of gold bullion.

At December 31, 2016, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Commodities	$ 130,671	$ 6,625	$ —	$ 137,296
Private and unlisted equity securities	14,418	4,375	(26)	18,767
	$ 145,089	$ 11,000	$ (26)	$ 156,063

At December 31, 2015, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Commodities	$ 102,092	$ —	$ (4,046)	$ 98,046
Private and unlisted equity securities	18,720	3,491	(1,174)	21,037
	$ 120,812	$ 3,491	$ (5,220)	$ 119,083

Investments in Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company's risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased may exceed the amount recorded in the consolidated balance sheet as the Company is obligated to purchase the securities sold, not yet purchased in the market at prevailing prices to settle its obligations. To establish a position in security sold, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealized gain or loss is recorded. At the time the transaction is closed, the Company realizes a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

At December 31, 2016, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ (690,270)	$ 30,768	$ (110,765)	$ (770,267)
Sovereign debt – Non U.S.	(96,230)	6,595	—	(89,635)
	$ (786,500)	$ 37,363	$ (110,765)	$ (859,902)

At December 31, 2015, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ (803,842)	$ 102,469	$ (94,681)	$ (796,054)
Exchange traded funds	(9,572)	—	(2,855)	(12,427)
Sovereign debt – Non U.S.	(77,443)	3,018	—	(74,425)
	$ (890,857)	$ 105,487	$ (97,536)	$ (882,906)

Financial Contracts

As of December 31, 2016 and 2015, the Company had entered into total return equity swaps, interest rate swaps, commodity swaps, options, warrants, rights, futures and forward contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these financial contracts, the Company is either entitled to receive or is obligated to make payments, which are based on the product of a formula contained within each contract that includes the change in the fair value of the underlying or reference security.

In addition, during the year ended December 31, 2015, the Company had entered into an ILW with certain third-parties in order to purchase protection against worldwide wind and earthquake exposures from January 2015 to December 2015. In return for a fixed payment, the Company is entitled to receive a variable payment in the event of losses incurred by the insurance industry, as a whole, exceeding a specified threshold. During the year ended December 31, 2015, there was no industry loss event occurring that triggered a recovery under the ILW.

At December 31, 2016, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency [1]	Notional amount of underlying instruments		Fair value of net assets (obligations) on financial contracts
		($ in thousands)		
Financial contracts receivable				
Call options	USD	134,495	$	26,508
Commodity Swaps	USD	82,009		13,506
Interest rate swaps	JPY	20,490		218
Put options [2]	USD	115,481		6,703
Total return swaps – equities	EUR/GBP/USD	100,199		29,413
Warrants and rights on listed equities	EUR/USD	67		33
Total financial contracts receivable, at fair value			$	76,381
Financial contracts payable				
Forwards	KRW	6,880		(118)
Put options	USD	815		(172)
Total return swaps – equities	EUR/GBP/KRW/ RON/USD	31,257		(1,947)
Total financial contracts payable, at fair value			$	(2,237)

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.

[2] Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

At December 31, 2015, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency [1]		Notional amount of underlying instruments		Fair value of net assets (obligations) on financial contracts
			($ in thousands)		
Financial contracts receivable					
Call options [2]	USD	$	47,259	$	657
Put options [3]	USD		147,326		8,790
Total return swaps – equities	EUR/GBP/USD		50,205		3,748
Warrants and rights on listed equities	EUR		59		20
Total financial contracts receivable, at fair value				$	13,215
Financial contracts payable					
Call options	USD	$	2,601	$	(64)
Commodity Swaps	USD		42,160		(12,784)
Forwards	KRW		2,908		(22)
Futures	USD		21,195		(488)
Total return swaps – equities	EUR/GBP/HKD/ RON/MXN/USD		71,874		(14,887)
Total financial contracts payable, at fair value				$	(28,245)

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; HKD = Hong Kong Dollar; KRW = Korean Won; MXN = Mexican Peso; RON = Romanian New Leu.

[2] Includes options on interest rate futures relating to U.S. dollar LIBOR interest rates.

[3] Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer, a specified underlying security at a specified price on or before a specified date. The Company enters into option contracts to meet certain investment objectives. For exchange traded option contracts, the exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions.

As of December 31, 2016, the Company held $6.7 million OTC put options (long) (December 31, 2015: $8.7 million) and $22.4 million OTC call options (long) (December 31, 2015: $0.7 million).

During the years ended December 31, 2016, 2015 and 2014, the Company reported gains and losses on derivatives as follows:

Derivatives not designated as hedging instruments	Location of gains and losses on derivatives recognized in income	Gain (loss) on derivatives recognized in income		
		Year ended December 31		
		2016	2015	2014
		($ in thousands)		
Commodity swaps	Net investment income (loss)	$ 10,474	$ (12,061)	$ —
Credit default swaps, purchased – corporate debt	Net investment income (loss)	—	(156)	(345)
Credit default swaps, purchased – sovereign debt	Net investment income (loss)	—	(90)	(298)
Forwards	Net investment income (loss)	(302)	1,009	(490)
Futures	Net investment income (loss)	376	(952)	16,721
Interest rate options	Net investment income (loss)	—	—	(26)
Interest rate swaps	Net investment income (loss)	218	(706)	—
Options, warrants, and rights	Net investment income (loss)	10,261	(13,955)	1,020
Total return swaps – equities	Net investment income (loss)	28,612	(12,590)	13,142
Weather derivative swap	Other income (expense), net	—	(2,340)	—
Total		$ 49,639	$ (41,841)	$ 29,724

The Company generally does not enter into derivatives for risk management or hedging purposes. The volume of derivative activities varies from period to period depending on potential investment opportunities.

For the year ended December 31, 2016, the Company's volume of derivative activities (based on notional amounts) was as follows:

	Year ended December 31, 2016	
Derivatives not designated as hedging instruments (notional amounts)	Entered	Exited
	($ in thousands)	
Commodity swaps	$ 141,534	$ 100,045
Forwards	6,880	3,128
Futures	1,966,368	1,988,782
Interest rate swaps	20,490	—
Options, warrants and rights [1]	462,429	366,285
Total return swaps	86,688	59,810
Total	$ 2,684,389	$ 2,518,050

[1] Exited amount excludes derivatives which expired or were exercised during the period.

