Aspen Bermuda Limited

Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2017 and 2016

KPMG Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors
Aspen Bermuda Limited

We have audited the accompanying financial statements of Aspen Bermuda Limited, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Aspen Bermuda Limited as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Management has omitted certain disclosures related to short-duration contracts that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 30, 2018, except as to Note 8 which is as of July 4, 2018.

Aspen Bermuda Limited

Balance Sheets

As At December 31, 2017 and 2016
(Expressed in thousands of United States dollars)

	2017 US$	2016 US$
Assets		
Investments:		
Fixed income maturities, available for sale, at fair value	2,551,014	2,769,078
Fixed income maturities, trading, at fair value	1,383,360	1,190,105
Short term investments, available for sale, at fair value	—	3,280
Short term investments, trading, at fair value	23,938	61,186
Equity securities, trading, at fair value	336,750	459,388
Total Investments (Notes 3 and 4)	4,295,062	4,483,037
Cash and cash equivalents (Note 10)	168,342	141,108
Loss reserves recoverable (Note 6)	308,895	56,050
Premium receivable	166,827	205,557
Funds withheld	752,269	703,744
Deferred acquisition costs	99,141	129,978
Due from related party (Note 8)	60,622	108,013
Other assets (Note 4 and 5)	94,113	57,023
Total Assets	5,945,271	5,884,510
Liabilities		
Loss and loss adjustment expense reserves (Note 6)	3,458,146	2,937,834
Unearned premium reserves	406,530	483,307
Reinsurance balances payable	187,459	132,903
Deferred gain (Note 8)	17,900	19,721
Other liabilities (Note 4 and 5)	17,448	14,535
Total Liabilities	4,087,483	3,588,300
Shareholder's Equity		
Common shares, $1 par value, 1,000,000 authorized, issued and fully paid (Note 9)	1,000	1,000
Contributed surplus (Note 9)	1,159,000	1,159,000
Retained earnings	674,555	1,111,244
Accumulated other comprehensive income	23,233	24,966
Total Shareholder's Equity	1,857,788	2,296,210
Total Liabilities and Shareholder's Equity	5,945,271	5,884,510

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board

Kate Vacher
Director

Director

Aspen Bermuda Limited

Statements of Income and Comprehensive Income

For the years ended December 31, 2017 and 2016
(Expressed in thousands of United States dollars)

	2017 US$	2016 US$
Revenues		
Gross premiums written (Note 7)	1,554,493	1,757,931
Premiums ceded (Note 7)	(256,464)	(168,626)
Net premiums written	1,298,029	1,589,305
Change in net unearned premiums	109,131	35,721
Net premiums earned	1,407,160	1,625,026
Other underwriting income (Note 8)	25,858	16,702
Net investment income (Note 3)	118,706	119,068
Net foreign exchange losses	(8,582)	(1,734)
Net realized and unrealized investment gains (Note 3)	94,648	38,733
Total Revenues	1,637,790	1,797,795
Expenses		
Loss and loss adjustment expenses (Note 6 and 7)	1,274,237	981,783
Acquisition costs	394,484	489,284
Other underwriting expenses (Note 8)	—	706
Change in fair value of derivatives (Note 5)	1,613	3,290
Operating expenses (Note 8)	44,145	32,941
Total Expenses	1,714,479	1,508,004
Net (Loss) / Income	(76,689)	289,791
Other Comprehensive Income		
Net (Loss) / Income	(76,689)	289,791
Net change in other comprehensive loss during the year	(1,733)	(29,547)
Total Comprehensive (Loss) / Income	(78,422)	260,244

The accompanying notes are an integral part of these financial statements.

Aspen Bermuda Limited

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2017 and 2016
(Expressed in thousands of United States dollars)

	2017	2016
	US$	US$
Shareholder's Equity		
Common shares:		
Beginning and end of year	1,000	1,000
Contributed surplus:		
Beginning and end of year	1,159,000	1,159,000
Retained earnings:		
Beginning of year	1,111,244	1,055,953
Net (loss) / income for the year	(76,689)	289,791
Dividends paid	(360,000)	(234,500)
End of Year	674,555	1,111,244
Unrealized appreciation on investments:		
Beginning of year	24,966	54,513
Holding losses on investments arising during the year	(557)	(22,701)
Reclassification for net realized gains included in net income	(1,176)	(6,846)
End of Year	23,233	24,966
Total accumulated other comprehensive income	23,233	24,966
Total Shareholder's Equity	1,857,788	2,296,210

The accompanying notes are an integral part of these financial statements.

Aspen Bermuda Limited

Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(Expressed in thousands of United States dollars)

	2017 US$	2016 US$
Operating Activities		
Net Income	(76,689)	289,791
Adjustment to reconcile net income to net cash flows provided by operating activities:		
Amortization of premium on investments	10,351	10,200
Net realized (gains) - available for sale	(1,176)	(6,852)
Net unrealized and realized gains - trading	(93,472)	(31,881)
Change in assets and liabilities:		
Loss reserves recoverable	(252,845)	(14,195)
Premium receivable	38,730	61,011
Funds withheld	(48,525)	(96,738)
Deferred acquisition costs	30,837	12,259
Due from related party	15,391	5,466
Other assets	(37,090)	(10,527)
Loss and loss adjustment expense reserves	520,312	218,958
Unearned premium reserves	(76,777)	(27,061)
Reinsurance balances payable	54,556	113,181
Deferred gain	(1,821)	(3,944)
Other liabilities	2,913	684
Net Cash flows provided by Operating Activities	84,695	520,352
Investing Activities		
Purchases of fixed maturity investments - available for sale	(671,795)	(953,570)
Purchases of fixed maturity investments - trading	(1,103,645)	(969,308)
Purchases of equity investments - trading	(98,909)	(161,495)
Net purchases of short-term investments - available for sale	3,280	—
Net purchases of short-term investments - trading	40,427	(52,450)
Proceeds from sales of fixed maturity investments - available for sale	641,687	633,008
Proceeds from sales of fixed maturity investments - trading	896,833	566,249
Proceeds from redemptions/maturities of fixed maturity investments - available for sale	243,297	332,160
Proceeds from redemptions/maturities of fixed maturity investments - trading	28,960	11,383
Proceeds from sales of equity investments - trading	290,404	340,872
Net loans to affiliated companies	32,000	(10,000)
Net Cash flows provided by/used in Investing Activities	302,539	(263,151)

Aspen Bermuda Limited

Statements of Cash Flows (continued)

For the years ended December 31, 2017 and 2016
(Expressed in thousands of United States dollars)

	2017	2016
	US$	US$
Financing Activities		
Dividends paid	(360,000)	(234,500)
Net Cash flows used in Financing Activities	(360,000)	(234,500)
Net Increase in cash and cash equivalents	27,234	22,701
Cash and cash equivalents, beginning of year	141,108	118,407
Cash and Cash Equivalents, End of Year	168,342	141,108

The accompanying notes are an integral part of these financial statements.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

1. History and organization

Aspen Bermuda Limited ("the Company"), formerly Aspen Insurance Limited, was incorporated under the laws of Bermuda, and is a wholly owned subsidiary of Aspen Insurance Holdings Limited ("Holdings"). The Company is licensed under the Insurance Act 1978, amendments thereto and related regulations to write general business as a Class 4 insurer with effect from December 9, 2002.

The Company writes various shares of excess of loss reinsurance contracts and pro rata treaties. The excess of loss contracts are mainly property catastrophe policies reinsuring non-affiliated insurers located mainly in the United States of America, Europe and Asia Pacific. The pro rata treaties cover mainly property risks reinsuring non-affiliated insurers located in the United States of America, Europe and Asia Pacific. The Company also writes various direct insurance lines including, but not limited to, excess casualty, management liability and property insurance.

