AUDITED FINANCIAL STATEMENTS

Renaissance Reinsurance Ltd. and Subsidiaries

December 31, 2017 and 2016

Building a better
working world

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REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS OF
RENAISSANCE REINSURANCE LTD. AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Renaissance Reinsurance Ltd. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of Renaissance Reinsurance Ltd. and subsidiaries, at December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed on pages 33 through 44 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young Ltd.

Hamilton, Bermuda
April 27, 2018

RENAISSANCE REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Assets		
Fixed maturity investments trading, at fair value - amortized cost $2,628,220 at December 31, 2017 (2016 - $2,302,453) (Notes 3 and 4)	$ 2,610,442	$ 2,287,027
Short term investments, at fair value (Notes 3 and 4)	259,186	335,291
Other investments, at fair value (Notes 3 and 4)	38,315	42,163
Investment in RIHL, under equity method (Note 3)	396,223	341,070
Investment in RIHL II, under equity method (Note 3)	102,055	108,874
Investment in ROIHL II, under equity method (Note 3)	382,789	320,755
Investment in ROIHL III, under equity method (Note 3)	63,730	150,018
Investment in Top Layer Re, under equity method (Note 3)	50,211	60,360
Total investments	3,902,951	3,645,558
Cash and cash equivalents	280,667	238,684
Premiums receivable (Note 8)	939,736	754,761
Prepaid reinsurance premiums (Notes 5 and 8)	459,185	372,522
Reinsurance recoverable (Notes 5, 6 and 8)	1,081,270	196,211
Accrued investment income	11,301	9,119
Deferred acquisition costs	339,570	284,126
Receivable for investments sold	2,037	16,866
Other assets (Note 11)	7,961	16,718
Total assets	$ 7,024,678	$ 5,534,565
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 8)	$ 3,230,472	$ 1,780,982
Unearned premiums (Note 8)	1,126,181	1,003,977
Reinsurance balances payable (Note 8)	599,958	465,902
Dividends payable to parent (Notes 7 and 8)	22,817	—
Return of capital payable to parent (Notes 7 and 8)	—	192,430
Due to affiliates, net (Notes 3 and 8)	36,101	38,897
Payable for investments purchased	—	22,465
Accounts payable and accrued liabilities	8,441	20,155
Other liabilities (Note 11)	708	9,757
Total liabilities	5,024,678	3,534,565
Shareholder's Equity		
Common shares: $1.00 par value – 200,000,000 shares authorized; 141,301,000 shares issued and outstanding at December 31, 2017 and 2016 (Note 7)	141,301	141,301
Additional paid-in capital (Note 7)	2,252,086	1,879,053
Accumulated other comprehensive income	306	1,125
Retained deficit	(393,693)	(21,479)
Total shareholder's equity	2,000,000	2,000,000
Total liabilities and shareholder's equity	$ 7,024,678	$ 5,534,565

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Revenues		
Gross premiums written (Notes 5 and 8)	$ 1,823,108	$ 1,665,185
Net premiums written (Note 5)	$ 1,139,320	$ 1,022,530
Increase in net unearned premiums	(35,541)	(159,178)
Net premiums earned (Notes 5 and 8)	1,103,779	863,352
Net investment income (Note 3)	49,162	51,576
Net foreign exchange gains (losses)	8,316	(11,011)
Equity in earnings of RIHL (Note 3)	19,586	46,029
Equity in earnings of RIHL II (Note 3)	3,181	6,896
Equity in earnings of ROIHL II (Note 3)	92,853	86,537
Equity in earnings of ROIHL III (Note 3)	17,812	1,654
Equity in earnings (losses) of Top Layer Re (Note 3)	9,851	(8,576)
Other income (Notes 7 and 9)	5,769	12,033
Net realized and unrealized losses on investments (Note 3)	(2,334)	(6,082)
Total revenues	1,307,975	1,042,408
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 8)	1,123,516	340,314
Acquisition expenses	279,454	173,800
Operational expenses (Notes 8 and 12)	80,110	86,350
Corporate expenses	2,421	5,773
Total expenses	1,485,501	606,237
(Loss) income before taxes	(177,526)	436,171
Income tax expense (Note 9)	(71)	(16)
Net (loss) income	$ (177,597)	$ 436,155

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Common shares	$ 141,301	$ 141,301
Additional paid-in capital		
Balance – January 1	1,879,053	2,571,483
Contribution of capital (Note 7)	500,000	—
Return of capital (Note 7)	(126,967)	(692,430)
Balance – December 31	2,252,086	1,879,053
Accumulated other comprehensive income		
Balance – January 1	1,125	2,109
Change in net unrealized gains on investments (Note 3)	(819)	(984)
Balance – December 31	306	1,125
Retained deficit		
Balance – January 1	(21,479)	(199,547)
Net (loss) income	(177,597)	436,155
Dividends declared (Note 7)	(194,617)	(258,087)
Balance – December 31	(393,693)	(21,479)
Total shareholder's equity	$ 2,000,000	$ 2,000,000

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Cash flows provided by operating activities		
Net (loss) income	$ (177,597)	$ 436,155
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Amortization and accretion	(2,280)	(1,853)
Equity in undistributed earnings of RIHL	(19,586)	(46,029)
Equity in undistributed earnings of RIHL II	(3,181)	(6,896)
Equity in undistributed earnings of ROIHL II	(92,853)	(86,537)
Equity in undistributed earnings of ROIHL III	(17,812)	(1,654)
Equity in undistributed earnings of Top Layer Re	10,149	8,576
Net unrealized losses included in net investment income	(724)	(1,394)
Net realized and unrealized losses on investments	2,334	6,082
Change in:		
Premiums receivable	(184,975)	(168,235)
Prepaid reinsurance premiums	(86,663)	(173,163)
Reinsurance recoverable	(885,059)	(87,185)
Accrued investment income	(2,182)	5,307
Deferred acquisition costs	(55,444)	(132,399)
Reserve for claims and claim expenses	1,449,490	87,416
Unearned premiums	122,204	332,341
Reinsurance balances payable	134,056	166,382
Due to affiliates, net	(2,796)	(22,481)
Other, net	(19,848)	24,579
Net cash provided by operating activities	167,233	339,012
Cash flows used in investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	2,884,035	3,019,979
Purchases of fixed maturity investments trading	(3,524,301)	(3,139,646)
Proceeds from sales and maturities of fixed maturity investments available for sale	—	17,692
Net sales (purchases) of short term investments	73,583	(75,841)
Proceeds from redemptions of investment in RIHL	395,000	55,000
Purchases of investment in RIHL	(325,974)	(35,303)
Proceeds from redemptions of investment in RIHL II	165,000	60,000
Purchases of investment in RIHL II	(40,000)	—
Proceeds from redemptions of investment in ROIHL II	30,000	17,300
Purchases of investment in ROIHL II	—	(27,650)
Proceeds from redemptions of investment in ROIHL III	14,100	68,554
Purchases of investment in ROIHL III	—	(40,000)
Net sales of other investments	4,504	14,464
Net cash used in investing activities	(324,053)	(65,451)
Cash flows provided by (used in) financing activities		
Capital contribution	300,000	—
Return of capital	(29,397)	(100,000)
Dividends paid	(71,800)	(199,898)
Net cash provided by (used in) financing activities	198,803	(299,898)
Net increase (decrease) in cash and cash equivalents	41,983	(26,337)
Cash and cash equivalents, beginning of period	238,684	265,021
Cash and cash equivalents, end of period	$ 280,667	$ 238,684

See accompanying notes to the consolidated financial statements

NOTE 1. ORGANIZATION

Renaissance Reinsurance Ltd. ("Renaissance Reinsurance") was incorporated under the laws of Bermuda in 1993. Renaissance Reinsurance provides property, casualty and specialty reinsurance solutions to customers. As discussed further below, Renaissance Reinsurance is a wholly-owned subsidiary of RenRe Insurance Holdings Ltd. ("RenRe Insurance"), whose ultimate parent is RenaissanceRe Holdings Ltd. ("RenaissanceRe").

The consolidated financial statements of Renaissance Reinsurance include the financial position and results of operations of its wholly-owned subsidiaries, Renaissance Reinsurance of Europe Unlimited Company, including its U.K. branch (collectively referred to as "Renaissance Europe"), RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), and its branches based in the Republic of Singapore (the "Singapore Branch") and Switzerland (the "Switzerland Branch") (collectively referred to as the "Company"). Renaissance Europe was incorporated in October 1998 under the laws of Ireland to provide certain property catastrophe reinsurance coverage in Europe. RenaissanceRe CCL, a wholly owned subsidiary of the Company, was incorporated in March 2009 and is the sole corporate member for RenaissanceRe's Lloyd's syndicate, RenaissanceRe Syndicate 1458 ("Syndicate 1458"). Syndicate 1458 offers a range of property, casualty and specialty insurance and reinsurance products. The Singapore Branch has a license to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority.

On March 2, 2015, RenaissanceRe completed its acquisition of Platinum Underwriters Holdings, Ltd. ("Platinum") and as a result, Platinum and its subsidiaries, including Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), became wholly-owned subsidiaries of RenaissanceRe. In connection with the acquisition of Platinum, RenaissanceRe undertook an internal restructuring and as a result, Platinum Bermuda became a wholly-owned subsidiary of RenaissanceRe Specialty Risks Ltd. ("RenaissanceRe Specialty Risks"). The internal restructuring legally took place on July 1, 2015, however, for accounting purposes, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Business Combinations,* it was effective March 2, 2015, the initial date Platinum Bermuda was under common control.