For the year ended December 31, 2015, the Company's volume of derivative activities (based on notional amounts) was as follows:

Derivatives not designated as hedging instruments (notional amounts)	Year ended December 31, 2015 Entered	Exited
	($ in thousands)	
Forwards	$ —	$ 13,377
Futures	311,536	294,441
Interest rate swaps	9,139,000	7,213,000
Options, warrants and rights [(1)]	661,103	341,702
Commodity swaps	103,358	43,261
Total return swaps	67,844	185,128
Weather derivative swap	12,000	12,000
Total	$ 10,294,841	$ 8,102,909

[(1)] Exited amount excludes derivatives which expired or were exercised during the period.

The Company does not offset its derivative instruments and presents all amounts in the consolidated balance sheets on a gross basis. The Company has pledged cash collateral to derivative counterparties to support the current value of amounts due to the counterparties on its derivative instruments.

As of December 31, 2016, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2016	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the balance sheet	Net amounts of assets (liabilities) presented in the balance sheet	Financial instruments available for offset	Cash collateral (received) pledged	Net amount of asset (liability)
			($ in thousands)			
Financial contracts receivable	$ 76,381	$ —	$ 76,381	$ (938)	$ (44,572)	$ 30,871
Financial contracts payable	(2,237)	—	(2,237)	938	1,299	—

As of December 31, 2015, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2015	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the balance sheet	Net amounts of assets (liabilities) presented in the balance sheet	Financial instruments available for offset	Cash collateral (received) pledged	Net amount of asset (liability)
			($ in thousands)			
Financial contracts receivable	$ 13,215	$ —	$ 13,215	$ (8,937)	$ (2,036)	$ 2,242
Financial contracts payable	(28,245)	—	(28,245)	8,937	19,308	—

4. DUE TO PRIME BROKERS

As of December 31, 2016, the amount due to prime brokers is comprised of margin-borrowing from prime brokers relating to investments purchased on margin as well as margin-borrowing for providing collateral to support some of the Company's outstanding letters of credit and trust accounts (see Notes 6 and 13). Under term margin agreements and certain letter of credit facility agreements, the Company pledges certain investment securities to borrow cash from the prime brokers. The borrowed cash is placed in a custodial account in the name of the Company and this custodial account provides collateral for any letters of credit issued. Similarly for the trust accounts, the Company may borrow cash from prime brokers which is placed in a trust account for the benefit of the cedent. Since there is no legal right of offset, the Company's liability for the cash borrowed from the prime brokers is included on the consolidated balance sheets as due to prime brokers while the cash held in the custodial account and trust account is included on the consolidated balance sheets as restricted cash and cash equivalents.

The Company's investment guidelines, among other stipulations in the guidelines, allow for up to 15% net margin leverage for extended periods of time and up to 30% net margin leverage relating to investing activities for periods of less than 30 days.

5. CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
	($ in thousands)	
Cash at banks	$ 33,012	$ 41,260
Cash held with brokers	490	68,029
Total cash and cash equivalents	$ 33,502	$ 109,289

Due to the short term nature of cash and cash equivalents, management believes the above noted carrying values approximate their fair value. Cash at banks include cash held at non-U.S. financial institutions which are not insured by the FDIC or any other deposit insurance programs.

6. RESTRICTED CASH AND CASH EQUIVALENTS

The Company is required to maintain certain cash in segregated accounts with prime brokers and swap counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased and the amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased. Swap counterparties also require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying security.

Restricted cash and cash equivalents also include amounts held by the Company to provide collateral required by the cedents in the form of trust accounts and letters of credit (see Notes 4 and 13). As of December 31, 2016 and 2015, the restricted cash and cash equivalents were comprised of the following:

	December 31, 2016	December 31, 2015
	($ in thousands)	
Cash held by prime brokers relating to securities sold, not yet purchased	$ 859,901	$ 882,906
Cash collateral relating to letters of credit issued	234,348	222,852
Cash held as collateral in trust accounts	78,957	78,584
Cash and cash equivalents held by swap counterparties	22,051	52,247
Total restricted cash and cash equivalents	$ 1,195,257	$ 1,236,589

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company's loss and loss adjustment expense reserves are comprised of:

- case reserves resulting from claims notified to the Company by its clients;
- incurred but not reported ("IBNR") losses; and
- estimated loss adjustment expenses.

Case reserves are provided by the clients, and IBNR losses are estimated each reporting period based on a contract by contract review of all data available for each individual contract. Each reinsurance contract is unique and the methods and estimates used vary depending on the facts and circumstances of each contract. The resulting total loss reserves, including IBNR loss reserves, are the sum of each loss reserve estimated on a contract by contract basis.

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including IBNR. These estimated ultimate reserves are based on internal actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are periodically reviewed by the Company on a contract by contract basis and adjusted when necessary. Since reserves are estimates, the setting of appropriate reserves is an inherently uncertain process. The estimates are based upon actuarial and statistical projections and on an assessment of currently available data, predictions of future developments and estimates of future trends and other factors. The final settlement of losses may vary, perhaps materially, from the reserves initially established and periodically adjusted. All adjustments to the estimates are recorded in the period in which they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

For natural peril exposed business, loss reserves are generally established based on loss payments and case reserves reported by clients when, and if, received. Estimates for IBNR losses are added to the case reserves. To establish IBNR loss estimates, in addition to the loss information and estimates communicated by ceding companies, the Company uses industry information, knowledge of the business written and management's judgment.

For all non-natural peril business, initial reserves for each individual contract is based on the expected loss and loss expense ratio calculated at the time the business was originally priced. In the pricing analysis, the Company typically utilizes a significant amount of information both from the individual client and from industry data. Where practical, historic reserving data that is received from the client, if any, is compared to publicly available financial statements of the client in an effort to identify, confirm and monitor the accuracy and completeness of the data. The Company requests each client to provide loss information for each reporting period, which, depending on the contract, could be monthly or quarterly. The loss information required depends on the terms and conditions of each contract and may include many years of history. Depending on the type of business underwritten, the Company may receive client and industry information on historical paid losses, incurred losses, number of open claims, number of closed claims, number of total claims, listings of individual large losses, earned premiums, policy count, policy limits underwritten, exposure information and rate change information. The Company may also receive information by class or subclass of business. If the reserving data is not available from a client, reliance may be placed on industry data, as well as the judgment and experience of the Company's underwriters and actuaries.