The Company assumes certain risks of Aspen Insurance UK Limited ("Aspen UK"), a UK corporation, Aspen Specialty Insurance Company ("ASIC"), a North Dakota corporation, Aspen American Insurance Company ("AAIC"), a Texas corporation, Aspen Underwriting Limited ("AUL"), a UK corporation and Aspen Syndicate 4711 at Lloyds, all of which are wholly-owned subsidiaries of Holdings. The Company also participates in quota share arrangements with Aspen UK and Silverton Re Limited in relation to its property reinsurance business, and multiple quota share arrangements with Peregrine Re Limited, mainly in relation to its property reinsurance business.

Effective January 1, 2014, the risks from the 2013 and prior contract years both assumed from and ceded to Aspen UK under quota share agreements and on an earlier 2009 Loss Portfolio Transfer ("LPT") were commuted. Also effective January 1, 2014 the Company entered into an LPT with Aspen UK. Under the terms of the LPT the Company provides coverage for a proportionate share of existing liabilities for all lines of business for 2013 and prior accident years. Effective January 1, 2017 the Company entered into an additional LPT with Aspen UK providing coverage for a proportionate share of existing liabilities for all lines of business written by their Canadian branch for 2016 and prior accident years.

During the year, the Company continued to participate in two 2009 incepted agreements which provide coverage for the adverse development of existing loss reserves within ASIC and Aspen Syndicate 4711 at December 31, 2008, see note 8. The Company also provided a Deed of Guarantee to ASIC and AAIC in relation to their third-party reinsurance balances recoverable.

2. Basis of preparation and significant accounting policies

The accompanying financial statements are prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

(a) Use of estimates

Assumptions and estimates made by Management have a significant effect on the amounts reported within the financial statements. The most significant of these relate to loss and loss adjustment expense reserves, loss reserves recoverable, gross premiums written and commissions which have not been reported to the Company such as those relating to proportional treaty reinsurance contracts and the fair value of derivative financial instruments. All material assumptions and estimates are regularly reviewed and adjustments made as necessary, in the period in which they are determined, but actual results could differ significantly from estimates.

(b) Accounting for Reinsurance Operations

Premiums written and ceded. Premiums written and ceded are recorded at inception of the policy and are earned and expensed, respectively, over the terms of the risk period.

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Reinsurance Operations (continued)

For excess of loss contracts, premiums written are estimated based on the deposit premium and any exposure based adjustment premiums that may be applicable as defined in the contract. As these contracts are generally written on a losses occurring basis, the risk period is typically the same as the term of the contract. For contracts written on a risk attaching basis, the risk period follows the terms of the underlying policies. Premiums written on contracts that have adjustable provisions also include adjustment premiums that are based on the projected experience of such contracts. Premium adjustments are recognized and earned in the period in which they are determined.

Adjustment and additional premiums are premiums charged after coverage has expired and related to experience during the policy term. The proportion of adjustable premiums included in the premium estimates varies between business lines with the largest adjustment premiums being in property and casualty reinsurance and the smallest in property and casualty insurance.

Premiums on proportional treaty contracts are generally not reported to the Company until after the reinsurance coverage is in force. As a result, an estimate of these "pipeline" premiums is recorded. The Company estimates pipeline premiums based on estimates of ultimate premium, calculated unearned premium and premiums reported from ceding companies. The Company estimates commissions, losses and loss adjustment expenses related to these premiums. Adjustments to these estimates are recognized in the period in which they are determined.

The portion of the premiums written and ceded relating to the unexpired risk period is reflected as unearned premium reserves and deferred reinsurance premiums, respectively, on the balance sheets.

Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of an excess of loss contract to its full amount after payment by the reinsurer of losses as a result of an occurrence. Reinstatement premiums are recognized at the time losses are recorded and are earned immediately.

Premiums receivable are recorded net of any provision for doubtful accounts and are recorded as premium receivable on the balance sheets.

Loss Portfolio Transfers and Adverse Development Contracts. From time to time the Company may underwrite retroactive loss portfolio transfer ("LPT") contracts. The Company also underwrites contracts which provide coverage for the adverse development of existing reserves. These contracts provide cover for past insured events and are therefore accounted for as retroactive reinsurance. These contracts are evaluated to determine whether they meet the established criteria for reinsurance accounting. Where these criteria are met a reinsurance liability is established equal to any loss reserves assumed. Consideration in respect of retroactive reinsurance is reported as premium receivable. Where the consideration is in excess of the recorded liability, the resulting gain is deferred and amortized to other underwriting income over the estimated remaining settlement period using the recovery method. Any subsequent change in the estimate of the reinsurance liability recorded results in an adjustment to the deferred gain with an offsetting charge or credit to other underwriting expenses or income, respectively. Where recorded liabilities exceed the consideration received the excess is charged to income as loss and loss adjustment expenses.

Acquisition costs. The costs directly related to writing an insurance policy are referred to as policy acquisition expenses and consist of commissions, premium taxes and profit commissions. With the exception of profit commission, these expenses are incurred when a policy is issued and are deferred and amortized over the same period as the corresponding premiums are recorded as revenues. Profit commissions are accrued to the balance sheet date and are calculated as a percentage of underwriting profit.

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Reinsurance Operations (continued)

On a regular basis a recoverability analysis is performed of the deferred acquisition costs in relation to the expected recognition of revenues, including anticipated investment income, and adjustments, if any, are reflected as period costs.

Should the analysis indicate that the acquisition costs are unrecoverable, further analyses are performed to determine if a reserve is required to provide for losses which may exceed the related unearned premium.

Other underwriting income and expense. Income and expenses in relation to contracts which are accounted for as retroactive reinsurance or deposits and contracts which generate fees or other income are included as other underwriting income and expense and recognized when earned.

Losses and Loss Adjustment Expenses. Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as loss adjustment expenses ("LAE"). The statement of income records losses net of reinsurance, meaning that gross losses and loss adjustment expenses incurred are reduced by the amounts recovered or expected to be recovered under reinsurance contracts.

Insurance reserves are established for the total unpaid cost of claims and LAE, which cover events that have occurred by the balance sheet date. These reserves also reflect the Company's estimates of the total cost of claims incurred but not yet reported to it ("IBNR"). Claim reserves are reduced for estimated amounts of salvage and subrogation recoveries. Estimated amounts recoverable from reinsurers on unpaid losses and LAE are reflected as assets.

For reported claims, reserves are established on a case-by-case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For IBNR claims, reserves are estimated using established actuarial methods. Both case and IBNR reserve estimates consider such variables as past loss experience, changes in legislative conditions, changes in judicial interpretation of legal liability policy coverages and inflation.

Because many of the coverages underwritten involve claims that may not be ultimately settled for many years after they are incurred, subjective judgments as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. Reserves are established by the selection of a 'best estimate' from within a range of estimates. The Company regularly reviews its reserves, using a variety of statistical and actuarial techniques to analyse current claims costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior periods are adjusted as claim experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the financial results of the period in which the adjustments are made.

Whilst the reported reserves make a reasonable provision for unpaid claims and LAE obligations, it should be noted that the process of estimating required reserves does, by its very nature, involve considerable uncertainty. The level of uncertainty can be influenced by factors such as the existence of coverage with long duration payment patterns and changes in claims handling practices, as well as the factors noted above. Ultimate actual payments for claims and LAE could turn out to be significantly different from the estimates.