Furthermore, on October 1, 2016, RenaissanceRe undertook an additional internal restructuring and as a result, Renaissance Reinsurance became a wholly-owned subsidiary of RenRe Insurance, and RenaissanceRe Specialty Risks and Platinum Bermuda were merged with Renaissance Reinsurance at GAAP book value, with Renaissance Reinsurance being the surviving entity. Although the internal restructuring legally took place on October 1, 2016, for accounting purposes, and in accordance with FASB ASC Topic *Business Combinations,* these consolidated financial statements have been retrospectively adjusted to furnish comparative information for the combined entity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") and include the accounts of Renaissance Reinsurance and its wholly-owned subsidiaries, which are collectively referred to herein as the "Company". All significant intercompany accounts and transactions have been eliminated from these statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Use of Estimates in Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed 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 revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses, reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible, estimates of written and earned premiums, fair value, including the fair value of investments, financial instruments and derivatives and impairment charges.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contracts or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs are shown net of commissions and profit commission earned on ceded reinsurance, and consist principally of commissions, brokerage and premium tax expenses incurred at the time a contract or policy is issued. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management's estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Also, during the past few years, the Company has increased its casualty and specialty reinsurance business, but does not have the benefit of a significant amount of its own historical experience in certain of these lines of business. Accordingly, the reserving for incurred losses in this line of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the consolidated statements of operations in the period in which they become known and are accounted for as changes in estimates.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. For multi-year retrospectively rated contracts, the Company accrues amounts (either assets or liabilities) that are due to or from assuming companies based on estimated contract experience. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverables on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a valuation allowance for estimated uncollectible recoveries.

Assumed and ceded reinsurance contracts that lack a significant transfer of risk are treated as deposits.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with FASB ASC Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments.*

Investments, Cash and Cash Equivalents

Fixed Maturity Investments

Investments in fixed maturities are classified as trading or available for sale and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the consolidated balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yields and maturities are recognized on a prospective basis through yield adjustments. Fair values of investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized losses on investments in the consolidated statements of operations. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on these short term investments is included in net realized and unrealized losses on investments in the consolidated statements of operations.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Equity Investments, Classified as Trading

Equity investments are accounted for at fair value in accordance with FASB ASC Topic *Financial Instruments.* Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Net investment income includes dividend income and the net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized losses on investments in the consolidated statements of operations.

Other Investments

The Company accounts for its other investments at fair value in accordance with FASB ASC Topic *Financial Instruments*, with interest, dividend income, income distributions and realized and unrealized gains and losses included in net investment income. The fair value of certain of the Company's fund investments, which includes senior secured bank loan funds, is recorded on its consolidated balance sheet in other investments, and is generally established on the basis of the net valuation criteria established by the managers of such investments, if applicable. The net valuation criteria established by the managers of such investments is established in accordance with the governing documents of such investments. Certain of the Company's fund managers, fund administrators, or both, are unable to provide final fund valuations as of the Company's current reporting date. The typical reporting lag experienced by the Company to receive a final net asset value report is one month for senior secured bank loan funds. In certain cases, management's judgment may also be required to estimate fair value. Actual final valuations may differ, perhaps materially so, from the Company's estimates and these differences are recorded in the Company's consolidated statements of operations in the period they are reported to the Company as a change in estimate. The Company's other investments also include investments in catastrophe bonds which are recorded at fair value and the fair value is based on broker or underwriter bid indications.

Renaissance Investment Holdings Ltd. ("RIHL")

The Company's investments include an interest in the mandatorily redeemable preferred shares of RIHL, a related party and wholly-owned subsidiary of RenaissanceRe. RIHL was formed to enhance administrative efficiency and take advantage of the increased benefits and reduced costs ordinarily associated with the management of large investment portfolios of different subsidiaries in the same group. Through RIHL, the Company invests in a diversified portfolio of highly liquid fixed income securities and certain derivative products, both of which are recorded at fair value. The Company may redeem its interest in RIHL at the current net asset value no more frequently than bi-monthly. Third party service providers perform custodial functions in respect of RIHL, including valuation of the investment assets held through RIHL. Currently, external investment managers manage the assets held through RIHL, pursuant to written investment guidelines.

Renaissance Investment Holdings II Ltd. ("RIHL II")

The Company's investments include an interest in the mandatorily redeemable preferred shares of RIHL II, a related party and wholly-owned subsidiary of RenaissanceRe. RIHL II was formed to enhance administrative efficiency and take advantage of the increased benefits and reduced costs ordinarily associated with the management of large investment portfolios of different subsidiaries in the same group. Through RIHL II, the Company invests in a diversified portfolio of fixed income securities and certain derivative products, both of which are recorded at fair value. The Company may redeem its interest in RIHL II at the current net asset value no more frequently than bi-monthly. Third party service providers perform custodial functions in respect of RIHL II, including valuation of the investment assets held through RIHL II. Currently, external investment managers manage the assets held through RIHL II, pursuant to written investment guidelines.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Renaissance Other Investments Holdings II Ltd. ("ROIHL II")

The Company's investments include an interest in the mandatorily redeemable preferred shares of ROIHL II, a related party and wholly-owned subsidiary of RenaissanceRe. ROIHL II was established to hold RenaissanceRe Ventures Ltd., a Bermuda domiciled company, which invests in certain strategic initiatives, including, but not limited to: equity investments classified as equity investments trading; private equity investments classified as other investments; investments in which the investor has significant influence over the operating and financial policies of the investee classified as investments in other ventures, under equity method; and certain other strategic investments.

Renaissance Other Investments Holdings III Ltd. ("ROIHL III")

The Company's investments include an interest in the mandatorily redeemable preferred shares of ROIHL III, a related party and wholly-owned subsidiary of RenaissanceRe. ROIHL III was established to hold Renaissance Investment Management Company Limited, a Bermuda domiciled investment management company, which invests in private equity, bank loan and hedge fund investments.

RIHL, RIHL II, ROIHL II and ROIHL III, at their sole discretion may require any shareholder to surrender some, or all of such shareholder's shares for redemption upon prior written notice in accordance with the normal redemption notice period. In addition, RIHL, RIHL II, ROIHL II and ROIHL III shall redeem all outstanding shares by a date, no later than December 31, 2038.

The Company's ownership in RIHL, RIHL II, ROIHL II and ROIHL III are recorded using the equity method of accounting. The Company's share of RIHL, RIHL II, ROIHL II and ROIHL III's net income (loss) is included in the consolidated statements of operations. Any decline in the value of the Company's share of RIHL, RIHL II, ROIHL II or ROIHL III considered by management to be other-than-temporary is charged to earnings in the period in which it is determined.

Investment in Top Layer Reinsurance Ltd. ("Top Layer Re")

The Company has significant influence over the operating and financial policies of Top Layer Re and its 50.0% ownership is accounted for under the equity method of accounting. Under this method, the Company's proportionate share of income (loss) from Top Layer Re is included in equity in earnings (losses) of Top Layer Re in the Company's consolidated statements of operations. Any decline in value of the Company's investment in Top Layer Re considered by management to be other-than-temporary is charged to income in the period in which it is determined.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

Derivatives

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts in order to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's consolidated balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Fair Value

The Company accounts for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

Business Combinations

In accordance with FASB ASC Topic *Business Combinations,* transactions between entities under common control are to be initially recognized at GAAP book value by the receiving entity at the transfer date and the financial statements of the receiving entity shall report the results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the earliest period presented. Financial statements and financial information presented for prior years shall be retrospectively adjusted to furnish comparative information. However, the comparative information shall only be adjusted for periods during which the entities were under common control.

Foreign Exchange

The Company's functional currency is the United States ("U.S.") dollar. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Adopted Accounting Pronouncements

Disclosures about Short-Duration Contracts

In May 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-09, *Disclosures about Short-Duration Contracts* ("ASU 2015-09"). ASU 2015-09 requires insurance entities to disclose for annual reporting periods additional information about the liability for unpaid claims and claim adjustment expenses, including: (1) incurred and paid claims development information by accident year, on a net basis, for the number of years for which claims incurred typically remain outstanding, not exceeding 10 years; (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for claims and claim adjustment expenses, with separate disclosure of reinsurance recoverable on unpaid claims for each period presented in the statement of financial position; (3) for each accident year presented of incurred claims development information, the total of incurred but not reported liabilities plus expected development on reported claims including in the liability for unpaid claims and claim adjustment expenses, accompanied by a description of the reserving methodologies; (4) for each accident year presented of incurred claims development information, quantitative information about claim frequency accompanied by a qualitative description of methodologies used for determining claim frequency information; and (5) for all claims, the average annual percentage payout of incurred claims by age for the same number of accident years presented in (3) and (4) above. ASU 2015-09 also requires insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including the reasons for the change and the effects on the financial statements. In addition, ASU 2015-09 requires insurance entities to disclose for annual and interim reporting periods a rollforward of the liability for unpaid claims and claim adjustment expenses. ASU 2015-09 became effective for public business entities in annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. For all other entities, ASU 2015-09 became effective for annual periods beginning after December 15, 2016. Early adoption was permitted. ASU 2015-09 should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The Company adopted ASU 2015-09 effective December 31, 2017. As this guidance is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Issued Accounting Pronouncements Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 was to be effective for public business entities in annual and interim periods beginning after December 15, 2016, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for public business entities in annual and interim period beginning after December 15, 2017. ASU 2014-09 was to be effective for non-public business entities for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2018, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for non-public business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted only as of a fiscal year beginning after December 15, 2016, and interim periods within fiscal years beginning one year after the fiscal year in which an entity first applies the guidance in ASU 2014-09. ASU 2014-09 notably excludes the accounting for insurance contracts, leases, financial instruments and guarantees. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and for form of financial asset on the consolidated balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization's other deferred tax assets. ASU 2016-01 is effective for public business entities in annual and interim periods beginning after December 15, 2017. For all other entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2018. All entities that are not public business entities may adopt the amendments in ASU 2016-01 earlier as of the fiscal years beginning after December 15, 2017. Earlier adoption is generally not permitted, except for certain specific provisions of ASU 2016-01. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For all other entities, ASU 2016-15 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of cash flows.