The Company places more reliance on client and industry data than its own data to identify unusual trends requiring changes in reserve estimates. Each reinsurance contract is different and the degree to which reliance is placed on client data versus internal data varies greatly from contract to contract. The extent of reliance on client data for reserve setting purposes depends upon the availability of historical loss data from the client and judgment as to the reliability of the client's historic loss performance as compared to its current book of business. The Company may from time to time supplement client data with industry and competitor information where deemed appropriate. Where available, the Company may also receive relevant actuarial reports from the client. This information is supplemented with subjective information on each client, which may include management experience, competitor information, meetings with the client and supplementary industry research and data.

Generally, the Company obtains regular updates of premium and loss related information for the current period and historical periods, which are utilized to update the initial expected loss and loss expense ratio. There may be a time lag from when claims are reported by the underlying insured to the client and subsequently when the client reports the claims to the Company. This time lag may impact the Company's loss reserve estimates from period to period. Client reports have pre-determined reporting dates of when they are due (for example, fifteen days after month end). As such, the time lag in the client's reporting depends upon the terms of the specific contract. The timing of the reporting requirements is designed so that

the Company receives premium and loss information as soon as practicable once the client has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notification needs to be received immediately upon the occurrence of an event. Once the updated information is received, the Company uses a variety of standard actuarial methods for its analysis each quarter. Such methods may include:

- ***Paid Loss Development Method.*** Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. The paid loss development method assumes that losses are paid in a consistent pattern. It provides an objective test of reported loss projections because paid losses contain no reserve estimates. For many coverages, claim payments are made very slowly and it may take years for claims to be fully reported and settled.
- ***Reported Loss Development Method.*** Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development. Since reported losses include payments and case reserves, changes in both of these amounts are incorporated in this method. This approach provides a larger volume of data to estimate ultimate losses than paid loss methods. Thus, reported loss patterns may be less varied than paid loss patterns, especially for coverage that have historically been paid out over a long period of time but for which claims are reported relatively early and case loss reserve estimates have been established.
- ***Expected Loss Ratio Method.*** Ultimate losses are estimated under the expected loss ratio method, by multiplying earned premiums by an expected loss ratio. Expected loss ratio is selected using industry data, historical company data and actuarial professional judgment. This method is used for lines of business and contracts where there are no historical losses or where past loss experience is not credible.
- ***Bornhuetter-Ferguson Paid Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent paid losses experienced to date differ from what would have been expected to have been paid based upon the selected paid loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of paid losses to calculate ultimate losses. Generally this method is used for lines of business and contracts where there are limited historical paid losses.
- ***Bornhuetter-Ferguson Reported Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent reported losses experienced to date differ from what would have been expected to have been reported based upon the selected reported loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of reported losses to calculate ultimate losses. Generally this method is used for lines of business and contracts where there are limited historical reported losses.
- ***Frequency / Severity Method.*** Ultimate losses are estimated under this method by multiplying the ultimate number of claims (i.e. the frequency), by the estimated ultimate average cost per claim (i.e. the severity). By analyzing claims experience by its frequency and severity components, the Company is able to examine trends and patterns in the rates of claims emergence (i.e. reporting) and settlement (i.e. closure) as well as in the average cost of claims. The approach is valuable because sometimes there is more inherent stability in the frequency and severity data when viewed separately rather than in the total losses.

In addition, the Company may supplement its analysis with other reserving methodologies that are deemed to be relevant to specific contracts.

For each contract, the Company utilizes such reserving methodology that the actuaries deem appropriate in order to calculate a best estimate, or point estimate, of reserves. Various actuarial methods are utilized to provide data point estimates to aid in the estimation of reasonable and adequate loss reserves. In setting loss reserves, the Company does not select a range of estimates that may be subject to adjustment. Instead, the Company analyzes reserves on a contract by contract basis and does not reserve based on aggregated product lines. The decision of whether to use a single methodology or a combination of multiple methodologies depends upon the contract and the judgment of the actuaries responsible for the contract. The Company's reserving methodology does not require a fixed weighting of the various methods used. Certain of the methods are considered more appropriate depending on the type and structure of the contract, the age and maturity of the contract, and the duration of the expected paid losses on the contract. For example, the data estimation for contracts that are relatively new and therefore, have little paid loss development, is more appropriately considered using the Bornhuetter-Ferguson Reported Loss Method than a paid loss development method.

The Company's gross aggregate reserves are the sum of the point estimate reserves of all contracts. The Company performs a quarterly loss reserve analysis on each contract regardless of the line of business. This analysis may incorporate some or all of the information described above, using some or all of the methodologies described above. Generally, IBNR loss reserves for each contract is calculated by estimating the ultimate incurred losses at any point in time and subtracting cumulative paid claims and case reserves, which incorporate specific exposures, loss payment and reporting patterns and other relevant factors. Each quarter, the reserving committee, which is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Underwriting Officer, Chief Risk Officer and Reserving Actuary, meets to assess the adequacy of our loss reserves based on the reserve analysis and recommendations prepared by the Company's actuaries. The reserving committee discusses each contract individually and approves or revises the stated reserves.

Additionally, an independent third-party actuarial firm performs a quarterly reserve review and annually opines on the reasonableness and adequacy of the aggregate loss reserves. The Company provides the third-party actuarial firm with its pricing models, reserving analysis and any other data they may request. Additionally, the actuarial firm may inquire as to the various assumptions and estimates used in the reserving analysis. The external actuarial firm independently creates its own reserving models based on industry loss information, augmented by specific client loss information as well as its own independent assumptions and estimates. Based on various reserving methodologies that the actuarial firm considers appropriate, it creates a loss reserve estimate for each contract in the portfolio and recommends an aggregate loss reserve, including IBNR. If there are material differences between the Company's aggregate booked reserves and the actuarial firm's recommended reserves, the differences are reviewed and the booked reserves are adjusted if necessary. To date there have been no material differences resulting from the external actuary's reviews requiring adjustments to the Company's booked reserves.