(c) Investments

The Company's investments are managed following prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue and issuers.

2. Basis of preparation and significant accounting policies (continued)

(c) Investments (continued)

Fixed Maturity Investments. Investments in fixed maturities are classified as available for sale or trading and are reported at estimated fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as other assets or other liabilities. Fair values are determined based on quoted market prices and other data provided by internationally recognized independent pricing sources through the Company's third-party pricing service. Where multiple quotes or prices are obtained, a price source hierarchy is maintained in order to determine which price source provides the fair value (i.e. a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy prioritizes pricing services based on availability and reliability and assigns the highest priority to index providers. For mortgage-backed and other asset-backed debt securities, fair value includes estimates regarding prepayment assumptions, which are based on current observable market conditions.

Equity securities. Equity securities comprise U.S. and foreign equity securities and are classified as either trading or available for sale and carried on the balance sheet at estimated fair value. The fair values are based on quoted market prices in active markets from independent pricing sources.

Short-term Investments. Short-term investments are classified as available for sale or trading and are reported at estimated fair value. Short-term investments primarily comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase.

Gains and Losses. Realized gains and losses from the available for sale and trading portfolios are the result of sales of securities and are determined using the first in first out cost method. For the available for sale portfolio realized gains and losses will include adjustments to the cost basis as a result of other-than-temporary impairment charges. Unrealized gains and losses represent the difference between the cost/amortized cost of the security and its market value at the reporting date and are included in unrealized appreciation on investment in other comprehensive income for securities classified as available for sale and in net realized and unrealized investment gains in the statement of income for securities classified as trading.

Cash and Cash Equivalents. Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments due to mature within three months and which are subject to insignificant risk of change in fair value.

Other-than-temporary Impairment of Investments ("OTTI"). A security is impaired when its fair value is below its cost or amortized cost. The Company reviews its investment portfolio each quarter on an individual security basis for potential other-than-temporary impairment ("OTTI") based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions.

Other-than-temporary impairment on fixed income securities is deemed to occur when there is no objective evidence to support recovery in value of a security and a) the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its cost or adjusted amortized cost basis or b) it is deemed probable that the Company will be unable to collect all amounts due according to the contractual terms of the individual security. In the first case, the entire unrealized loss position is taken as an OTTI charge to realized losses in earnings. In the second case, the unrealized loss is separated into the amount related to credit loss and the amount related to all other factors. The OTTI charge related to credit loss is recognized in realized losses in net income and the amount related to all other factors is recognized in other comprehensive income. The cost basis of the investment is reduced accordingly and no adjustments to the cost basis are made for subsequent recoveries in value.

2. Basis of preparation and significant accounting policies (continued)

(c) Investments (continued)

Although the Company reviews each security on a case by case basis, it has also established parameters focusing on the extent and duration of impairment to help identify securities in an unrealized loss position which are other-than-temporarily impaired. For fixed maturities, the Company considers securities which have been in an unrealized loss position for twelve months or more which currently have a market value of more than 20% below cost to be other-than-temporarily impaired.

Net Investment Income. Net investment income is recognized when earned and includes amounts received and accrued in respect of periodic interest ("coupons") payable to the Company by the issuer of fixed income securities, equity dividends and interest credited on cash and cash equivalents. It also includes amortization of premium and accretion of discount in respect of fixed income securities. Investment management fees and custody fees are charged against net investment income reported in the statement of income.

(d) Accounting for Derivative Financial Instruments

The Company enters into derivative financial instruments such as swaps and forward contracts in order to manage certain investment portfolio risk and exposures, foreign currency exposures and credit exposures in relation to our reinsurance counterparties. The Company accounts for its derivatives in accordance with FASB ASC Topic 815, *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights and obligations. Changes in fair value are reported as change in fair value of derivatives in the statement of operations as they occur. The Company does not apply hedge accounting.

(e) Foreign Currency Translation

The functional currency of the Company is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date, whilst non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the transaction date exchange rates. Foreign exchange gains and losses are included in the statement of income, except where they relate to the movement in fair value of available for sale securities when they are recorded as a component of other comprehensive income. For the purpose of the statement of cash flows, all foreign currency gains and losses recognized in the statement of income and comprehensive income are treated as cash items and included in cash flows from operating activities along with movement in principal balances.

(f) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, premium receivable, funds withheld, due from related party, other assets, reinsurance balances payable and other liabilities approximate their respective market values due to their short-term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain balances such as loss reserves recoverable, deferred acquisition costs, loss and loss adjustment expense

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

2. Basis of preparation and significant accounting policies (continued)

(f) Fair Value of Financial Instruments (continued)

reserves and unearned premium reserves are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

3. Investments

The Company's Board of Directors establishes investment guidelines in accordance with the Investment Committee of the Board of Directors of Holdings and supervises the Company's investment activity. The investment guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. They include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities. Management and the Investment Committee review the Company's investment performance, its compliance with investment objectives and guidelines, and assess credit and market risk concentrations and exposures to issuers.

Fixed Income Maturities, Short-Term Investments - Available for Sale. The following presents the cost or amortized cost, gross unrealized gains and losses, and fair market value of available for sale investments in fixed income maturities and short-term investments as at December 31, 2017 and 2016:

2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	452,244	1,751	(4,780)	449,215
U.S. Agency Securities	11,980	142	(16)	12,106
Municipal Securities	24,966	2,027	(149)	26,844
Corporate Securities	1,347,067	26,345	(6,903)	1,366,509
Foreign Government Securities	11,947	323	(16)	12,254
Asset-backed Securities	19,653	46	(49)	19,650
Agency Mortgage-backed Securities	659,924	10,109	(5,597)	664,436
Total Fixed Income Maturities, Available for Sale	2,527,781	40,743	(17,510)	2,551,014
Total Short-term Investments, Available for Sale	—	—	—	—
Total	2,527,781	40,743	(17,510)	2,551,014

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

2016	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	475,512	4,157	(5,574)	474,095
U.S. Agency Securities	65,247	519	—	65,766
Municipal Securities	15,297	1,525	(173)	16,649
Corporate Securities	1,384,012	26,807	(12,160)	1,398,659
Non-U.S. Government-backed Corporate	3,004	5	—	3,009
Foreign Government Securities	18,670	1,033	(14)	19,689
Asset-backed Securities	48,901	364	(57)	49,208
Non-agency Commercial Mortgage-backed Securities	12,181	271	—	12,452
Agency Mortgage-backed Securities	721,288	14,049	(5,786)	729,551
Total Fixed Income Maturities, Available for Sale	2,744,112	48,730	(23,764)	2,769,078
Total Short-term Investments, Available for Sale	3,280	—	—	3,280
Total	2,747,392	48,730	(23,764)	2,772,358

There were non-cash transfers of securities from available for sale to trading of $95.1 million during the twelve months ended December 31, 2016. The transfers were made following the decision by the North Dakota regulator to reduce the held capital requirement for the recognition of ceded reinsurance recoveries from 100% to 20%. This decision resulted in a new reduced collateral Regulation 114 trust being established and funded by non-cash transfers of securities from available for sale portfolios.