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

At December 31,	2017	2016
U.S. treasuries	$ 1,784,393	$ 1,291,287
Agencies	28,045	31,746
Non-U.S. government (Sovereign debt)	174,872	234,585
Non-U.S. government-backed corporate	108,547	80,943
Corporate	406,622	290,219
Agency mortgage-backed	101,999	37,197
Non-agency mortgage-backed	—	252,786
Commercial mortgage-backed	5,964	67,139
Asset-backed	—	1,125
Total fixed maturity investments trading	$ 2,610,442	$ 2,287,027

Contractual maturities of fixed maturity investments trading are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2017	Amortized Cost	Fair Value
Due in less than one year	$ 296,304	$ 295,624
Due after one through five years	2,171,707	2,155,873
Due after five through ten years	51,158	50,887
Due after ten years	95	95
Mortgage-backed	108,956	107,963
Total	$ 2,628,220	$ 2,610,442

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Pledged Investments

At December 31, 2017, $2.7 billion (2016 - $2.1 billion) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to RenaissanceRe's standby letter of credit facilities. Of this amount, $1.3 billion (2016 - $685.3 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust ("MBRT") and multi-beneficiary reduced collateral reinsurance trust ("RCT"). See "Note 10. Statutory Requirements" for additional information regarding the Company's MBRT and RCT.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2017	2016
Fixed maturity investments	$ 48,426	$ 53,901
Short term investments	2,959	1,774
Other investments	1,432	2,074
Cash and cash equivalents	1,112	713
	53,929	58,462
Investment expenses	(4,767)	(6,886)
Net investment income	$ 49,162	$ 51,576

Net Realized and Unrealized Losses on Investments

Net realized and unrealized losses on investments are as follows:

Year ended December 31,	2017	2016
Gross realized gains	$ 22,645	$ 19,532
Gross realized losses	(9,239)	(23,586)
Net realized gains (losses) on fixed maturity investments	13,406	(4,054)
Net unrealized (losses) gains on fixed maturity investments trading	(14,652)	12,928
Net realized and unrealized losses on investments-related derivatives	(1,088)	(15,010)
Net realized gains on equity investments trading	—	29
Net unrealized gains on equity investments trading	—	25
Net realized and unrealized losses on investments	(2,334)	(6,082)
Change in net unrealized gains on fixed maturity investments available for sale included in accumulated other comprehensive income	—	(984)
Total net realized and unrealized losses and change in net unrealized gains on fixed maturity investments	$ (2,334)	$ (7,066)

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Other Investments

The table below shows the fair value of the Company's portfolio of other investments:

At December 31,	2017	2016
Catastrophe bonds	$ 24,715	$ 23,514
Senior secured bank loan funds	13,600	18,649
Total	$ 38,315	$ 42,163

Interest income, income distributions and net realized and unrealized gains on other investments are included in net investment income and totaled $1.4 million (2016 - $2.1 million) of which $0.7 million was related to net unrealized gains (2016 - $1.4 million was related to net unrealized gains).

The Company has committed capital to a senior secured bank loan fund of $25.0 million of which $22.2 million has been contributed at December 31, 2017. The Company's remaining commitments to this fund at December 31, 2017 totaled $2.8 million. In the future, the Company may enter into additional commitments in respect of investment opportunities.

RIHL

At December 31, 2017, the Company owned 28.4% of RIHL's mandatorily redeemable preferred shares (2016 - 29.6%). The dollar weighted average rating of the securities held through RIHL is BBB. The table below shows the Company's share of RIHL's net assets:

At December 31,	2017	2016
Fixed maturity investments trading	$ 378,812	$ 318,986
Short term investments	15,062	25,244
Equity investments trading	225	—
Accrued investment income	2,670	2,568
Net unsettled trades	(860)	(5,548)
Other assets (liabilities)	314	(180)
Investment in RIHL, under equity method	$ 396,223	$ 341,070

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

The following table summarizes the fair value of fixed maturity investments trading included in the Company's share of RIHL:

At December 31,	2017	2016
U.S. treasuries	$ 22,495	$ 29,323
Agencies	1,472	871
Municipal	576	498
Non-U.S. government (Sovereign debt)	102	158
Non-U.S. government-backed corporate	954	732
Corporate	220,042	224,240
Agency mortgage-backed	36,582	24,804
Non-agency mortgage-backed	72,932	—
Commercial mortgage-backed	15,226	33,584
Asset-backed	8,431	4,776
Total	$ 378,812	$ 318,986

Contractual maturities of fixed maturity investments trading included in the Company's share of RIHL's net assets are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2017	Amortized Cost	Fair Value
Due in less than one year	$ 442	$ 471
Due after one through five years	108,420	109,114
Due after five through ten years	119,136	120,772
Due after ten years	14,985	15,284
Mortgage-backed	125,430	124,740
Asset-backed	8,407	8,431
Total	$ 376,820	$ 378,812

The Company's equity in earnings on its investment in RIHL is as follows:

Year ended December 31,	2017	2016
Net investment income	$ 16,282	$ 23,650
Net realized gains on fixed maturity investments trading	4,495	9,402
Net unrealized (losses) gains on fixed maturity investments trading	(1,087)	12,616
Net realized and unrealized losses on equity investments trading	(64)	—
Net realized and unrealized (losses) gains on derivatives	(41)	366
Net foreign exchange gains (losses)	1	(5)
Equity in earnings of RIHL	$ 19,586	$ 46,029

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

RIHL II

At December 31, 2017 the Company owned 49.6% of RIHL II's mandatorily redeemable preferred shares (2016 - 38.9%). The dollar weighted average rating of the securities held through RIHL II is AA. The table below shows the Company's share of RIHL II's net assets:

At December 31,	2017	2016
Fixed maturity investments trading	$ 105,279	$ 103,931
Short term investments	3,113	25,791
Cash and cash equivalents	78	87
Accrued investment income	608	551
Net unsettled trades	(7,166)	(21,495)
Other assets (liabilities)	143	9
Investment in RIHL II, under equity method	$ 102,055	$ 108,874

The following table summarizes the fair value of fixed maturity investments trading included in the Company's share of RIHL II:

At December 31,	2017	2016
U.S. treasuries	$ 21,639	$ 22,891
Agencies	—	560
Municipal	1,170	1,666
Non-U.S. government (Sovereign debt)	344	402
Non-U.S. government-backed corporate	1,093	1,158
Corporate	33,174	30,347
Agency mortgage-backed	32,894	28,920
Non-agency mortgage-backed	602	499
Commercial mortgage-backed	6,233	10,496
Asset-backed	8,130	6,992
Total	$ 105,279	$ 103,931

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Contractual maturities of fixed maturity investments trading included in the Company's share of RIHL II's net assets are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2017	Amortized Cost	Fair Value
Due in less than one year	$ 1,399	$ 1,400
Due after one through five years	14,038	14,052
Due after five through ten years	26,626	26,957
Due after ten years	14,828	15,011
Mortgage-backed	39,949	39,729
Asset-backed	8,057	8,130
Total	$ 104,897	$ 105,279

The Company's equity in earnings on its investment in RIHL II is as follows:

Year ended December 31,	2017	2016
Net investment income	$ 1,879	$ 3,890
Net realized (losses) gains on fixed maturity investments trading	(152)	2,633
Net unrealized gains on fixed maturity investments trading	1,425	227
Net realized and unrealized (losses) gains on derivatives	(11)	238
Net foreign exchange gains (losses)	40	(92)
Equity in earnings of RIHL II	$ 3,181	$ 6,896

ROIHL II

At December 31, 2017, the Company owned 100.0% (2016 - 100.0%) of ROIHL II's mandatorily redeemable preferred shares.

The table below shows the Company's share of ROIHL II's net assets:

At December 31,	2017	2016
Short term investments	$ 60,332	$ 33
Equity investments trading	223,569	250,942
Other investments	17,980	32,777
Investments in other ventures	22,349	31,164
Cash and cash equivalents	26,866	2,633
Other assets, net (1)	31,693	3,206
Total	$ 382,789	$ 320,755

(1) Included in other assets, net at December 31, 2017 are notes receivable of $2.5 million from certain strategic relationships (2016 - $4.1 million). Also included in other assets, net at December 31, 2017 is $31.0 million due from Renaissance Reinsurance associated with a redemption of ROIHL II's mandatorily redeemable preferred shares. A corresponding amount was recorded in due to affiliates, net on the Company's consolidated balance sheet.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

The following table summarizes the fair value of equity investments trading included in the Company's share of ROIHL II:

At December 31,	2017	2016
Financials	$ 223,569	$ 250,942

The following table summarizes the fair value of other investments included in the Company's share of ROIHL II:

At December 31,	2017	2016
Private equity partnerships	$ 17,980	$ 32,777

The following table summarizes the investments in other ventures, under equity method, included in the Company's share of ROIHL II:

At December 31,	2017	2016
Tower Hill	$ 14,917	$ 21,590
Tower Hill Signature	6,394	9,085
Other	1,038	489
Total	$ 22,349	$ 31,164

Each of Tower Hill Holdings, Inc. ("Tower Hill") and Tower Hill Signature Holdings, Inc. ("Tower Hill Signature"), is an insurance holding company, and is the parent of a number of insurance companies which write residential property insurance in Florida.

The Company's equity in earnings (losses) on its investment in ROIHL II is as follows:

Year ended December 31,	2017	2016
Net investment income	$ 7,170	$ 2,182
Equity in (losses) earnings of other ventures	(7,310)	2,463
Other income	299	20
Net realized and unrealized gains on investments	93,670	82,319
Operating expenses	(976)	(447)
Equity in earnings of ROIHL II	$ 92,853	$ 86,537

Included in accumulated other comprehensive income at December 31, 2017 is income of $0.3 million related to the Company's investment in ROIHL II (2016 - income of $1.1 million).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

ROIHL III

At December 31, 2017, the Company owned 33.3% of ROIHL III's mandatorily redeemable preferred shares (2016 - 81.6%). The table below shows the Company's share of ROIHL III's net assets:

At December 31,	2017	2016
Short term investments	$ 2,944	$ 17,965
Equity investments	87	—
Other investments	60,450	131,758
Cash and cash equivalents	236	262
Receivable for investments sold	16	39
Other liabilities	(3)	(6)
Total	$ 63,730	$ 150,018

The following table summarizes the fair value of other investments included in the Company's share of ROIHL III:

At December 31,	2017	2016
Private equity partnerships	$ 58,953	$ 127,771
Hedge funds	174	1,220
Senior secured bank loan fund	1,323	2,767
Total	$ 60,450	$ 131,758

The Company's equity in earnings on its investment in ROIHL III is as follows:

Year ended December 31,	2017	2016
Net investment income	$ 17,728	$ 3,390
Net realized and unrealized losses on investments	(231)	(1,751)
Net foreign exchange gains	315	15
Equity in earnings of ROIHL III	$ 17,812	$ 1,654

Top Layer Re

At December 31, 2017, the Company owned 50.0% of Top Layer Re (2016 - 50.0%). The Company's earnings from Top Layer Re totaled $9.9 million for the year ended December 31, 2017 (2016 - losses of $8.6 million) and are included in equity in earnings (losses) of Top Layer Re on the Company's consolidated statements of operations. During 2017 the Company received distributions from Top Layer Re of $20.0 million (2016 - $Nil) and the Company's interest in the undistributed earnings of Top Layer Re totaled $10.1 million at December 31, 2017 (2016 - $8.6 million).