There were no significant changes in the actuarial methodology or assumptions relating to the Company's loss and loss adjustment expense reserves for the year ended December 31, 2016.

At December 31, 2016 and 2015, loss and loss adjustment expense reserves were comprised of the following:

	2016	2015
	($ in thousands)	
Case reserves	$ 87,720	$ 94,155
IBNR	191,890	179,531
Total	$ 279,610	$ 273,686

A summary of changes in outstanding loss and loss adjustment expense reserves is as follows:

Consolidated	2016	2015	2014
		($ in thousands)	
Gross balance at January 1	$ 273,686	$ 236,865	$ 306,940
Less: Losses recoverable	(3,333)	(11,523)	(16,829)
Net balance at January 1	270,353	225,342	290,111
Incurred losses related to:			
Current year	290,600	205,199	164,882
Prior years	35,758	54,397	16,204
Total incurred	326,358	259,596	181,086
Paid losses related to:			
Current year	(122,686)	(100,354)	(139,007)
Prior years	(190,364)	(111,939)	(105,068)
Total paid	(313,050)	(212,293)	(244,075)
Foreign currency revaluation	(6,721)	(2,292)	(1,780)
Net balance at December 31	276,940	270,353	225,342
Add: Losses recoverable	2,670	3,333	11,523
Gross balance at December 31	$ 279,610	$ 273,686	$ 236,865

The rollforward of outstanding loss and loss adjustment expense reserves for health claims is as follows:

Health	2016	2015	2014
		($ in thousands)	
Gross balance at January 1	$ 5,725	$ 252	$ 252
Less: Losses recoverable	—	—	—
Net balance at January 1	5,725	252	252
Incurred losses related to:			
Current year	31,546	6,937	—
Prior years	—	(252)	—
Total incurred	31,546	6,685	—
Paid losses related to:			
Current year	(15,894)	(1,212)	—
Prior years	(3,991)	—	—
Total paid	(19,885)	(1,212)	—
Foreign currency revaluation	—	—	—
Net balance at December 31	17,386	5,725	252
Add: Losses recoverable	—	—	—
Gross balance at December 31	$ 17,386	$ 5,725	$ 252

For the year ended December 31, 2016, the net losses incurred included $35.8 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2016, the loss development on prior year contracts primarily related to the following:

- $19.0 million of losses resulting from the loss portfolio transfer and subsequent novation of the legacy construction defect liabilities;

- $7.0 million of adverse loss development relating to our Florida homeowners' insurance contracts as a result of deterioration of sinkhole claims and an increase in the practice of "assignment of benefits" whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters. However, because some of these contracts included sliding scale ceding commission rates, the increase in loss reserves was partially offset by a $1.4 million decrease in ceding commissions and profit commissions recorded as acquisition costs;

- $5.0 million of adverse loss development relating to our private passenger motor contracts. While the loss indications are close to our expectations, the volume and frequency of unmerited suits served to the cedent by attorneys and medical clinics has resulted in an increase in loss adjustment expenses to defend such claims. The increase in loss reserve was partially offset by a $3.1 million decrease in ceding commissions recorded as acquisition costs; and

- $4.5 million of adverse loss development on an excess of loss contract relating to losses resulting from the U.S. sub-prime crisis. However, because this contract included a provision for additional premiums, the increase in losses was partially offset by $1.4 million of additional premiums.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2016.

For the year ended December 31, 2015, the net losses incurred included $54.4 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2015, the loss development on prior year contracts primarily related to the following:

- $36.9 million of adverse loss development relating to a general liability contract originally written from 2008 to 2011. This contract contains underlying construction defect liability coverage predominantly on single family homes. During the third quarter of 2015, we completed an in-depth analysis, with the assistance of a third party expert, of the construction defect claims reported and the potential for claims not

yet reported on this contract. Based on this assessment, we revised the actuarial methodology used for reserving the construction defect claims on this contract, which resulted in an increase in incurred but not reported losses;

- $14.7 million of adverse loss development relating to a general liability contract originally written in 2010. This contract contains underlying construction defect liability coverage. Based on updated data received from the insured, we conducted additional actuarial analysis and updated our actuarial input parameters based on consultation with external industry experts. As a result, the average estimated cost per claim was increased;

- $9.3 million of adverse loss development relating to our Florida homeowners' insurance contracts as a result of deterioration of sinkhole claims, higher than anticipated water damage claims from rainstorms and an increase in the practice of "assignment of benefits" whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters which led to increases in the frequency of claims reported as well as the severity of loss adjustment expenses. However, because some of these contracts included sliding scale ceding commission rates, the increase in loss reserves was partially offset by a $5.1 million decrease in ceding commissions and profit commissions recorded as acquisition costs;

- $2.1 million of net adverse loss development relating to our solicitors' professional indemnity contracts as a result of multiple large claims reported during the period and an increase in incurred losses;

- $5.1 million of favorable loss development relating to an excess of loss property contract resulting in the elimination of loss reserves based on updated loss information received from the insured during the period indicating that no losses will breach into our layer of coverage. The decrease in loss reserves was more than offset by a reversal of $2.5 million of earned premiums and an accrual of $3.4 million of profit commission recorded as acquisition costs;

- $3.0 million of favorable loss development relating to private passenger motor contracts during the period. The decrease in loss reserves was partially offset by $2.2 million of additional ceding commissions recorded as acquisition costs; and

- $1.3 million of loss reserves released upon commutation of a private passenger motor contract during the period. The decrease in loss reserves was partially offset by $1.1 million of additional ceding commissions incurred as part of the commutation agreement.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2015.