The contractual maturity distribution of fixed maturity securities as of December 31, 2017 and 2016 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

2017	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	149,310	149,590	A+
Due after one year through five years	1,028,499	1,033,660	AA-
Due after five years through ten years	589,148	590,667	A+
Due after ten years	81,242	93,011	A+
	1,848,199	1,866,928	
Asset-backed Securities	19,653	19,650	AAA
Non-agency Commercial Mortgage-backed Securities	—	—	
Agency Mortgage-backed Securities	659,924	664,436	AA+
Total	2,527,776	2,551,014	

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

2016	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	166,171	167,347	AA
Due after one year through five years	1,079,714	1,093,312	AA-
Due after five years through ten years	632,352	628,112	A+
Due after ten years	83,505	89,096	AA+
	1,961,742	1,977,867	
Asset-backed Securities	48,901	49,208	AAA
Non-agency Commercial Mortgage-backed Securities	12,181	12,452	AAA
Agency Mortgage-backed Securities	721,288	729,551	AA+
Total	2,744,112	2,769,078	

Fixed Income Maturities, Short-Term and Equities – Trading. The following presents the amortized cost, gross unrealized gains and losses, and estimated fair value of trading investments in fixed maturities and short term investments as at December 31, 2017 and 2016:

Fixed maturities, trading

2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	112,490	420	(380)	112,530
Municipal Securities	25,658	14	(212)	25,460
Corporate Securities	893,286	13,675	(3,186)	903,775
Non-U.S. Government-backed Corporate	999	—	(3)	996
Foreign Government Securities	194,864	6,945	(537)	201,272
Asset-backed Securities	9,886	20	(25)	9,881
Agency Mortgage-backed Securities	129,911	232	(697)	129,446
Total Fixed Income Maturities, Trading	1,367,094	21,306	(5,040)	1,383,360
Total Short-term Investments, Trading	23,913	25	—	23,938
Total Equity Securities, Trading	282,656	58,644	(4,550)	336,750
Total	1,673,663	79,975	(9,590)	1,744,048

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

2016	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	72,369	439	(815)	71,993
Municipal Securities	11,508	6	(1)	11,513
Corporate Securities	778,370	9,814	(6,561)	781,623
Foreign Government Securities	203,319	3,509	(4,081)	202,747
Asset-backed Securities	14,559	20	(46)	14,533
Agency Mortgage-backed Securities	108,089	171	(564)	107,696
Total Fixed Income Maturities, Trading	1,188,214	13,959	(12,068)	1,190,105
Total Short-term Investments, Trading	61,180	6	—	61,186
Total Equity Securities, Trading	431,172	46,201	(17,985)	459,388
Total	1,680,566	60,166	(30,053)	1,710,679

The Company classifies these financial instruments as trading as this most closely reflects the facts and circumstances of the investments held.

Gross unrealized loss. The following tables summarize as at December 31, 2017 and 2016 the aggregate fair value and gross unrealized loss by length of time the security has been in an unrealized loss position for the Company's available for sale portfolio by type of security:

2017	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	271,477	(2,300)	70,132	(2,480)	341,609	(4,780)
U.S Agency Securities	5,115	(16)	—	—	5,115	(16)
Municipal Securities	10,803	(149)	—	—	10,803	(149)
Corporate Securities	327,502	(1,852)	186,973	(5,051)	514,475	(6,903)
Foreign Government Securities	—	—	2,483	(16)	2,483	(16)
Asset-backed Securities	10,711	(38)	5,119	(11)	15,830	(49)
Agency Mortgage-backed Securities	150,947	(1,033)	207,772	(4,564)	358,719	(5,597)
Total Fixed Income Maturities, Available for sale	776,555	(5,388)	472,479	(12,122)	1,249,034	(17,510)

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

2016	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	303,079	(5,574)	—	—	303,079	(5,574)
Municipal Securities	4,342	(173)	—	—	4,342	(173)
Corporate Securities	530,416	(11,730)	2,516	(430)	532,932	(12,160)
Foreign Government Securities	2,483	(14)	—	—	2,483	(14)
Asset-backed Securities	17,950	(57)	914	—	18,864	(57)
Agency Mortgage-backed Securities	347,181	(5,464)	13,236	(322)	360,417	(5,786)
Total Fixed Income Maturities, Available for sale	1,205,451	(23,012)	16,666	(752)	1,222,117	(23,764)

As at December 31, 2017, the Company held 323 fixed maturities (2016 - 314 fixed maturities) in an unrealized loss position with a fair value of $1,249.0 million (2016 - $1,222.1 million) and gross unrealized losses of $17.5 million (2016 - $23.8 million). The Company believes that the gross unrealized losses for fixed maturities are attributable mainly to a combination of widening credit spreads and interest rate movements. The Company believes that the period during which the fixed maturities will remain in an unrealized loss position is temporary.

Other-than-temporary impairments. The Company recorded $nil in OTTI charges in 2017 (2016 – $nil).

Net investment income. The components of net investment income for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Fixed maturity investments	114,972	109,915
Short term investments	329	96
Cash and cash equivalents	799	409
Equity dividends	9,608	16,549
Investment income before expenses	125,708	126,969
Investment expenses	(7,002)	(7,901)
Net investment income	118,706	119,068

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Realized and unrealized gains and losses. The analysis of net realized and unrealized gains on investments recorded in the statement of income for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Available for sale short term investments and fixed maturities:		
Gross realized gains	4,589	8,993
Gross realized (losses)	(3,413)	(2,147)
Trading portfolio short term investments and fixed maturities:		
Gross realized gains	12,536	12,542
Gross realized (losses)	(4,531)	(7,497)
Net change in gross unrealized gains /(losses)	15,066	8,347
Available for sale equity investments:		
Gross realized gains	—	—
Gross realized (losses)	—	—
Available for sale cash & cash equivalents		
Gross realized gains	—	6
Trading equity investments:		
Gross realized gains	55,149	50,272
Gross realized (losses)	(12,206)	(42,115)
Net change in gross unrealized gains /(losses)	26,158	10,490
Trading cash & cash equivalents		
Gross realized gains	1,300	111
Gross realized (losses)	—	(269)
Net realized and unrealized investment gains	94,648	38,733

4. Fair Value Measurements

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

- Level 1 — Valuations based on unadjusted quoted prices in active markets, to which the Company has access, for identical assets or liabilities.

  Level 2 — Valuations based on inputs other than unadjusted quoted prices in active markets for identical assets or liabilities. Inputs include quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs other than quoted prices which are directly or indirectly observable for the asset or liability (for example interest rates, yield curves, prepayment speeds, default rates, loss severities).

4. Fair Value Measurements (continued)

- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's own views about the assumptions that market participants would use in pricing the asset or liability.

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

The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, index providers, vendors and broker-dealers, or with reference to interest rates and yield curves, to be derived based on inputs that are observable for the asset, either directly or indirectly, which are Level 2 inputs in the fair value hierarchy. These securities are also valued using prices supplied by index providers.

The Company considers securities, other financial instruments and derivative insurance contracts subject to fair value measurement whose valuation is derived by internal valuation models to be based largely on unobservable inputs, which are Level 3 inputs in the fair value hierarchy.

Where inputs to the valuation of an asset or liability fall into more than one level of the fair value hierarchy, the classification of the asset or liability will be within the lowest level identified as significant to the valuation.

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

Foreign Government. The issuers for securities in this category are non-U.S. governments and their agencies. The fair values of non-U.S. government bonds, primarily sourced from international indices, are based on unadjusted market prices in active markets and are therefore classified within Level 1. The remaining non-US government are classified within Level 2 as they are not actively traded. The fair values of the non-U.S. agency securities, again primarily sourced from international indices, are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of non-U.S. agency securities are classified within Level 2.