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;

- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and

- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or transfers into or out of Level 3, respectively, during the period represented by these consolidated financial statements.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's consolidated balance sheets:

At December 31, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,784,393	$ 1,784,393	$ —	$ —
Agencies	28,045	—	28,045	—
Non-U.S. government (Sovereign debt)	174,872	—	174,872	—
Non-U.S. government-backed corporate	108,547	—	108,547	—
Corporate	406,622	—	406,622	—
Agency mortgage-backed	101,999	—	101,999	—
Commercial mortgage-backed	5,964	—	5,964	—
Total fixed maturity investments	2,610,442	1,784,393	826,049	—
Short term investments	259,186	—	259,186	—
Other investments				
Catastrophe bonds	24,715	—	24,715	—
Senior secured bank loan funds (1)	13,600	—	—	—
Total other investments	38,315	—	24,715	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(2,953)	—	—	(2,953)
Derivatives (3)	2,357	(47)	2,404	—
Total other assets and (liabilities)	(596)	(47)	2,404	(2,953)
	$ 2,907,347	$ 1,784,346	$ 1,112,354	$ (2,953)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2017 are $1.7 million and $4.7 million of other assets and other liabilities, respectively.

(3) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its consolidated balance sheets.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

At December 31, 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,291,287	$ 1,291,287	$ —	$ —
Agencies	31,746	—	31,746	—
Non-U.S. government (Sovereign debt)	234,585	—	234,585	—
Non-U.S. government-backed corporate	80,943	—	80,943	—
Corporate	290,219	—	290,219	—
Agency mortgage-backed	37,197	—	37,197	—
Non-agency mortgage-backed	252,786	—	252,786	—
Commercial mortgage-backed	67,139	—	67,139	—
Asset-backed	1,125	—	1,125	—
Total fixed maturity investments	2,287,027	1,291,287	995,740	—
Short term investments	335,291	—	335,291	—
Other investments				
Catastrophe bonds	23,514	—	23,514	—
Senior secured bank loan funds (1)	18,649	—	—	—
Total other investments	42,163	—	23,514	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(11,646)	—	—	(11,646)
Derivatives (3)	(8,703)	(418)	(8,285)	—
Total other assets and (liabilities)	(20,349)	(418)	(8,285)	(11,646)
	$ 2,644,132	$ 1,290,869	$ 1,346,260	$ (11,646)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2016 are $4.4 million and $16.0 million of other assets and other liabilities, respectively.

(3) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its consolidated balance sheets.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. treasuries

Level 1 - At December 31, 2017, the Company's U.S. treasuries fixed maturity investments had a weighted average effective yield of 1.9% and a weighted average credit quality of AA, (2016 - 1.3% and AA, respectively). When pricing these securities, the vendor services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At December 31, 2017, the Company's agency fixed maturity investments had a weighted average effective yield of 2.0% and a weighted average credit quality of AA (2016 - 1.5% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-U.S. government (Sovereign debt)

Level 2 - At December 31, 2017, the Company's non-U.S. government fixed maturity investments had a weighted average effective yield of 2.0% and a weighted average credit quality of AA (2016 - 1.6% and AAA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At December 31, 2017, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 2.2% and a weighted average credit quality of AA (2016 - 1.2% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2017, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average effective yield of 2.4% and a weighted average credit quality of A (2016 - 2.1% and A, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency mortgage-backed

Level 2 - At December 31, 2017, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 2.8%, a weighted average credit quality of AA and a weighted average life of 6.2 years (2016 - 2.9%, AA and 5.8 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments included non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments that were classified as sub-prime at the time of purchase held in its fixed maturity investments portfolio. At December 31, 2017, the Company did not hold any non-agency prime or non-agency Alt-A residential mortgage-backed fixed maturity investments. At December 31, 2016, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average effective yield of 4.3%, a weighted average credit quality of non-investment grade and a weighted average life of 5.1 years. At December 31, 2016, the Company's non-agency Alt-A fixed maturity investments had a weighted average effective yield of 5.2%, a weighted average credit quality of non-investment grade and a weighted average life of 6.0 years. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - At December 31, 2017, the Company's commercial mortgage-backed fixed maturity investments had a weighted average effective yield of 2.3%, a weighted average credit quality of AA and a weighted average life of 6.0 years (2016 - 2.7%, AAA and 4.4 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At December 31, 2017, the Company did not hold any asset-backed fixed maturity investments. At December 31, 2016, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 0.1%, a weighted average credit quality of AAA and a weighted average life of 0.4 years. The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of bank loans, student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At December 31, 2017, the Company's short term investment had a weighted average effective yield of 1.5% and a weighted average credit quality of AAA (2016 - 0.8% and AAA, respectively)The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Other Investments

Catastrophe bonds

Level 2 - The Company's other investments include investments in catastrophe bonds which are recorded at fair value based on broker or underwriter bid indications.

Other Assets and Liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1, and foreign exchange currency contracts and certain credit derivatives, determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs. For foreign currency contracts, these inputs include spot rates and interest rate curves. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term.

Level 3 Assets and Liabilities Measured at Fair Value

Below is a summary of quantitative information regarding the significant observable and unobservable inputs (Level 3) used in determining the fair value of assets and liabilities measured at fair value on a recurring basis:

At December 31, 2017	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual
Assumed and ceded (re)insurance contracts	$ (2,953)	Internal valuation model	Net undiscounted cash flows (U)	n/a	n/a	$ (3,874)
			Expected loss ratio (U)	n/a	n/a	25.2%
			Net acquisition ratio (O)	n/a	n/a	13.9%
			Contract Period (O)	—	4.7 years	4.0 years
			Discount rate (U)	n/a	n/a	2.2%

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Below is a reconciliation of the beginning and ending balances, for the periods shown, of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment income and are excluded from the reconciliation.

	Other assets and (liabilities)
Balance - January 1, 2017	$ (11,646)
Total realized gains	
Included in other income	1,661
Purchases	1,095
Settlements	5,937
Balance - December 31, 2017	$ (2,953)

	Other assets and (liabilities)
Balance - January 1, 2016	$ (4,629)
Total realized gains	
Included in other income	5,728
Purchases	(12,745)
Balance - December 31, 2016	$ (11,646)

Assumed and ceded (re)insurance contracts

Level 3 - At December 31, 2017, the Company had an $3.0 million net liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; the expected loss ratio and the relevant discount rate used to present value the net cash flows. The contract period and acquisition expense ratio are considered an observable input as each is defined in the contract. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, expected loss ratio or acquisition expense ratio, would result in an increase in the expected profit and ultimate fair value of these assumed and ceded (re)insurance contracts.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

The Fair Value Option for Financial Assets and Financial Liabilities

The Company has elected to account for certain financial assets and financial liabilities at fair value using the guidance under FASB ASC Topic *Financial Instruments*, as the Company believes it represents the most meaningful measurement basis for these assets and liabilities. Below is a summary of the balances the Company has elected to account for at fair value:

At December 31,	2017	2016
Other investments	$ 38,315	$ 42,163
Other liabilities, net	$ (2,953)	$ (11,646)

Included in net investment income for the year ended December 31, 2017 is $0.7 million of net unrealized gains related to the changes in fair value of other investments (2016 - net unrealized gains of $1.4 million). Net unrealized gains related to the changes in the fair value of other assets and liabilities recorded in other income was $Nil for the year ended December 31, 2017 (2016 - $Nil).

Measuring the Fair Value of Other Investments Using Net Asset Valuations

The table below shows the Company's portfolio of other investments measured using net asset valuations:

At December 31, 2017	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Senior secured bank loan funds	$ 13,600	$ 2,787	See below	See below

Senior secured bank loan funds - At December 31, 2017, the Company had $13.6 million invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds would liquidate over 4 to 5 years from inception of the applicable fund.

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE, cont'd.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

Year ended December 31,	2017	2016
Premiums written		
Assumed	$ 1,823,108	$ 1,665,185
Ceded	(683,788)	(642,655)
Net premiums written	$ 1,139,320	$ 1,022,530
Premiums earned		
Assumed	$ 1,700,904	$ 1,332,844
Ceded	(597,125)	(469,492)
Net premiums earned	$ 1,103,779	$ 863,352
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 2,192,209	$ 454,339
Claims and claim expenses recovered	(1,068,693)	(114,025)
Net claims and claim expenses incurred	$ 1,123,516	$ 340,314

At December 31, 2017, the Company's reinsurance recoverable balance was $1.1 billion (2016 - $196.2 million). Of this amount, 36.6% is fully collateralized by the Company's reinsurers, 61.5% is recoverable from reinsurers rated A- or higher by major rating agencies and 1.9% is recoverable from reinsurers rated lower than A- by major rating agencies (2016 - 29.2%, 70.8% and 0.0%, respectively). The reinsurers with the three largest balances accounted for 9.9%, 7.8% and 6.4%, respectively, of the Company's reinsurance recoverables balance at December 31, 2017 (2016 - 25.1%, 16.8% and 8.8%, respectively). At December 31, 2017, the Company had a $6.0 million valuation allowance against reinsurance recoverables (2016 - $1.5 million). The three largest company-specific components of the valuation allowance represented 12.5%, 10.8% and 9.6% of the Company's total valuation allowance at December 31, 2017 (2016 - 44.4%, 21.5% and 8.1%).