For the year ended December 31, 2014, the net losses incurred included $16.2 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2014, the loss development on prior year contracts primarily related to the following:

- $7.8 million of adverse loss development, relating to a general liability contract currently in run-off. Loss reserves were increased on this contract after a detailed actuarial review of existing claims data received from the client which reported an increase in the number of open claims. The loss reserves were also increased to take into account the corresponding claims handling fees expected to be incurred to settle the open claims;

- $7.1 million of adverse loss development, net of retrocession recoveries, relating to commercial motor claims on a multi-line quota share contract currently in run-off. Loss reserves were increased on this contract after a detailed actuarial review of existing claims data received from the client which reported significant increases in incurred losses on some claims as well as an increase in the number of open claims;

- $4.0 million of adverse loss development relating to a solicitors' professional indemnity contract as a result of a combination of large claims reported and increases in case reserves on several smaller claims. Loss reserves were increased on this contract after a detailed review of existing claims data received from the client, audits of claim files at the third party claims administrator and actuarial analysis based on all available information. The contract terms included sliding scale ceding commission rates and profit

commissions. As a result, the increase in loss reserves was offset by a $0.6 million decrease in ceding commissions and profit commissions which were recorded as decreases to acquisition costs; and

- $3.0 million of favorable loss development relating to private passenger automobile business, primarily as a result of better than expected loss development noted on our private passenger automobile contracts after a detailed review of existing claims data received from the clients, audits of claim files and actuarial analysis based on all available information. Since these contracts included sliding scale ceding commission rates, the decrease in loss reserves was offset by a $1.6 million increase in ceding commissions recorded as acquisition costs.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2014.

Disclosures about Short Duration Contracts

The Company manages its business on the basis of one operating segment, property & casualty reinsurance. Within the property and casualty reinsurance segment, management analyzes the underwriting operations using two categories: frequency business; and severity business. Frequency business is generally characterized as contracts containing a potentially large number of small losses emanating from multiple events. Severity business is generally characterized as contracts with the potential for significant losses emanating from one event or multiple events.

For each of the frequency and severity categories, the following tables presents the incurred and paid claims development as of December 31, 2016, net of retrocession, as well as the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amount. As required by U.S. GAAP, health claims have been disaggregated and presented separately.

The information in the tables below about incurred and paid claims development for the years ended December 31, 2007 to 2015, is presented as unaudited supplementary information.

Frequency - Health

	Incurred claims and allocated claim adjustment expenses, net of reinsurance										As of December 31, 2016
	For the years ended December 31,										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2007	$ 107	$ 97	$ 107	$ 105	$ 105	$ 103	$ 103	$ 103	$ 103	$ 103	$ —
2008		10,593	11,677	11,432	11,428	11,249	11,249	11,249	11,247	11,247	—
2009			24,905	23,884	23,321	23,327	23,402	23,402	23,401	23,401	—
2010				36,008	35,852	36,105	36,062	36,062	36,048	36,048	—
2011					21,962	22,860	22,689	22,689	22,499	22,499	—
2012						2,343	2,316	2,316	2,271	2,271	—
2013							—	—	—	—	—
2014								—	—	—	—
2015									6,937	6,937	1,733
2016										31,546	15,652
Total										$ 134,053	

Frequency - Health

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2007	$ —	$ 40	$ 103	$ 103	$ 103	$ 103	$ 103	$ 103	$ 103	$ 103
2008		4,199	10,890	11,247	11,247	11,247	11,247	11,247	11,247	11,247
2009			8,617	23,069	23,380	23,401	23,401	23,401	23,401	23,401
2010				17,771	35,570	36,048	36,048	36,048	36,048	36,048
2011					18,347	22,499	22,499	22,499	22,499	22,499
2012						2,230	2,271	2,271	2,271	2,271
2013							—	—	—	—
2014								—	—	—
2015									1,212	5,204
2016										15,894
Total										116,667
					All outstanding liabilities before 2007, net of reinsurance					—
					Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)					$ 17,385

Frequency - Non-Health

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total IBNR plus expected development on reported claims
	Incurred claims and allocated claim adjustment expenses, net of reinsurance										As of December 31, 2016
	For the years ended December 31,										
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2007	$ 36,425	$ 22,631	$ 16,527	$ 16,232	$ 16,232	$ 16,237	$ 16,237	$ 16,237	$ 16,237	$ 16,235	$ —
2008		38,126	34,675	35,893	38,669	40,523	40,161	41,620	42,078	41,707	—
2009			79,796	91,523	101,259	109,736	106,040	107,323	112,312	111,741	—
2010				130,353	144,230	162,110	161,667	165,525	173,989	177,100	95
2011					170,376	191,650	205,485	215,995	242,266	257,834	2,150
2012						196,387	197,013	197,893	210,842	212,796	2,099
2013							350,423	347,321	349,445	350,011	7,164
2014								160,665	160,366	160,573	19,889
2015									194,758	198,189	53,597
2016										248,324	142,045
Total										$ 1,774,510	

Frequency - Non-Health

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

For the years ended December 31,

(Unaudited - Supplementary Information) 2007–2015; ($ in thousands)

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2007	$ 7,308	$ 14,425	$ 16,201	$ 16,235	$ 16,235	$ 16,235	$ 16,235	$ 16,235	$ 16,235	$ 16,235
2008		10,345	25,145	31,683	36,584	39,147	40,265	41,108	41,161	41,707
2009			26,518	62,220	81,055	94,842	99,832	103,905	105,421	111,741
2010				49,616	99,903	128,188	144,517	157,036	162,497	177,006
2011					78,207	133,933	169,461	186,293	203,879	255,684
2012						92,235	173,145	185,099	192,623	210,696
2013							192,395	309,181	334,500	342,847
2014								72,861	132,160	140,683
2015									88,334	144,592
2016										106,279
Total										1,547,470
All outstanding liabilities before 2007, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Frequency)										$ 227,040

Severity

Incurred claims and allocated claim adjustment expenses, net of reinsurance — **As of December 31, 2016**

For the years ended December 31,

(Unaudited - Supplementary Information) 2007–2015; ($ in thousands)

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total IBNR plus expected development on reported claims
2007	$ 6,142	$ 9,141	$ 10,266	$ 8,792	$ 9,039	$ 8,634	$ 10,513	$ 10,512	$ 10,513	$ 12,643	$ 2,579
2008		16,500	19,329	18,237	18,028	17,469	19,583	19,582	17,843	20,212	4,969
2009			19,055	15,332	14,931	14,290	14,183	14,010	10,820	10,796	6,595
2010				4,492	5,147	14,079	14,042	14,291	14,194	14,332	2,752
2011					5,071	5,069	5,068	5,079	5,074	5,081	32
2012						15,000	—	—	—	—	—
2013							1,371	358	444	501	10
2014								1,643	2,143	2,270	47
2015									3,126	3,262	2,162
2016										10,730	10,217
Total										$ 79,827	