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

Corporate. Corporate securities consist primarily of U.S. and foreign corporations covering a variety of industries and are for the most part priced by index providers and pricing vendors. Some issuers may participate in the Federal Deposit Insurance Corporation ("FDIC") program or other similar non-U.S. government programs which guarantee timely payment of principal and interest in the event of a default. The fair values of these securities are generally determined using the spread above the risk-free yield curve. Inputs used in the evaluation of these securities include credit data, interest rate data, market observations and sector news, broker-dealer quotes and trade volumes. The Company classifies these securities within Level 2.

4. Fair Value Measurements (continued)

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

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

Short-term investments. Short-term investments comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase and are classified as either trading or available for sale and carried at estimated fair value. Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are classified within Level 1 and 2.

Equity Securities. Equity securities include U.S. and foreign common stocks and are classified as trading and carried at fair value. These securities are classified within Level 1 as their fair values are based on quoted market prices in active markets from independent pricing sources.

Foreign Currency Forward Contracts. The foreign currency forward contracts which we use to mitigate currency risk are characterized as over-the-counter ("OTC") due to their customized nature and the fact that they do not trade on a major exchange. These instruments trade in a very deep liquid market, providing substantial price transparency and accordingly are classified as Level 2.

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

The Company's fixed income securities are traded on the over-the-counter market based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasury securities, over the yield curve. The Company's fixed income securities were valued by internationally recognized independent pricing services, index providers or broker-dealers, using standard market conventions. The market conventions utilize market quotations, market transactions in comparable instruments and various relationships between instruments including, but not limited to, yield to maturity, dollar prices and spread prices in determining value. The fair value estimates for the investment grade securities in the Company's portfolio do not use significant unobservable inputs or modeling techniques.

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

4. Fair Value Measurements (continued)

to a pricing service in that they will gather their observable pricing inputs from multiple external sources. All prices for the Company's securities attributed to index providers are for an individual security within the respective indices.

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

For securities that may trade less frequently or do not trade on a listed exchange, these pricing services and index providers may use matrix pricing consisting of observable market inputs to estimate the fair value of a security. These observable market inputs include: reported trades, benchmark yields, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic factors. Additionally, pricing services and index providers may use a valuation model such as an option adjusted spread model commonly used for estimating fair values of mortgage-backed and asset-backed securities. Neither the Company, nor its index providers, derives dollar prices using an index as a pricing input for any individual security.

Broker-Dealers. We obtain quotes from broker-dealers who are active in the corresponding markets when prices are unavailable from independent pricing services or index providers. Generally, broker-dealers value securities through their trading desks based on observable market inputs. Their pricing methodologies include mapping securities based on trade data, bids or offers, observed spreads and performance on newly issued securities. They may also establish pricing through observing secondary trading of similar securities. Quotes from broker-dealers are non-binding.

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

The Company, in conjunction with its third-party accounting service provider, obtains an understanding of the methods, models and inputs used by the third-party pricing service and index provider to assess the on-going appropriateness of vendors' prices. The Company and its third party accounting service provider also have controls in place to validate that amounts provided represent fair values. Processes to validate and review pricing include, but are not limited to:

- quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated);
- comparison of market values obtained from pricing services, index providers and broker-dealers against investment manager pricing where further investigation is completed when significant differences exist for pricing of individual securities between pricing sources;
- initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and
- comparison of the fair value estimates to our knowledge of the current market.

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

4. Fair Value Measurements (continued)

Management reviews the vendor hierarchy maintained by our third-party accounting service which determines the price source that provides the most appropriate fair value (i.e. a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy level assigned to each vendor for a particular security in the Company's available for sale and trading portfolios is based upon an assessment of the transparency and reliability of the inputs used in the valuation as of the measurement date. The hierarchy of index providers and pricing services is determined using various qualitative and quantitative points arising from reviews of the vendors conducted by the Company's third-party accounting service provider. Vendor reviews include annual onsite due diligence meetings with index providers and pricing services vendors covering valuation methodology, operational walkthroughs and legal and compliance updates. Index providers are assigned the highest priority in the pricing hierarchy due primarily to availability and reliability of pricing information.

The following table presents the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis at December 31, 2017 and 2016.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets, at fair value				
U.S. government	449,215	—	—	449,215
U.S. agency	—	12,106	—	12,106
Municipal	—	26,844	—	26,844
Corporate	—	1,366,509	—	1,366,509
Non-U.S. government-backed corporate	—	—	—	—
Foreign government	—	12,254	—	12,254
Asset-backed	—	19,650	—	19,650
Non-agency commercial mortgage-backed	—	—	—	—
Agency mortgage-backed	—	664,436	—	664,436
Total fixed income securities available for sale, at fair value	449,215	2,101,799	—	2,551,014
Short-term Investments available for sale, at fair value	—	—	—	
Held for trading financial assets, at fair value				
U.S. government	112,530	—	—	112,530
Municipal	—	25,460	—	25,460
Corporate	—	903,775	—	903,775
Non-U.S. government-backed corporate		996		996
Foreign government	24,504	176,768	—	201,272
Asset-backed	—	9,881	—	9,881
Agency Mortgage-backed securities	—	129,446	—	129,446
Total fixed income securities trading, at fair value	137,034	1,246,326	—	1,383,360
Short-term investments trading, at fair value	23,938	—	—	23,938
Equity investments trading, at fair value	336,750	—	—	336,750
Other financial assets, at fair value				
Assets under derivative contracts- foreign exchange	—	268	—	268
Total	946,937	3,348,393	—	4,295,330

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets, at fair value				
U.S. government	474,095	—	—	474,095
U.S. agency	—	65,766	—	65,766
Municipal	—	16,649	—	16,649
Corporate	—	1,398,659	—	1,398,659
Non-U.S. government-backed corporate	—	3,009	—	3,009
Foreign government	—	19,689	—	19,689
Asset-backed	—	49,208	—	49,208
Non-agency commercial mortgage-backed	—	12,452	—	12,452
Agency mortgage-backed	—	729,551	—	729,551
Total Fixed income securities available for sale, at fair value	474,095	2,294,983	—	2,769,078
Total Short-term investments available for sale, at fair value	3,280	—	—	3,280
Total Equity investments available for sale, at fair value				
Held for trading financial assets, at fair value				
U.S. government	71,993	—	—	71,993
Municipal	—	11,513	—	11,513
Corporate	—	781,623	—	781,623
Foreign government	—	202,747	—	202,747
Asset-backed	—	14,533	—	14,533
Agency Mortgage-backed securities	—	107,696	—	107,696
Total Fixed income securities trading, at fair value	71,993	1,118,112	—	1,190,105
Total Short-term investments trading, at fair value	60,683	503	—	61,186
Total Equity investments trading, at fair value	459,388	—	—	459,388
Other financial assets and liabilities, at fair value				
Derivatives at fair value - interest rate swaps	—		—	—
Liabilities under derivative contracts- foreign exchange contracts	—	(1,622)	—	(1,622)
Total	1,069,439	3,411,976	—	4,481,415

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. There were no transfers between Level 1 and Level 2 during the 12 months ended December 31, 2017. As at December 31, 2016, the Company transferred $83.9 million of foreign government securities from Level 1 to Level 2 . No assets or liabilities were classified as Level 3 as at December 31, 2017 and December 31, 2016.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

5. Derivative Financial Instruments

The following table summarizes information on the location and amounts of derivative fair values on the balance sheets as at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016	
Derivatives not designated as Hedging Instruments under ASC 815	**Balance Sheet Location**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Interest Rate Swaps	Other assets / (Other liabilities)	—	—	—	—
Currency Forward contracts	Other assets / (Other liabilities)	101,700	268	77,500	(1,622)

The following table provides the total unrealized and realized gains (losses) recorded in earnings for the twelve months ended December 31, 2017 and 2016:

		Amount of Gain/(Loss) recognized in Income	
Derivatives not designated as Hedging Instruments under ASC 815	**Location of Gain/(Loss) Recognized in Income**	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**
Interest Rate Swaps	Change in fair value of derivatives	—	(3,340)
Currency Forward contracts	Change in fair value of derivatives	(1,613)	50

Currency forward contracts. The Company uses currency forward contracts to manage foreign currency risk. A foreign currency forward contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency forward contracts will not eliminate fluctuations in the value of the Company's assets and liabilities denominated in foreign currencies, but rather allow it to establish a rate of exchange for a future point in time. The currency forward contracts purchased in the twelve months ended December 31, 2017 and the twelve months ended December 31, 2016 served to mitigate the Company's exposure to foreign currency losses.