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

General Description

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company establishes its claims and claim expense reserves by taking claims reported to the Company by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding estimates for the anticipated cost of claims incurred but not yet reported to the Company, or incurred but not enough reported to the Company (collectively referred to as "IBNR") and, if deemed necessary, adding costs for additional case reserves which represent the Company's estimates for claims related to specific contracts previously reported to the Company which it believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table summarizes the Company's claims and claim expense reserves by main class of business, allocated between case reserves, additional case reserves and IBNR:

At December 31, 2017	Case Reserves	Additional Case Reserves	IBNR	Total
Property	$ 388,769	$ 593,223	$ 598,674	$ 1,580,666
Casualty and Specialty	414,585	108,826	1,107,869	1,631,280
Other	6,605	—	11,921	18,526
Total	$ 809,959	$ 702,049	$ 1,718,464	$ 3,230,472
At December 31, 2016				
Property	$ 157,522	$ 131,498	$ 155,101	$ 444,121
Casualty and Specialty	341,888	92,423	877,156	1,311,467
Other	6,935	—	18,459	25,394
Total	$ 506,345	$ 223,921	$ 1,050,716	$ 1,780,982

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Year ended December 31,	2017	2016
Net reserves as of January 1	$ 1,584,771	$ 1,584,540
Net incurred related to:		
Current year	1,097,904	438,984
Prior years	25,612	(98,670)
Total net incurred	1,123,516	340,314
Net paid related to:		
Current year	269,742	38,745
Prior years	324,170	294,742
Total net paid	593,912	333,487
Foreign exchange	34,827	(6,596)
Net reserves as of December 31	2,149,202	1,584,771
Reinsurance recoverable as of December 31	1,081,270	196,211
Gross reserves as of December 31	$ 3,230,472	$ 1,780,982

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its consolidated financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving for reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is often updated and adjusted from time to time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

The Company's estimates of losses from large events are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large events is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large events, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large events can be concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time.

Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable net development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

The Company establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The Company reevaluates its actuarial reserving techniques on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from the Company's actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

<u>Incurred and Paid Claims Development and Reserving Methodology</u>

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2017 on a consolidated basis and by main class of business is presented as supplementary information. The Company applied a retrospective approach with respect to the acquisition of Platinum and the subsequent merger of RenaissanceRe Specialty Risks and Platinum Bermuda into Renaissance Reinsurance, presenting all relevant historical information for all periods presented. In addition, included in the incurred claims and claim expenses and cumulated paid claims and claim expenses tables below is a reconciling item that represents the unamortized balance of fair value adjustments recorded in connection with the acquisition of Platinum to reflect an increase in net claims and claim expenses due to the addition of a market based risk margin that represented the cost of capital required by a market participant to assume the net claims and claim expenses of Platinum.

For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's consolidated incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										At December 31, 2017
	For the year ended December 31,										
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 811,455	$ 781,777	$ 776,078	$ 762,999	$ 720,081	$ 711,407	$ 699,224	$ 694,354	$ 679,996	$ 685,335	$ 22,837
2009	—	243,758	210,507	194,700	177,812	171,782	168,327	167,332	168,891	170,055	7,728
2010	—	—	572,772	526,201	497,739	488,186	493,031	494,839	506,567	507,740	37,253
2011	—	—	—	983,700	919,180	866,767	815,558	799,898	775,582	770,946	43,935
2012	—	—	—	—	446,966	379,536	329,110	311,633	293,302	288,333	34,929
2013	—	—	—	—	—	331,634	288,546	259,552	235,837	218,604	33,458
2014	—	—	—	—	—	—	380,356	341,830	341,085	343,894	112,574
2015	—	—	—	—	—	—	—	357,862	341,773	357,219	158,141
2016	—	—	—	—	—	—	—	—	433,089	455,074	249,144
2017	—	—	—	—	—	—	—	—	—	1,103,780	834,524
Total										$ 4,900,980	$ 1,534,523

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 158,739	$ 251,032	$ 374,749	$ 471,629	$ 512,819	$ 551,677	$ 589,113	$ 602,723	$ 613,689	$ 627,411
2009	—	41,902	84,581	102,547	118,243	127,373	139,116	146,038	148,156	150,736
2010	—	—	71,679	179,213	259,471	299,707	327,342	355,656	415,834	432,828
2011	—	—	—	81,684	259,491	502,502	609,253	659,593	685,530	698,891
2012	—	—	—	—	68,430	95,981	144,445	168,475	192,664	224,346
2013	—	—	—	—	—	26,938	77,323	114,783	139,939	158,598
2014	—	—	—	—	—	—	41,641	95,512	135,588	165,232
2015	—	—	—	—	—	—	—	32,395	80,065	137,837
2016	—	—	—	—	—	—	—	—	37,921	136,642
2017	—	—	—	—	—	—	—	—	—	268,137
Total										$ 3,000,658
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										230,131
Claims and claim expenses, net of reinsurance, from the Company's former Bermuda-based insurance operations										672
Adjustment for unallocated claim expenses										16,483
Unamortized fair value adjustments in connection with the acquisition of Platinum										1,594
Liability for claims and claim expenses, net of reinsurance										$ 2,149,202

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Property Main Class of Business

Within the Property main class of business, the Company principally writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

Also included in the Property main class of business is property per risk, property (re)insurance, binding facilities and regional U.S. multi-line reinsurance. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through proportional coverage. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured.

Claims and claim expenses in the Company's Property main class of business are generally characterized by loss events of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client’s claims management and reserving practices. Management’s judgments regarding these factors are reflected in the Company's reserve for claims and claim expenses.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving for most of the Company's Property main class of business generally does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophic event. The in-depth analysis generally involves: 1) estimating the size of insured industry losses from the catastrophic event; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed to the catastrophic event; 3) reviewing information reported by customers and brokers; 4) discussing the event with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the catastrophic event on a contract-by-contract basis and in aggregate for the event. Once an event has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the event. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss for an event. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss for an event. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because the events from which claims arise under policies written within the Property main class of business are typically prominent, public occurrences such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. Approximately one year from the date of loss for these small events, the Company typically estimates IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. There were no significant changes to the Company's paid loss development factors over the last three years.

In general, reserves for the Company's more recent reinsured catastrophic events are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses from the event, uncertainty as to which contracts have been exposed to the catastrophic event, uncertainty due to complex legal and coverage issues that can arise out of large or complex catastrophic events, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's Property main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2017
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 530,631	$ 475,550	$ 495,713	$ 494,755	$ 474,889	$ 468,867	$ 464,276	$ 464,436	$ 457,806	$ 458,419	$ 103
2009	—	134,821	111,015	95,825	92,650	89,506	90,988	90,530	90,781	90,473	161
2010	—	—	449,362	418,890	398,692	399,891	412,005	416,254	423,975	425,543	27,423
2011	—	—	—	857,190	807,965	768,398	737,136	725,747	705,832	706,214	28,169
2012	—	—	—	—	260,052	200,790	179,243	167,450	154,481	148,219	15,742
2013	—	—	—	—	—	147,321	130,244	111,583	100,719	93,486	1,651
2014	—	—	—	—	—	—	113,100	96,754	92,944	90,563	8,060
2015	—	—	—	—	—	—	—	138,396	120,367	108,701	25,664
2016	—	—	—	—	—	—	—	—	161,842	175,210	66,321
2017	—	—	—	—	—	—	—	—	—	726,631	511,447
Total										$ 3,023,459	$ 684,741

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 146,292	$ 205,924	$ 310,052	$ 388,430	$ 410,529	$ 432,125	$ 457,036	$ 459,682	$ 459,252	$ 459,702
2009	—	31,762	63,575	72,821	79,813	84,496	87,878	88,953	89,892	89,867
2010	—	—	63,532	163,833	230,921	261,971	286,802	306,518	359,160	366,285
2011	—	—	—	74,824	244,096	481,547	579,135	623,576	644,588	655,817
2012	—	—	—	—	53,273	69,172	97,373	110,236	117,630	126,184
2013	—	—	—	—	—	21,495	52,596	73,983	83,169	86,856
2014	—	—	—	—	—	—	25,941	55,732	72,890	76,022
2015	—	—	—	—	—	—	—	25,631	54,929	69,350
2016	—	—	—	—	—	—	—	—	24,603	78,558
2017	—	—	—	—	—	—	—	—	—	245,228
Total										$ 2,253,869
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										2,147
Adjustment for unallocated claim expenses										2,520
Unamortized fair value adjustments recorded in connection with the acquisition of Platinum										739
Liability for claims and claim expenses, net of reinsurance										$ 774,996

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Casualty and Specialty Main Class of Business

The Company offers its casualty and specialty reinsurance products principally on a proportional basis, and it also provides excess of loss coverage. The Company offers casualty and specialty reinsurance products to insurance and reinsurance companies and provides coverage for specific geographic regions or on a worldwide basis. Principally all of the business is reinsurance, although from time to time, the Company writes insurance business.

As with the Company's Property main class of business, its Casualty and Specialty main class of business reinsurance contracts can include coverage for relatively large limits or exposures. As a result, the Company's casualty and specialty reinsurance business can be subject to significant claims volatility. In periods of low claims frequency or severity, the Company's results will generally be favorably impacted while in periods of high claims frequency or severity the Company's results will generally be negatively impacted.

More recently, the Company has accepted a wider range of proportional risks, facilitating the Company's efforts to expand its product offerings. While the Company remains focused on underwriting discipline, and seeks to remain focused on opportunities amenable to stochastic representation and supported by strong data and analytics, the Company's expanded casualty and specialty product suite and the addition of the claims and claim expense reserves acquired through the Platinum transaction, may pose new, unmodelled or unforeseen risks for which the Company may not be adequately compensated and may also result in a higher level of attritional claims and claim expenses and the potential for reserve development, either adverse or favorable.