Severity

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2007	$ —	$ —	$ —	$ 1,765	$ 3,777	$ 5,782	$ 5,802	$ 5,802	$ 5,803	$ 10,064
2008		—	—	3,148	6,391	10,320	10,356	10,356	10,504	15,243
2009			276	2,582	3,364	3,753	3,902	3,959	4,180	4,201
2010				281	862	1,112	1,237	5,892	6,061	11,580
2011					24	5,033	5,038	5,044	5,047	5,048
2012						—	—	—	—	—
2013							94	251	404	491
2014								1,018	2,117	2,223
2015									413	1,100
2016										513
Total										50,463
All outstanding liabilities before 2007, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Severity)										$ 29,362

For any incurred and paid claims denominated in a currency other than U.S. dollars, the above tables are presented using the foreign exchange rate in effect as of the current year end date. As a result, all prior year information has been restated to reflect the exchange rates as of December 31, 2016. This removes any changes in foreign currency exchange rates from distorting the claims development between the years presented.

For assumed contracts the Company does not receive claims information by accident year from the ceding insurers, but instead receives claims information by the treaty year of the contract. Claims reported by the ceding insurer to the Company may have the covered losses occurring in an accident year other than the treaty year. In addition, each treaty year contract may have exposures to multiple accident years with covered claims occurring beyond the treaty year. For the purpose of the above tables, the incurred and paid claims have been allocated to the accident years based on the proportion of premiums earned for each contract during such accident year.

For example, a one-year treaty incepting on October 1, 2010 (with underlying policies each having a one-year duration), would have a 24-month period over which the premiums would be earned. Therefore claims would be allocated to accident years 2010, 2011 and 2012 based on the proportion of the premiums earned during each accident year. Therefore, for illustration of this contract, any claims reported during 2010 would be allocated to the 2010 accident year. For losses reported during 2011, the claims be would allocated between 2010 and 2011 based on the percentage of premiums earned during 2010 and 2011. Similarly, for losses reported during 2012 and thereafter, the losses would be allocated to the 2010, 2011 and 2012 accident years based the proportion of premiums earned during each of those years. The allocation to accident years results in losses from natural catastrophe events for severity contracts allocated in proportion to the premiums earned in an accident year rather than the year during which the natural catastrophe event occurred.

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

		December 31, 2016
		($ in thousands)
Net outstanding liabilities		
Health	$	17,385
Frequency - non-health		227,040
Severity		29,362
Liabilities for claims and claims adjustment expenses, net of reinsurance		273,787
Add: Reinsurance recoverable on unpaid claims		2,670
Add: Unallocated claims adjustment expenses	$	3,153
Total gross liabilities for unpaid claims and claim adjustment expense		279,610

The average historical annual percentage payout of net incurred claims (excluding health) as of the year ended December 31, 2016 is as follows:

Years	1	2	3	4	5	6	7	8	9	10
					(Unaudited - Supplementary Information)					
Frequency - Non-health	36.5%	31.5%	11.3%	6.1%	4.9%	5.4%	2.4%	1.5%	0.4%	—%
Severity	4.0%	11.8%	4.0%	5.8%	28.5%	6.3%	14.7%	7.5%	8.3%	9.1%

Historical annual percentage payout for health claims are excluded from the above table because most of them have short settlement periods and including them would skew the results presented. In addition, the payout percentages for the severity business are expected to fluctuate, sometimes significantly, due to the volatile nature of the severity contracts.

As a reinsurance entity, the Company does not consistently receive detailed claims frequency information, such as claims counts, from the ceding insurers and third party claim handlers. Due to the nature of the reinsurance contracts, the underlying insured, reports claims to the insurer who cedes losses to the Company. The Company is contractually obligated to reimburse the ceding insurer for its share of the losses. While the Company has the right to conduct audits of the insurer's claims files, the insurer is generally not obligated to provide detailed listing of claims counts or other claims frequency information to the Company. Therefore it is impracticable for the Company to present the cumulative number of reported claims by accident year.

8. RETROCESSION

The Company, from time to time, purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to balance its underwriting portfolio. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and therefore can be used as a tool to align the Company's interests with those of its counterparties. The Company currently has coverage that provides for recovery of a portion of loss and loss expenses incurred on certain contracts. Loss and loss adjustment expense recoverable from the retrocessionaires are recorded as assets.

For the year ended December 31, 2016, loss and loss adjustment expenses incurred of $326.4 million (2015: $259.6 million and 2014: $181.0 million) reported on the consolidated statements of income are net of loss and loss expenses recovered and recoverable of $0.8 million (2015: $1.6 million and 2014: $4.4 million).

Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2016, the Company had losses receivable and loss reserves recoverable of $3.0 million (2015: $3.4 million) from unrated retrocessionaires which were secured by cash collateral held by the Company. At December 31, 2016 $0.5 million (2015: $0.3 million) of losses recoverable were from a retrocessionaire rated A- by A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2016 and 2015, no provision for uncollectible losses recoverable was considered necessary.

9. SHARE CAPITAL

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the assets of the Company, after payment of all debts and liabilities of the Company and after liquidation of any issued and outstanding preferred shares. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate.

The Amended and Restated Memorandum and Articles of Association (the "Articles") provides that the holders of ordinary shares generally are entitled to one vote per share. The Company is subject to the Cayman Islands' Insurance (Capital and Solvency) (Classes B, C, and D Insurers) Regulations, 2012 (the "Insurance Regulations"). The Insurance Regulations impose a Minimum Capital Requirement of US$50 million and a Prescribed Capital Requirement on the Company of $276.0 million as of December 31, 2016. The Company's statutory capital and surplus of $833.2 million exceeded the Minimum Capital Requirement as well as the Prescribed Capital Requirement.

Any dividends declared and paid from the Company to its shareholder would require approval of CIMA. As of December 31, 2016 and 2015, $557.2 million and $322.4 million, respectively, of the Company's capital and surplus was available for distribution as dividends. During the year ended December 31, 2016, no dividends were declared and paid by the Company to its parent (2015: $5.0 million, 2014: nil).