At December 31, 2017, the Company held four foreign currency derivative contracts (2016 – four) to purchase $101.7 million of foreign currencies (2016 - $77.5 million). The fair value of foreign currency forward contracts are recorded as other assets or other liabilities in the balance sheets, with changes recorded as change in fair value of derivatives in the statements of income. For the twelve months ended December 31, 2017, the impact of foreign currency forward contracts on net income was a loss of $1.6 million. (2016 — $0.0 million).

Interest rate swaps. In 2014, the Company decided to let its interest rate program roll-off and not renew maturing positions. This decision was made after an extensive reassessment of the costs of maintaining an interest rate swap program in a steep yield curve environment. In addition, the continued uncertainty in the global economy and low inflation make it difficult to gauge the timing and speed of interest rate rises by the Federal Reserve. On May 9, 2016, the Company terminated all remaining outstanding interest rate swaps under its International Swap Dealers Association agreement.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses

The following table summarizes the activity in the reserves for losses and loss adjustment expenses for the years ended December 31, 2017 and 2016:

	2017	**2016**
Gross reserves as at January 1	2,937,834	2,718,876
Loss reserves recoverable as at January 1	56,050	41,855
Net reserves as at January 1	2,881,784	2,677,021
Net losses incurred related to:		
Current year	1,249,317	1,009,937
Prior years	24,920	(27,274)
Total net incurred losses	1,274,237	982,663
Net paid losses related to:		
Current year	(225,457)	(107,005)
Prior years	(562,252)	(434,816)
Total net paid losses	(787,709)	(541,821)
Foreign exchange and other	(219,061)	(236,079)
Total net reserves as at December 31	3,149,251	2,881,784
Loss recoverable as at December 31	308,895	56,050
Total gross reserves as at December 31	3,458,146	2,937,834

For the twelve months ended December 31, 2017, there was net adverse prior year loss development of $24.9 million. Prior years adverse development was attributable to various lines of business including property and casualty insurance. For the twelve months ended December 31, 2016, there was net favorable loss development of $27.3 million.

6. Reserve for losses and loss adjustment expenses (continued)

Short Duration Contracts

During the year ended December 31, 2017, the Company adopted ASU 2015-09, which makes targeted improvements to disclosure requirements for Insurance companies that issue short-duration contracts. The ASU requires enhanced disclosures, on an annual basis, related to the reserves for losses and loss expenses which include (1) net incurred and paid claims development information by accident year, (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the reserves for losses and LAE, (3) for each accident year presented of incurred claims development, information about claim frequency (unless impracticable), and the amount of IBNR liabilities, including expected development on reported claims, included in the reserve for losses and LAE, (4) a description of, and any significant changes to the methods for determining both IBNR and expected claims development on reported claims. While the adoption of this guidance impacted our disclosures, it did not have an impact on our financial statements.

All of the business contained within the Company's Reinsurance segment represents treaty business that is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts. Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information from the claims development tables.

The Company has also revalued all historical data using exchange rates at December 31, 2017 in order to mitigate the effect of foreign exchange on the development throughout the triangles. Due to currency mix changes from one year-end to the next, revaluation of incurred losses will result in different year-on-year movements within the triangles with each annual presentation. This approach for handling foreign exchange movements within the triangles differs somewhat from the underlying calculation of prior year development in the Company's financial statements due to the inclusion of the historical loss payments as well as reserves and the level of granularity used in the calculation. The differences have been deemed not to be material.

Management has determined that the appropriate level of disaggregation for the Incurred paid and paid claims development information best falls into three categories : Property Reinsurance, Casualty Reinsurance and Specialty Reinsurance.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, as at December 31, 2017, 2016, 2015, 2014 and 2013.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Property Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,					December 31, 2017
	2013	**2014**	**2015**	**2016**	**2017**	**IBNR**
Accident Year	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,343	503,039	504,338	509,843	517,141	14,958
2014		320,656	367,396	357,404	352,684	24,329
2015			383,099	385,873	372,577	43,147
2016				425,554	498,587	48,255
2017					632,166	195,272
Total					2,373,155	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Accident Year	Unaudited	Unaudited	Unaudited	Unaudited	
2013	67,022	328,214	402,106	439,260	464,740
2014		70,987	162,633	242,189	266,428
2015			70,486	193,775	256,047
2016				93,044	295,479
2017					189,807
Total					1,472,501

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	900,654
All outstanding liabilities before 2013	155,093
Liabilities for claims and claims adjustment expenses, net of reinsurance	1,055,747

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Casualty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,					December 31, 2017
	2013	**2014**	**2015**	**2016**	**2017**	**IBNR**
Accident Year	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,826	474,825	450,458	435,071	415,855	20,441
2014		328,986	319,352	298,961	275,276	43,264
2015			375,316	342,623	307,048	77,220
2016				442,192	354,733	114,670
2017					431,532	111,389
Total					1,784,444	

Cumulative Paid Claims and Allocated Expenses Net of Reinsurance

	For the year ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Accident Year	Unaudited	Unaudited	Unaudited	Unaudited	
2013	10,881	249,304	264,969	289,653	321,043
2014		15,550	54,089	90,831	122,603
2015			21,046	55,170	104,653
2016				33,373	87,921
2017					24,646
Total					660,866

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	1,123,578
All outstanding liabilities before 2013	459,408
Liabilities for claims and claims adjustment expenses, net of reinsurance	1,582,986

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Specialty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,					December 31, 2017
Accident Year	2013	2014	2015	2016	2017	IBNR
	Unaudited	Unaudited	Unaudited	Unaudited		
2013	103,953	157,838	154,407	154,990	154,745	2,425
2014		97,626	101,623	99,073	98,326	5,963
2015			140,174	152,843	152,519	36,739
2016				130,803	153,965	56,033
2017					167,013	53,825
Total					726,568	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,				
Accident Year	2013	2014	2015	2016	2017
	Unaudited	Unaudited	Unaudited	Unaudited	
2013	17,182	124,686	134,000	139,297	141,597
2014		8,810	34,448	59,812	68,879
2015			6,250	30,613	72,643
2016				4,614	34,049
2017					9,614
Total					326,782

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	399,786
All outstanding liabilities before 2013	49,484
Liabilities for claims and claims adjustment expenses, net of reinsurance	449,270

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Reconciliation of Incurred and Paid Claims Development to total Provision for Losses and LAE

	Twelve Months Ended December 31, 2017
Net outstanding liabilities	
Property Reinsurance	1,055,747
Casualty Reinsurance	1,582,986
Specialty Reinsurance	449,270
Insurances lines	56,223
Reinsurance recoverable on unpaid claims	308,895
Unallocated claims incurred	5,025
Provision for losses and LAE at the end of the year	3,458,146

7. Ceded reinsurance

The Company purchases retrocession and reinsurance to limit and diversify its own risk exposure and to increase its insurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss expenses from reinsurers. As is the case with most reinsurance treaties, the Company remains liable to the extent that reinsurers do not meet their obligations under these agreements, and therefore, in line with the risk management objectives, evaluates the financial condition of reinsurers and monitors concentrations of credit risk.