The Company's processes and methodologies in respect of loss estimation for the coverages offered through its Casualty and Specialty main class of business differ from those used for its Property main class of business. For example, the Company's casualty and specialty coverages are more likely to be impacted by factors such as long-term inflation and changes in the social and legal environment, which the Company believes gives rise to greater uncertainty in its reserves for claims and claim expenses. Moreover, in many lines of business the Company does not have the benefit of a significant amount of its own historical experience and may have little or no related corporate reserving history in many of its newer or growing lines of business. The Company believes this makes its Casualty and Specialty main class of business reserving subject to greater uncertainty than its Property main class of business.

The Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques for many, but not all, of its classes of business for each underwriting year within the Casualty and Specialty main class of business. The Company does not believe that these multiple point estimates are, or should be considered a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for the Company's Casualty and Specialty main class of business, it considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For classes of business and underwriting years where the Company has limited historical claims experience, estimates of ultimate losses that are not related to a specific event are generally initially determined based on the loss ratio method applied to each underwriting year and to each class of business. Unless the Company has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial view of the loss. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during the Company's pricing process; (2) historical loss ratios and combined ratios adjusted for rate change and trend; and (3) industry benchmarks for similar business. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions; (2) changes in the business underwritten; (3) changes in timing of the emergence of claims; and (4) other factors that may influence ultimate loss ratios and losses.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratios also requires judgment. The Company generally makes adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method or the reported chain ladder actuarial method.

The Bornhuetter-Ferguson method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data, compared to the chain ladder actuarial method. The Bornhuetter-Ferguson method uses initial expected loss ratio expectations to the extent that the expected paid or reported losses are zero, and it assumes that past experience is not fully representative of the future. As the Company's reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims, is reflected in the respective reporting period as a change in estimate. The utilization of the Bornhuetter-Ferguson method requires the Company to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Company selects its estimates of the expected ultimate claims and claim expense ratios as described above and selects its expected loss reporting patterns by utilizing actuarial analysis, including management's judgment, and historical patterns of paid losses and reporting of case reserves to the Company, as well as industry loss development patterns. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern.

The reported chain ladder actuarial method utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. The Company believes this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the Company's selected loss development patterns as appropriate. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

In addition, certain casualty and specialty coverages may be impacted by natural and man-made catastrophes. The Company estimates reserves for claim and claim expenses for these losses after the event giving rise to these losses occurs, following a process that is similar to its Property main class of business described above.

The following table details the Company's Casualty and Specialty main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2017
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 280,824	$ 306,227	$ 280,365	$ 268,244	$ 245,192	$ 242,540	$ 234,948	$ 229,918	$ 222,190	$ 226,916	$ 22,734
2009	—	108,937	99,492	98,875	85,162	82,276	77,339	76,802	78,110	79,582	7,567
2010	—	—	123,410	107,311	99,047	88,295	81,026	78,585	82,592	82,197	9,830
2011	—	—	—	126,510	111,215	98,369	78,422	74,151	69,750	64,732	15,766
2012	—	—	—	—	186,914	178,746	149,867	144,183	138,821	140,114	19,187
2013	—	—	—	—	—	184,313	158,302	147,969	135,118	125,118	31,807
2014	—	—	—	—	—	—	267,256	245,076	248,141	253,331	104,514
2015	—	—	—	—	—	—	—	219,466	221,406	248,518	132,477
2016	—	—	—	—	—	—	—	—	271,247	279,864	182,823
2017	—	—	—	—	—	—	—	—	—	377,149	323,077
Total										$ 1,877,521	$ 849,782

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 12,447	$ 45,108	$ 64,697	$ 83,199	$ 102,290	$ 119,552	$ 132,077	$ 143,041	$ 154,437	$ 167,709
2009	—	10,140	21,006	29,726	38,430	42,877	51,238	57,085	58,264	60,869
2010	—	—	8,147	15,380	28,550	37,736	40,540	49,138	56,674	66,543
2011	—	—	—	6,860	15,395	20,955	30,118	36,017	40,942	43,074
2012	—	—	—	—	15,157	26,809	47,072	58,239	75,034	98,162
2013	—	—	—	—	—	5,443	24,727	40,800	56,770	71,742
2014	—	—	—	—	—	—	15,700	39,780	62,698	89,210
2015	—	—	—	—	—	—	—	6,764	25,136	68,487
2016	—	—	—	—	—	—	—	—	13,318	58,084
2017	—	—	—	—	—	—	—	—	—	22,909
Total										$ 746,789
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										227,984
Adjustment for unallocated claim expenses										13,963
Unamortized fair value adjustments recorded in connection with the acquisition of Platinum										855
Liability for claims and claim expenses, net of reinsurance										$ 1,373,534

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company's estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company's reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company's ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company's cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverables, as well as changes to loss related premiums such as reinstatement premiums , all of which generally move in the opposite direction to changes in the Company's ultimate claims and claim expenses.

The following table details the Company's prior year development by main class of business of its liability for unpaid claims and claim expenses:

Year ended December 31,	2017	2016
	(Favorable) adverse development	(Favorable) adverse development
Property	$ (10,577)	$ (60,736)
Casualty and Specialty	37,303	(37,934)
Other	(1,114)	—
Total adverse (favorable) development of prior accident years net claims and claim expenses	$ 25,612	$ (98,670)

Changes to prior year estimated claims reserves increased the Company's net loss by $25.6 million during 2017 (2016 - increased the Company's net income by $98.7 million), excluding the consideration of changes in reinstatement, adjustment or other premium changes, profit commissions and income tax.

During 2017, net adverse development of prior accident years net claims and claim expenses of $25.6 million included net adverse development of $37.3 million associated with the Company's Casualty and Specialty main class of business, partially offset by net favorable development of $10.6 million and $1.1 million associated with the Company's Property and Other main classes of business, respectively. The net adverse development on prior accident years net claims and claim expenses associated with the Company's Casualty and Specialty main class of business in 2017 was driven by $33.5 million of adverse development associated with the change in the discount rate used to calculate lump sum awards in U.K. bodily injury cases (the "Ogden Rate"), from 2.5%, to minus 0.75%. Notwithstanding the impact of the Ogden Rate change, the Company's Casualty and Specialty main class of business experienced $0.4 million of net favorable development related to actual reported losses coming in lower than expected on attritional net claims and claim expenses across a number of lines of business, partially offset by $4.2 million of adverse development associated with actuarial assumption changes.

The net favorable development of prior accident years net claims and claim expenses associated with the Company's Property main class of business in 2017 was principally driven by a number of relatively small net decreases in the estimated ultimate losses associated with a number of events from prior accident years, with the most notable events.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

During 2016, favorable development of prior accident years net claims and claim expenses of $98.7 million included favorable development of $60.8 million and $37.9 million attributable to the Company's Property and Casualty and Specialty main classes of business, respectively. The favorable development of prior accident years net claims and claim expenses within the Company's Property main class of business in 2016 was principally driven by favorable development of $8.6 million from the 2011 Thailand Floods, $8.0 million from Storm Sandy in 2012, $4.5 million from the 2011 Tohoku Earthquake and Tsunami, and $5.0 million related to the 2015 Tianjin Explosion, each principally the result of changes in estimated ultimate losses for each respective event. Included in the favorable development of prior accident years net claims and claim expenses related to small catastrophe events were a number of wind and thunderstorm events, primarily from the 2013 and 2015 accident years totaling $18.4 million, each principally the result of changes in estimated ultimate losses for each respective event, with the remainder due to a number of other large and small catastrophe events related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods.

The favorable development on prior accident years net claims and claim expenses associated with the Company's Casualty and Specialty main class of business in 2016 was driven by the application of the Company's formulaic actuarial reserving methodology with attritional net claims and claim expenses reported coming in lower than expected on prior accident years events and $0.7 million of favorable development associated with actuarial assumption changes.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

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

At December 31, 2017	
Net reserve for claims and claim expenses	
Property	$ 774,996
Casualty and Specialty	1,373,534
Other	672
Total net reserve for claims and claim expenses	2,149,202
Reinsurance recoverable	
Property	805,670
Casualty and Specialty	257,746
Other	17,854
Total reinsurance recoverable	1,081,270
Total gross reserve for claims and claim expenses	$ 3,230,472

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration by main class of business:

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
At December 31, 2017	1	2	3	4	5	6	7	8	9	10
Property	23.6%	22.7%	23.5%	11.9%	5.6%	4.1%	5.3%	1.1%	—%	0.1%
Casualty and Specialty	6.2%	11.8%	12.3%	10.2%	8.9%	10.5%	6.2%	5.7%	4.6%	5.8%

Claims Frequency

Each of the Company's main classes of business are broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes. In addition, the Company does not have direct access to claim frequency information underlying certain of its proportional contracts given the nature of that business. As a result, the Company does not believe providing claim frequency information is practicable as it relates to its proportional contracts.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts, most notably in its Casualty and Specialty main class of business. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;
- If an insured loss event results in claims associated with a number of layers of a contract, the Company would consider this to be a single claim; and
- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts allocated by main class of business:

	At December 31, 2017	
	Cumulative number of reported claims	
Accident Year	**Property**	**Casualty and Specialty**
2008	244	220
2009	142	213
2010	228	266
2011	407	603
2012	204	762
2013	194	938
2014	147	1,320
2015	216	1,170
2016	327	759
2017	557	226

Assumed Reinsurance Contracts Classified As Deposit Contracts

Net claims and claim expenses incurred were reduced by $0.2 million during December 31, 2017 (2016 - $0.2 million) related to income earned on assumed reinsurance contracts that were classified as deposit contracts with underwriting risk only. Other income was increased by $3.7 million during December 31, 2017 (2016 - $6.2 million) related to premiums and losses incurred on assumed reinsurance contracts that were classified as deposit contracts with timing risk only. Aggregate deposit liabilities associated with these contracts of $21.7 million are included in reinsurance balances payable at December 31, 2017 (2016 - $25.7 million).

NOTE 7. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 200,000,000 common shares of $1.00 par value each.

During 2017, the Company's parent contributed $500.0 million in additional paid in capital, including $300.0 million in cash, and $100.0 million and $100.0 million via the transfer of RIHL and RIHL II mandatorily redeemable preference shares, respectively. In addition, the Company returned $127.0 million in additional paid in capital to its parent company, including $27.0 million in cash, and $50.0 million and $50.0 million via the transfer of RIHL and RIHL II mandatorily redeemable preference shares, respectively.