Additional paid-in capital includes the premium per share paid by the subscribing shareholder for Class A and B ordinary shares which have a par value of $0.10 each.

10. NET INVESTMENT INCOME

A summary of net investment income (loss) for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
	($ in thousands)		
Realized gains (losses)	$ (113,836)	$ 22,227	$ 347,633
Change in unrealized gains and losses	209,993	(265,401)	(187,753)
Investment related foreign exchange gains (losses)	2,988	(3,725)	14,797
Interest and dividend income, net of withholding taxes	22,964	15,339	30,877
Interest, dividend and other expenses	(22,327)	(31,074)	(38,762)
Investment advisor compensation	(24,543)	(19,246)	(49,133)
Net investment income (loss)	$ 75,239	$ (281,880)	$ 117,659

Interest and dividend income in the above table are net of any withholding taxes. Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended December 31, 2016, investment income, net of all fees and expenses, resulted in a gain of 7.2% on the investment portfolio. This compares to a loss of 20.2% and a gain of 8.7% reported for the years ended December 31, 2015 and 2014, respectively.

11. TAXATION

The Company is domiciled in the Cayman Islands and under current Cayman Islands law, no corporate entity, including the Company, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company intends to conduct all of its operations in a manner that will not cause it to be treated as engaging in a trade or business within the United States and will not cause it to be subject to current U.S. federal income taxation on its net income. However, because there are no definitive standards provided by the Internal Revenue Code, regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, there can be no assurance that the IRS will not successfully assert that the Company is engaged in a trade or business within the U.S.

Federal Excise Taxes

The United States also imposes an excise tax on reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States. The rate of tax, unless exempted or reduced by an applicable U.S. tax treaty, is 1.0% for all reinsurance premiums. The Company incurs federal excise taxes on certain of its reinsurance transactions, including amounts ceded through intercompany transactions. For the years ended 2016, 2015 and 2014, the Company incurred approximately $3.9 million, $3.3 million and $2.2 million, respectively, of federal excise taxes, net of any refunds received. These amounts are reflected as acquisition costs in the Company's consolidated statements of income.

12. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

The Company is party to a joint venture agreement with DME Advisors, LP ("DME Advisors") under which the Company, GRIL and DME Advisors LLC ("DME") are participants of a joint venture for the purpose of managing certain jointly held assets, as may be amended from time to time (the "venture agreement"). In addition, the Company, GRIL and DME have entered into a separate investment advisory agreement with DME Advisors, as may be amended from time to time (the "advisory agreement"). Effective January 1, 2017, the venture agreement and the advisory agreements were amended and restated to replace the previous agreements dated January 1, 2014, and will expire on December 31, 2019 and renew automatically for successive three-year periods. DME and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company's Board of Directors.

Pursuant to the venture agreement, performance allocation equal to 20% of the net investment income of the Company's share of the account managed by DME Advisors is allocated, subject to a loss carry forward provision, to DME's account. The loss carry forward provision requires DME to earn a reduced performance allocation of 10% on net investment income in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn a performance allocation in a year in which the investment portfolio incurs a loss. For the year ended December 31, 2016, $8.2 million performance allocation (2015: nil, 2014: $28.5 million) was netted against gross investment income.

Pursuant to the advisory agreement, a monthly management fee, equal to 0.125% (1.5% on an annual basis) of the Company's investment account managed by DME Advisors, is paid to DME Advisors. Included in the net investment income (loss) for the year ended December 31, 2016 were management fees of $16.3 million (2015: $19.2 million, 2014: $20.6 million). The management fees have been fully paid as of December 31, 2016.

Pursuant to the venture and advisory agreements, the Company has agreed to indemnify DME and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company's investment advisor. The Company will reimburse DME and DME Advisors for reasonable costs and expenses of investigating and/or defending such claims, provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME or DME Advisors. For the year ended December 31, 2016, there were no indemnification payments payable or paid by the Company.

Green Brick Partners, Inc

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners, Inc ("GRBK"), a publicly traded company. During the year ended December 31, 2014, the Company, along with certain affiliates of DME Advisors, provided debt financing to GRBK and acquired equity shares of GRBK. During the year ended December 31, 2016, the Company's investment income included nil (2015: $1.0 million) of interest relating to this debt. During the third quarter of 2015, GRBK repaid the debt in full along with all accrued interest and prepayment fees, and the Company purchased additional equity shares of GRBK. As of December 31, 2016, $34.8 million (2015: $25.0 million) of GRBK listed equities were included on the balance sheet as "equity securities, trading, at fair value". The Company along with certain affiliates of DME Advisors, collectively own 49% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

Due to / from Parent

At December 31, 2016 and 2015, the amount due from parent related to non-interest bearing, unsecured loans and was repayable on demand.

Due to / from Affiliates

At December 31, 2016, the Company had $0.9 million (2015: $0.9 million) due from affiliates which is non-interest bearing, unsecured and is repayable on demand.

The Company has entered into a quota share retrocession agreement with GRIL whereby the Company assumes from GRIL a quota share portion of certain specified reinsurance contracts written by GRIL. For the year ended December 31, 2016, the Company assumed $18.6 million (2015: $17.6 million) of written premiums from GRIL.

The Company has entered into a retrocession agreement with GRIL whereby the Company provides an aggregate stop loss protection to GRIL in return for premiums ceded by GRIL to the company. For the year ended December 31, 2016, GRIL ceded $2.1 million (2015: $1.7 million) of written premiums to the Company. During the year ended December 31, 2016, the threshold for coverage was not breached which resulted in no losses paid by the Company to GRIL (2015: nil).

13. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Trusts

At December 31, 2016, the Company had the following letter of credit facilities, which automatically renew each year unless terminated by either party in accordance with the required notice period:

	Facility	Termination Date	Notice period required for termination
	($ in thousands)		
Butterfield Bank (Cayman) Limited	100,000	June 30, 2017	90 days prior to termination date
Citibank Europe plc	400,000	October 11, 2017	120 days prior to termination date
JP Morgan Chase Bank N.A.	100,000	January 27, 2018	120 days prior to termination date
	$ 600,000		

On April 4, 2016, the Company provided a notice of cancellation to terminate the Bank of America, N.A. letter of credit facility of $120.0 million. As of December 31, 2016, an aggregate amount of $255.4 million (2015: $245.6 million) in letters of credit were issued under the above facilities. Under the facilities, the Company provides collateral that may consist of equity securities, restricted cash and cash and cash equivalents. As of December 31, 2016, total equity securities, restricted cash, and cash and cash equivalents with a fair value in the aggregate of $310.9 million (2015: $324.3 million) were pledged as collateral against the letters of credit issued (also see Note 4). Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, and restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of each of these facilities as of December 31, 2016 and 2015.

The Company issues letters of credit on behalf of GRIL, from the above facilities, for the benefit of GRIL's insureds. The collateral pledged as security relating to these letters of credit is also provided by the Company. In the event that GRIL's insureds draw upon any letters of credit, GRIL shall be obligated to reimburse the Company the amount of the letters of credit drawn by the insured. As of December 31, 2016, $29.5 million of letters of credit were issued by the Company on behalf of GRIL (2015: $37.3 million) and no letters of credits were drawn by GRIL's insureds for the years ended December 31, 2016 and 2015.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of December 31, 2016, collateral of $79.0 million (2015: $78.6 million) was provided to cedents in the form of regulatory trust accounts.

Operating Lease Obligations

The Company has entered into lease agreements for office space in the Cayman Islands. Under the terms of the lease agreements, The Company is committed to annual rent payments ranging from $0.3 million at inception to $0.5 million at lease termination. The leases expire on June 30, 2018 and the Company has the option to renew the leases for a further five year

term. Included in the schedule below are the minimum lease payment obligations relating to these leases as of December 31, 2016.

The total rent expense related to leased office space for the year ended December 31, 2016 was $0.4 million (2015: $0.4 million, 2014: $0.4 million).

Private Equity and Limited Partnerships

From time to time, the Company makes investments in private equity vehicles. As part of the Company's participation in such private equity investments, the Company may make funding commitments. As of December 31, 2016, the Company had commitments to invest an additional $9.2 million (2015: $6.1 million) in private equity investments. Included in the schedule below are the minimum payment obligations relating to these investments as of December 31, 2016.

Schedule of Commitments and Contingencies

The following is a schedule of future minimum payments required under the above commitments:

	2017	2018	2019	2020	2021	Thereafter	Total
				($ in thousands)			
Operating lease obligations	$ 466	$ 233	$ —	$ —	$ —	$ —	$ 699
Private equity and limited partnerships [1]	9,210	—	—	—	—	—	9,210
	$ 9,676	$ 233	$ —	$ —	$ —	$ —	$ 9,909

[1] Given the nature of these investments, the Company is unable to determine with any degree of accuracy when these commitments will be called. Therefore, for purposes of the above table, the Company has assumed that all commitments with no fixed payment schedules will be called during the year ending December 31, 2017.

Litigation

From time to time in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes cannot be predicted with certainty, the Company does not believe that any existing dispute, when finally resolved, will have a material adverse effect on the Company's business, financial condition or operating results.

14. SEGMENT REPORTING

The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance.

Substantially all of the business is sourced through reinsurance brokers. The following table sets forth the premiums sourced from brokers who each accounted for more than 10% of the Company's gross written premiums:

	Year ended December 31					
	2016		2015		2014	
			($ in thousands)			
Largest broker	$ 208,877	44.4%	$ 222,402	53.6%	$ 132,235	52.4%
2nd largest broker	94,198	20.0	67,838	16.4	40,773	16.2
3rd largest broker	—	—	—	—	—	—
4th largest broker	—	—	—	—	—	—
	$ 303,075	64.4%	$ 290,240	70.0%	$ 173,008	68.6%

The following tables provide a breakdown of the Company's gross premiums written by line of business and by geographic area of risks insured for the periods indicated:

	Gross Premiums Written by Line of Business *					
	Year ended December 31					
	2016		2015		2014	
	($ in thousands)					
Property						
Commercial	$ 13,683	2.9%	$ 13,192	3.2%	$ 9,684	3.8%
Motor	30,028	6.4	27,562	6.6	19,615	7.8
Personal	49,467	10.5	58,975	14.2	66,113	26.2
Total Property	93,178	19.8	99,729	24.0	95,412	37.8
Casualty						
General Liability	35,720	7.6	27,377	6.6	11,217	4.5
Motor	174,530	37.1	158,582	38.2	103,080	40.8
Professional	36,954	7.9	65,056	15.7	25,938	10.3
Workers' Compensation	25,443	5.4	12,633	3.1	726	0.3
Total Casualty	272,647	58.0	263,647	63.6	140,962	55.9
Specialty						
Accident & Health	51,945	11.0	25,860	6.2	3,087	1.2
Financial	35,420	7.5	7,614	1.8	5,247	2.1
Marine	7,533	1.6	7,744	1.9	4,257	1.7
Other	9,877	2.1	10,200	2.5	3,374	1.3
Total Specialty	104,775	22.2	51,419	12.4	15,964	6.3
	$ 470,600	100.0%	$ 414,795	100.0%	$ 252,339	100.0%

* During the year ended December 31, 2016, the Company revised its classification of the lines of business. As a result the gross written premiums in the above table relating to certain lines of business previously reported for the years ended December 31, 2015 and 2014, have been reclassified to confirm to the current period presentation.

	Gross Premiums Written by Geographic Area of Risks Insured					
	Year ended December 31					
	2016		2015		2014	
	($ in thousands)					
U.S. and Caribbean	$ 371,321	78.9%	$ 300,304	72.4%	$ 203,805	80.8%
Worldwide [(1)]	80,952	17.2	105,161	25.4	29,422	11.7
Europe	18,459	3.9	8,863	2.1	19,029	7.5
Asia [(2)]	(132)	—	467	0.1	83	—
	$ 470,600	100.0%	$ 414,795	100.0%	$ 252,339	100.0%

(1) "Worldwide" is comprised of contracts that reinsure risks in more than one geographic area and do not specifically exclude the U.S.

(2) The negative balance represents reversal of premiums due to premium adjustments, termination of contracts or premium returned upon novation or commutation of contracts.