Balances pertaining to reinsurance transactions are reported gross on the balance sheets, meaning that reinsurance recoverable on unpaid losses and ceded unearned premiums are not deducted from insurance reserves but are recorded as assets.

Approximately 41% of premiums ceded in 2017 were ceded to reinsurers with a S&P rating of A- or better. Approximately 59% of premiums ceded in 2017 were ceded to unrated reinsurers, of which 97.6% of the reinsured limit was fully collateralized. Approximately 47% of loss reserves recoverable as at December 31, 2017 were recoverable from reinsurers with a S&P rating of A- or better. Approximately 53.1% of loss reserves recoverable as at December 31, 2017 were recoverable from unrated reinsurers, of which 93.4% was fully collateralized.

Approximately 40% of premiums ceded in 2016 were ceded to reinsurers with an S&P rating of A- or better. Approximately 59% of premiums ceded in 2016 were ceded to unrated reinsurers, of which 97.8% of the reinsured limit was fully collateralized. Approximately 98% of loss reserves recoverable as at December 31, 2016 were recoverable from reinsurers with an S&P rating of A- or better. Approximately 2.1% of loss reserves recoverable as at December 31, 2016 were recoverable from unrated reinsurers, of which 78% was fully collateralized.

Provisions for amounts considered uncollectible as a result of disputes or insolvencies are made in the period in which the determination is made. No such allowances have been recorded in the years ended December 31, 2017 or December 31, 2016.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

7. Ceded reinsurance (continued)

The effect of ceded reinsurance on premiums written and earned and incurred losses for the years ended December 31, 2017 and 2016 is as follows:

	2017	**2016**
Premiums written:		
Assumed	1,554,493	1,757,931
Ceded	(256,464)	(168,626)
Net	1,298,029	1,589,305
Premiums earned:		
Assumed	1,628,524	1,788,211
Ceded	(221,364)	(163,185)
Net	1,407,160	1,625,026
Incurred losses:		
Assumed	1,594,817	1,014,803
Ceded	(320,580)	(33,020)
Net	1,274,237	981,783

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

8. Related party transactions

As discussed in Note 1, in 2017 and 2016 the Company participated in a number of reinsurance agreements with affiliated companies. Balances relating to these contracts, various intercompany loan arrangements and intercompany recharges, are incorporated in the statements of income for the years ended December 31, 2017 and 2016 and in the balance sheets as at December 31, 2017 and 2016 as follows:

	2017	2016
Balance sheets:		
Loss reserves recoverable	121,839	27,329
Premium receivable	43,585	109,757
Funds withheld	748,760	700,226
Deferred acquisition costs	92,511	113,027
Due from related party	60,622	108,013
Other assets	2,304	2,491
Loss and loss adjustment expense reserves	(2,931,781)	(2,708,717)
Unearned premium reserves	(274,029)	(364,790)
Reinsurance balances payable	(140,989)	(109,351)
Deferred gain	(17,900)	(19,721)
Statements of Income:		
Gross premiums written	1,245,231	1,506,922
Premiums ceded	(88,273)	(85,227)
Net premiums earned	1,242,527	1,457,457
Loss and loss adjustment expenses	(1,042,443)	(937,842)
Acquisition costs	(382,699)	(476,752)
Other underwriting income	26,936	15,660

The deferred gain relates to the LPT with Aspen UK, $17.9 million (2016 – $19.7 million).

As at December 31, 2017, the due from related party balance includes a loan to Aspen Insurance Holdings totalling $58.0 million, (Term: November 1st, 2017 to April 30, 2018, Interest: fixed 2.9%), the payable in relation to the net result contract with Aspen Underwriting Limited of $13.1m and the net effect of intercompany recharges.

As at December 31, 2016, the due from related party balance includes a loan to Aspen Insurance Holdings totalling $90.0 million, (Term: November 1st, 2016 to April 30, 2017, Interest: fixed 2.75%), the receivable in relation to the net result contract with Aspen Underwriting Limited of $15.5m and the net effect of intercompany recharges.

For the year ended December 31, 2017, Aspen UK recharged $13.1 million (2016 - $11.2 million) to the Company. These recharges relate primarily to salaries and information technology support and are included in operating expenses.

Certain figures have been restated for 2017 and 2016 as of July 4, 2018.

9. Share capital and contributed surplus

Share capital consists of 1,000,000 authorized, issued and fully paid common shares with a par value of $1 each.

Contributed surplus represents amounts contributed in cash by the shareholder in addition to the subscription to the issued share capital.

10. Concentrations of credit risk, contingencies and commitments

The Company is potentially exposed to concentrations of credit risk in respect of amounts recoverable from reinsurers, investments, cash and cash equivalents and insurance and reinsurance balances owed by the brokers with whom the Company transacts business. The Aspen Group's Reinsurance Security Committee define credit risk tolerances in line with the risk appetite set by the Company's Board and they, together with the Company's risk management function, monitor exposures to individual counterparties. Any exceptions are reported to senior management and the Board's Risk Committee.

As at December 31, 2017, the Company's investments in fixed maturity and equity securities were held by two custodians. The Company's investment policies include specific provisions that limit the allowable holdings of a single issue and issuer. At December 31, 2017 and December 31, 2016 there were no investments in any single issuer, other than the U.S. government, U.S. government agencies and U.S. government sponsored enterprises in excess of 2% of the aggregate investment portfolio.

As at December 31, 2017, 38% (2016 – 42%) of the Company's cash and cash equivalents balance was held by one bank with a S&P rating of A and 62% (2016 – 58%) of the cash and cash equivalents balance was held by two investment custodians with a S&P rating of A and BBB+ .

In the normal course of business, the Company's bankers issue letters of credit in favor of ceding companies. The Company had two facilities in place as at December 31, 2017. As at December 31, 2017, letters of credit of $526.4 million (2016 - $449.4 million) were issued and outstanding under facilities fully collateralized with cash and fixed income maturities available for sale on deposit with a fair value of $538.1 million (2016 - $531.4 million).

In the normal course of business, the Company is required to establish trust accounts in favor of ceding companies. As at December 31, 2017 fixed income maturities available for sale and trading with a fair value of $1,757.2 million were maintained in trust accounts (2016 – $1,678.5 million).

The Company leases office space under an operating lease. Future rental commitments for the following five year period are $4.2 million.

11. Shareholder's Equity and Regulation

Local Entity Supervision. The Company, as an insurer carrying on general insurance business, is registered as a Class 4 insurer by the Bermuda Monetary Authority ("BMA") under the Insurance Act 1978 (the "Insurance Act").

Group Supervision. The BMA has implemented a framework for group supervision. The BMA may, in respect of an insurance group, determine whether it is appropriate for it to be the group supervisor of that group. For the purposes of the Insurance Act, an insurance group is defined as a group of companies that conducts insurance business. Where the BMA determines that it is the group supervisor, it shall designate a specified insurer that is a member of the insurance group to be the "designated insurer" in respect of that insurance group and it shall give written notice to the designated insurer and other competent authorities that it is the group supervisor. Pursuant to the Insurance Act, the BMA acts as the group supervisor of the Aspen

11. Shareholder's Equity and Regulation (continued)

group of companies and has designated Aspen Bermuda Limited as the designated insurer. The role of the designated insurer is to facilitate and maintain compliance with the current Group supervision and solvency rules.