Also during 2017, the Company declared aggregate dividends of $194.6 million to its parent company, with $22.8 million recorded as dividends payable to parent at December 31, 2017. The aggregate dividends, including those payable to parent at December 31, 2017, were settled with cash of $71.8 million, and $122.8 million via the transfer of RIHL mandatorily redeemable preference shares, respectively.

NOTE 7. SHAREHOLDER'S EQUITY, cont'd.

During 2016, and in connection with the internal restructuring discussed in "Note 1. Organization", the Company returned $500.0 million of additional paid in capital to its parent company, including $100.0 million in cash, and $350.0 million and $50.0 million in the form of mandatorily redeemable preferred shares of RIHL and RIHL II, respectively. At December 31, 2016, in accordance with established capital management practices, the Company declared a return of additional paid in capital of $192.4 million and recorded a corresponding amount as return of capital payable to parent at December 31, 2016. The capital payable to parent at December 31, 2016 was subsequently settled via the transfer of $115.0 million, $35.0 million and $40.0 million of RIHL, RIHL II and ROIHL III mandatorily redeemable preference shares, respectively, and $2.3 million in cash. See "Note 10. Statutory Requirements" for additional information related to this transaction.

Also during 2016, the Company declared aggregate dividends of $258.1 million to its parent company. These aggregate dividends were settled with cash of $165.1 million, and $78.0 million and $15.0 million via the transfer of RIHL and RIHL II mandatorily redeemable preference shares, respectively.

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance-Related Transactions

Renaissance Reinsurance has entered into a reinsurance agreement to cede a portion of its property catastrophe business to DaVinci Reinsurance Ltd. ("DaVinci"), a wholly-owned subsidiary of DaVinciRe Holdings Ltd., which is a minority-owned but controlled subsidiary of Renaissance Other Investments Holdings Ltd., which is a wholly-owned subsidiary of RenaissanceRe. During 2017, net earned premiums ceded under this agreement were $2.7 million (2016 - $6.1 million) and net claims and claim expenses recovered were $6.4 million (2016 - $283 thousand). At December 31, 2017, reinsurance recoverables were $6.6 million (2016 - $336 thousand), prepaid reinsurance premiums were $0.9 million (2016 - $1.0 million) and reinsurance balances payable were $2.1 million (2016 - $3.1 million).

The Company has entered into a reinsurance agreement with RenaissanceRe Specialty U.S., a wholly-owned subsidiary of RenaissanceRe. During 2017, net earned premiums assumed and net claims and claim expenses incurred under this agreement were $7.0 million and $4.5 million, respectively (2016 - $30.3 million and $19.8 million, respectively). At December 31, 2017, outstanding reserves for claims and claim expenses assumed under this agreement were $36.1 million (2016 - $39.1 million), unearned premium reserves were $0.2 million (2016 - $6.4 million) and premiums payable were $2.3 million (2016 - premiums receivable were $11.8 million).

Renaissance Reinsurance has entered into fully-collateralized retrocessional reinsurance contracts with Upsilon RFO Re Ltd., a related party, to cede a portion of its worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss business. During 2017, net earned premiums ceded under these agreements were $7.1 million and net claims and claim expenses recovered were $6.7 million. At December 31, 2017, losses recoverable under these agreements were $6.7 million, prepaid reinsurance premiums for these agreements were $0.4 million and reinsurance balances payable were $1.4 million. There were no balances associated with these contracts included in the Company's consolidated financial statements as at and for the year ended December 31, 2016.

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

The Company had entered into reinsurance agreements with Renaissance Reinsurance U.S. Inc., formerly known as Platinum Underwriters Reinsurance, Inc. ("Renaissance Reinsurance U.S."), a wholly-owned subsidiary of RenaissanceRe, which was acquired by RenaissanceRe as part of the acquisition of Platinum on March 2, 2015. In addition, Platinum Bermuda, which was merged into Renaissance Reinsurance during 2016 had existing reinsurance agreements with Renaissance Reinsurance U.S. prior to the acquisition of Platinum by RenaissanceRe on March 2, 2015. See "Note 1. Organization" and "Note 2. Significant Accounting Policies" for additional information related to the acquisition of Platinum and internal restructurings. Effective December 31, 2017, these reinsurance agreements with Renaissance Reinsurance U.S. were cancelled on a cutoff basis. During 2017, net earned premiums assumed and net claims and claim expenses assumed under these agreements were $202.6 million and $187.8 million, respectively (2016 - $102.6 million and recovered of $79.0 million, respectively). At December 31, 2017, outstanding reserves for claims and claim expenses assumed under these agreements were $322.4 million (2016 - $217.3 million), unearned premium reserves were $Nil (2016 - $57.5 million) and premiums payable were $4.5 million (2016 - premiums receivable were $27.2 million).

Renaissance Reinsurance and Renaissance of Europe have entered into reinsurance agreements with Top Layer Re whereby it agreed to cede 100% and 95%, respectively, of certain specified business entered into with third-party cedants. During 2017, the Company recorded $0.9 million, $0.9 million and $Nil of premiums ceded, premiums ceded earned, and net claims and claim expenses recovered, respectively, under these agreements (2016 - $8.4 million, $8.4 million, and $Nil, respectively). At December 31, 2017 and 2016, no balances remained outstanding with respect to these agreements on the Company's consolidated balance sheet.

Subsidiaries of the Company's ultimate parent have entered into equity investments in Tower Hill Holdings Inc. ("Tower Hill") and certain of its subsidiaries, which are accounted for under the equity method of accounting. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by certain subsidiaries and affiliates Tower Hill. During 2017, the Company recorded $28.2 million (2016 - $20.9 million) of gross premiums written assumed from Tower Hill and its subsidiaries and affiliates. Gross premiums earned totaled $24.4 million (2016 - $19.2 million) and expenses incurred were $3.8 million (2016 - $2.4 million) for 2017 related to these contracts. During 2017, the Company assumed net claims and claim expenses of $62.3 million (2016 - $1.1 million) and, as of December 31, 2017, had a net reserve for claims and claim expenses of $55.2 million (2016 - $36.6 million). The Company had a net related outstanding receivable balance of $9.4 million as of December 31, 2017 (2016 - $8.9 million).

Other Items

Included in other income is income from affiliates which relates to management, underwriting, investment management and administration functions performed for various related parties, totaling $8.6 million in 2017 (2016 - $27.3 million).

Under the terms of an administration agreement, the Company primarily reimburses RenaissanceRe Services Ltd., a wholly-owned subsidiary of RenaissanceRe, and certain other subsidiaries, for administrative services, office lease, investment and certain employee benefit plans on the basis of directly identifiable costs plus an allocation of other expenses. For the year ended December 31, 2017, net allocated costs and expenses to the Company were $82.6 million (2016 - $94.4 million).

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

During 2017 the Company received distributions from Top Layer Re of $20.0 million (2016 - $Nil), and a management fee of $2.7 million (2016 - $2.6 million). The management fee reimburses the Company for services it provides to Top Layer Re and is included in operational expenses. The Company has committed capital to support a $37.5 million letter of credit facility for Top Layer Re (2016 - $37.5 million) and the Company is also obligated to make a mandatory capital contribution of up to $50.0 million (2016 - $50.0 million) in the event that a loss reduces Top Layer Re's capital and surplus below a specified level. The letters of credit are secured by cash and investments of similar amounts.

Major Customers

During the year ended December 31, 2017, the Company received 66.8% (2016 - 73.2%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of AON, Marsh and Willis Towers Watson accounted for approximately 42.9%, 16.2% and 7.7%, respectively, of the Company's gross premiums assumed in 2017 (2016 - 48.5%, 16.2% and 8.5%, respectively).

NOTE 9. TAXATION

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Acts of 1987 and 2011, respectively.

Renaissance Europe is subject to the tax laws of Ireland and the U.K.; RenaissanceRe CCL and Syndicate 1458 are subject to the tax laws of the U.K; the Singapore Branch is subject to the tax laws of Singapore; and the Switzerland Branch is subject to the tax laws of Switzerland.

The taxation balances related to Renaissance Europe, RenaissanceRe CCL, Syndicate 1458, the Singapore Branch and the Switzerland Branch are not material to the Company.

In addition, Renaissance Reinsurance may be subject to income tax withholdings at source related to dividends on its equity investments trading. These amounts are currently immaterial.

NOTE 10. STATUTORY REQUIREMENTS

Renaissance Reinsurance

Renaissance Reinsurance is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the BMA. Under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the "Insurance Act"), Renaissance Reinsurance is required to maintain certain measures of solvency and liquidity, including its minimum solvency margin ("MSM"), defined as the minimum amount by which the value of the assets of Renaissance Reinsurance must exceed the value of its liabilities, the breach of which represents an unacceptable level of risk and triggers the strongest supervisory actions.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

In addition, Renaissance Reinsurance is required to maintain capital at a level equal to its enhanced capital requirement ("ECR") which is established by reference to the Bermuda Solvency Capital Requirement (the "BSCR") model. The BSCR is a mathematical model designed to give the BMA robust methods for determining an insurer's capital adequacy. The ECR is equal to the greater of the MSM or required capital calculated by reference to the BSCR. Effective January 1, 2016, the BMA embedded the Economic Balance Sheet ("EBS") framework in the Bermuda legislative and regulatory regime. The EBS is an input to the BSCR which determines Renaissance Reinsurance's ECR. The EBS regime prescribes the use of financial statements prepared in accordance with GAAP as the basis on which statutory financial statements are prepared, and those statutory financial statements form the starting basis for the EBS.

Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA's oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, ECR shall at all times equal or exceed the Class 4 insurer's minimum solvency margin and may be adjusted in circumstances where the BMA concludes that the insurer's risk profile deviates significantly from the assumptions underlying its ECR or the insurer's assessment of its risk management policies and practices used to calculate ECR applicable to it.