Principal Representative, Head and Principal Office. The Insurance Act requires the Company to appoint and maintain a principal representative resident in Bermuda and to maintain a principal office in Bermuda. The principal representative must be knowledgeable in insurance and is responsible for arranging the maintenance and custody of the statutory accounting records and for ensuring that the annual Statutory Financial Return and Capital and Solvency Return for the insurer are filed. The principal representative is also responsible for notifying the BMA where the principal representative believes there is a likelihood of the Company becoming insolvent or that a reportable "event" under the Insurance Act has, to the principal representative's knowledge, occurred or is believed to have occurred. Further, any registered insurer that is a Class 3A, 3B, or Class 4 insurer, such as the Company, is required to maintain a head office in Bermuda and direct and manage its insurance business from Bermuda. This amendment to the Bermuda Insurance Act was implemented in 2016 and provides that in considering whether an insurer satisfies the requirements of having its head office in Bermuda, the BMA may consider (i) where the underwriting, risk management and operational decision making occurs; (ii) whether the presence of senior executives who are responsible for, and involved in, the decision making are located in Bermuda; and (iii) where meetings of the board of directors occur. The BMA will also consider (i) the location where management meets to effect policy decisions; (ii) the residence of the officers, insurance managers or employees; and (iii) the residence of one or more directors in Bermuda.

Approved Independent Auditor. The Company, as a Class 4 insurer, must appoint an independent auditor who will annually audit and report on the statutory financial statements, GAAP financial statements and the statutory financial return of the insurer, all of which are required to be filed annually with the BMA. The independent auditor must be approved by the BMA.

Loss Reserve Specialist. Class 4 insurers are required to submit an opinion of their BMA approved loss reserve specialist with their Capital and Solvency Return ("CSR") in respect of their Economic Balance Sheet ("EBS") Technical Provisions.

Annual Financial Statements, Annual Statutory Financial Return and Annual Capital and Solvency Return. As prescribed by the Insurance Act, the Company, a Class 4 insurer, must prepare an annual statutory financial return ("SFR"). The SFR shall consist of an insurer information sheet, a report of the approved independent auditor on the statutory financial statements, a statutory balance sheet, a statutory statement of income, a statutory statement of capital and surplus, notes to the statutory financial statements and a statutory declaration of compliance. In addition to preparing the SFR, the Company must file audited financial statements prepared in accordance with GAAP in respect of each financial year. Such statements must be filed with the BMA within a period of four months from the end of the financial year or such longer period, not exceeding seven months, as the BMA may determine. The audited financial statements will be published by the BMA. For financial years after January 1, 2016, commercial insurers will also be required to prepare a Financial Condition Report ("FCR") providing details of, among other things, measures governing the business operations, corporate governance framework, solvency and financial performance of the insurer. Where the commercial insurer is part of an insurance group, as Group Supervisor, the BMA may waive the submission of the legal entity FCR and may require the submission of the group FCR which must clearly include information specific to the insurer. In addition, Class 4 insurers are required to file a capital and solvency return ("CSR") in respect of their general business which shall include the regulatory risk based capital model and associated schedules. It also includes the requirement to perform an assessment of the insurer's own risk and solvency requirements, referred to as a Commercial Insurer's Solvency Self Assessment ("CISSA"), at least annually. The CISSA allows the BMA to obtain an insurer's view of the capital resources required to achieve its business objectives and to assess the company's governance, risk management and controls surrounding this process. Class 4 insurers must also file a Catastrophe Risk Return with the BMA which assesses an insurer's reliance on vendor models in assessing catastrophe exposure.

11. Shareholder's Equity and Regulation (continued)

Enhanced Capital Requirements and Minimum Solvency Margin. The BMA utilizes a risk based capital adequacy model called the Bermuda Solvency Capital requirement ("BSCR") for Class 4 insurers like the Company to assist the BMA both in measuring risk and in determining appropriate levels of capitalization. The BSCR employs a standard mathematical model that correlates the risk underwritten by Bermuda insurers to the capital that is dedicated to their business. The BSCR applies a standard measurement format to the risk associated with an insurer's assets, liabilities and premiums, including a formula to take account of the catastrophe risk exposure. The Company must maintain available capital and surplus in an amount equal to or exceeding its Enhanced Capital Requirement ("ECR") calculated using the BSCR model. In order to minimize the risk of a shortfall in capital arising from an unexpected adverse deviation, the BMA expects that insurers operate at or above a threshold capital level (termed the target capital level ("TCL")), which exceeds an insurer's ECR. The TCL for a Class 4 insurer is set at 120% of ECR. The Company holds capital in excess of its TCL. As a Class 4 Insurer, the Company is also required to meet a minimum margin of solvency, which is the minimum amount by which the value of the general business assets of the insurer must exceed its general business liabilities, being equal to the greater of: (i) $100,000,000; or (ii) 50% of net premiums written (being gross premiums written less any premiums ceded by the insurer, but the insurer may not deduct more than 25% of gross premiums when computing net premiums written) in its current financial year; or (iii) 15% of net losses and loss expense provisions and other insurance reserves; or (iv) 25% of the ECR reported at the end of its relevant year.

Minimum Liquidity Ratio. The Insurance Act provides a minimum liquidity ratio for general business insurers, like the Company. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include, but are not limited to, cash and time deposits, quoted investments, unquoted bonds and debentures, investments in mortgage loans on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and letters of credit and guarantees.

Restrictions on Dividends, Distributions and Reduction of Capital. The Company must comply with the provisions of the Bermuda Companies Act 1981, as amended (the "Companies Act"), regulating the payment of dividends and distributions. A Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the company's assets would thereby be less than its liabilities. Further, an insurer may not declare or pay any dividends during any financial year if it would cause the insurer to fail to meet its relevant margins, and an insurer which fails to meet its relevant margins on the last day of any financial year may not, without the approval of the BMA, declare or pay any dividends during the next financial year. In addition, as a Class 4 insurer, the Company may not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless it files with the BMA a solvency affidavit at least seven days in advance. Further, the Company must obtain the prior approval of the BMA before reducing by 15% or more its total statutory capital as set out in its previous year's financial statements. The maximum amount available for payment of dividends or other distributions in 2017 without prior regulatory approval is approximately $408.4 million (2016: $510.2 million).

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

11. Shareholder's Equity and Regulation (continued)

Statutory capital and surplus at December 31, 2017 and 2016, as determined using statutory accounting principles, is as follows:

	2017	2016
Total U.S. GAAP shareholder's equity	1,857,788	2,296,210
Less: non-admitted assets	(3,367)	(2,712)
Deed of Guarantee	(220,808)	(252,815)
Statutory capital and surplus	1,633,613	2,040,683

At December 31, 2017 and 2016 the Company was required to maintain relevant assets of approximately $2,790.5 million and $2,632.4 million, respectively. At those dates relevant assets were approximately $5,411.0 million and $5,579.0 million, respectively, satisfying the minimum liquidity ratio tests.

At December 31, 2017 and 2016 the Company was required to maintain a Minimum Solvency Margin of $649.0 million and $794.7 million respectively. At December 31, 2017 the Company's ECR was $1,049.9 million (2016 - $1,197.5 million).

12. Taxation

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

13. Subsequent Events

The Company completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2017, through April 30, 2018 the date the financial statements were available for issuance.

During Q1 2018, the Company sold $346.0 million of equity securities from our investment portfolio and realized a net loss of $5.7 million.