Under the Insurance Act, Renaissance Reinsurance is defined as a Class 4 insurer. Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the "Relevant Margins") or if the declaration or payment of such dividend would cause the insurer to fail to meet the Relevant Margins. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 4 insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its Relevant Margins. Class 4 insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's statutory financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda (the "Companies Act") which apply to all Bermuda companies. In addition, an insurer engaged in general business is also required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. The BMA has established a target level capital ("TCL") which is set at 120% of the ECR. While Renaissance Reinsurance is not required to maintain statutory capital and surplus at this level, it serves as an early warning tool for the BMA, and failure to meet the TCL may result in additional reporting requirements or increased regulatory oversight. Renaissance Reinsurance has completed its 2017 BSCR, which must be filed with the BMA on or before April 30, 2018, and exceeds the target level of required economic statutory capital.

The actual statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of Renaissance Reinsurance are detailed below:

At December 31,	2017	2016
Actual statutory capital and surplus (1)	$ 1,962,500	$ 1,912,500
Required statutory capital and surplus	558,854	527,892
Unrestricted net assets (2)	353,383	215,051

(1) Actual capital and surplus is based on the relevant insurer's statutory financial statements and required statutory capital and surplus is based on the MSM.

(2) Unrestricted net assets represents the amount of shareholders' equity that is permitted to be distributed in light of the statutory restrictions noted above, and the definition of distributable reserves and certain legal restrictions per the Companies Act.

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

Effective October 1, 2016, each of RenaissanceRe Specialty Risks and Platinum Bermuda merged into Renaissance Reinsurance, with Renaissance Reinsurance being the sole surviving entity. As part of the merger, Renaissance Reinsurance declared a return of additional paid in capital of $500.0 million to its parent company. Since the return of additional paid in capital exceeded 15% of the Renaissance Reinsurance's total statutory capital, as set forth in its previous financial year's statutory financial statements, Renaissance Reinsurance applied for, and effective November 18, 2016, received approval from the BMA to reduce its statutory capital by an amount greater than 15%.

At December 31, 2016, in accordance with established capital management practices, Renaissance Reinsurance declared a return of additional paid in capital of $192.4 million to its parent company and recorded a corresponding amount as return of capital payable to parent at December 31, 2016. Since the return of additional paid in capital exceeded 15% of Renaissance Reinsurance's total statutory capital, as set forth in its previous financial year's statutory financial statements, the Company applied for, and effective February 28, 2017, received approval from the BMA to reduce its statutory capital by an amount greater than 15%.

Syndicate 1458

RenaissanceRe CCL and Syndicate 1458 are subject to oversight by the Council of Lloyd's. RenaissanceRe Syndicate Management Limited is authorized by the U.K.'s Prudential Regulation Authority and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000. Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on Syndicate 1458's solvency and capital requirement as calculated through its internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. At December 31, 2017, the FAL requirement set by Lloyd's for Syndicate 1458 is £405.8 million (2016 - £351.7 million). Actual FAL posted for Syndicate 1458 at December 31, 2017 by RenaissanceRe CCL was £389.8 million, supported by a $180.0 million letter of credit and a $347.4 million deposit of cash and fixed maturity securities (2016 - actual FAL of $380.0 million and £90.0 million supported 100% by letters of credit).

Renaissance Europe

Under the terms of Statutory Instrument 380 of 2006 ("S.I. 380"), the Company is required to prepare and file an annual return with the Central Bank of Ireland. S.I. 380 also requires the Company to maintain the higher of a Required Solvency Margin or Minimum Guarantee Fund. Effective January 1, 2016, the Company is subject to the Solvency II capital regime. At December 31, 2017 the amount required to be maintained by Renaissance Europe was $4.4 million (2016 - $3.9 million) and the Available Solvency Margin to meet this requirement was $12.8 million (2016 - $13.7 million).

Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. The activities of the Singapore Branch are primarily regulated by the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The activities and regulatory requirements of the Singapore Branch are not considered to be material to the Company.

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

Switzerland Branch

The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority. The activities and regulatory requirements of the Switzerland Branch are not considered to be material to the Company.

Multi-Beneficiary Reinsurance Trust

Renaissance Reinsurance is approved as a Trusteed Reinsurer in the state of New York and established an MBRT to collateralize its (re)insurance liabilities associated with U.S. domiciled cedants. The MBRT is subject to the rules and regulations of the state of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2017 with respect to the MBRT totaled $1.2 billion (2016 - $673.2 million), compared to the minimum amount required under U.S. state regulations of $1.1 billion (2016 - $608.3 million).

Multi-Beneficiary Reduced Collateral Reinsurance Trust

Renaissance Reinsurance is approved as an "eligible reinsurer" in the state of Florida. Therefore, Renaissance Reinsurance is authorized to provide reduced collateral equal to 20% of its net outstanding insurance liabilities to Florida-domiciled insurers. Renaissance Reinsurance has established an RCT to collateralize its (re)insurance liabilities associated with Florida-domiciled cedants. Because the RCT was established in New York, it is subject to the rules and regulations of the state of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2017 with respect to the RCT totaled $49.4 million (2016 - $39.5 million), compared to the minimum amount required under U.S. state regulations of $39.7 million (2016 - $14.9 million).

NOTE 11. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

The tables below show the gross and net amounts of recognized derivative assets and liabilities at fair value, including the location on the consolidated balance sheets of the Company's principal derivative instruments:

	Derivative Assets					
At December 31, 2017	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral**	**Net Amount**
Interest rate futures	$ 269	$ 269	$ —	Other assets	$ —	$ —
Foreign currency forward contracts (1)	3,350	285	3,065	Other assets	—	3,065
Total	$ 3,619	$ 554	$ 3,065		$ —	$ 3,065

	Derivative Liabilities					
At December 31, 2017	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Liabilities Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral Pledged**	**Net Amount**
Interest rate futures	$ 316	$ 269	$ 47	Other liabilities	$ 47	$ —
Foreign currency forward contracts (1)	661	—	661	Other liabilities	—	661
Total	$ 977	$ 269	$ 708		$ 47	$ 661

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

	Derivative Assets					
At December 31, 2016	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 915	$ 861	$ 54	Other assets	$ —	$ 54
Foreign currency forward contracts (1)	711	—	711	Other assets	—	711
Foreign currency forward contracts (2)	731	442	289	Other assets	—	289
Total	$ 2,357	$ 1,303	$ 1,054		$ —	$ 1,054

	Derivative Liabilities					
At December 31, 2016	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 1,332	$ 861	$ 471	Other liabilities	$ —	$ 471
Foreign currency forward contracts (1)	9,365	397	8,968	Other liabilities	—	8,968
Foreign currency forward contracts (2)	760	442	318	Other liabilities	—	318
Total	$ 11,457	$ 1,700	$ 9,757		$ —	$ 9,757

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

The location and amount of the gain (loss) recognized in the Company's consolidated statements of operations related to the Company's principal derivative instruments are shown in the following table:

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Year ended December 31,		2017	2016
Interest rate futures	Net realized and unrealized losses on investments	$ (1,088)	$ (14,942)
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	9,261	(6,082)
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	(951)	(1,321)
Credit default swaps	Net realized and unrealized losses on investments	—	(67)
Total		$ 7,222	$ (22,412)

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk. The fair value of these derivatives is determined using exchange traded prices. At December 31, 2017, the Company had $252.4 million of notional long positions and $183.7 million of notional short positions of primarily U.S. treasury futures contracts (2016 - $628.1 million and $373.5 million, respectively).

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations. Changes in the fair value of the Company's foreign currency derivatives are recognized in the consolidated statements of operations.

Underwriting Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At December 31, 2017, the Company had outstanding underwriting related foreign currency contracts of $194.3 million in notional long positions and $40.5 million in notional short positions, denominated in U.S. dollars (2016 - $158.5 million and $89.5 million, respectively).

Investment Portfolio Related Foreign Currency Forward Contracts

The Company's investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. From time to time, the Company may employ foreign currency forward contracts in its investment portfolio to either assume foreign currency risk or to economically hedge its exposure to currency fluctuations from these investments. The fair value of the Company's investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At December 31, 2017, the Company had outstanding investment portfolio related foreign currency contracts of $Nil in notional long positions and $Nil in notional short positions, denominated in U.S. dollars (2016 - $13.9 million and $55.5 million, respectively).

Reinsurance Derivatives

Refer to "Note 4. Fair Value Measurements" for additional information related to reinsurance contracts accounted for at fair value.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, including the Company's equity method investments, cash, premiums receivable and reinsurance balances. Except for U.S. treasuries, none of the Company's investments exceeded 10% of shareholder's equity at December 31, 2017. See "Note 5. Reinsurance" and "Note 6. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverable.

Letters of Credit and Other Commitments

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo, National Association (the "Wells Fargo Facility") which, as of December 31, 2017, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for certain of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). The Applicants may draw down from the Wells Fargo Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to the Applicants. At December 31, 2017, RenaissanceRe had $106.8 million of letters of credit with effective dates on or before December 31, 2017 outstanding under the Facility (2016 - $140.8 million), of which $46.3 million relates to the Company (2016 - $90.4 million). The letters of credit are secured by cash and investments of similar amounts.

Effective as of May 19, 2015, Renaissance Reinsurance and other subsidiaries of RenaissanceRe (collectively, the "NAB Facility Applicants"), along with RenaissanceRe entered into a Standby Letter of Credit Agreement (the "NAB Standby Letter of Credit Agreement") with National Australia Bank Limited ("NAB"). The NAB Standby Letter of Credit Agreement provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of the NAB Facility Applicants in multiple currencies. RenaissanceRe has unconditionally guaranteed the payment obligations of the NAB Facility Applicants, other than DaVinci. At December 31, 2017, the NAB Facility Applicants had $3.8 million outstanding under the NAB Standby Letter of Credit Agreement (2016 - $4.9 million), of which the entire amounts related to Renaissance Reinsurance.

In addition, RenaissanceRe, the Company's ultimate parent, maintains a bilateral letter of credit facility (the "Bilateral Facility") which, as of December 31, 2017, provides a commitment to make available to certain of its operating subsidiaries and joint ventures (the "Bilateral Facility Participants") an aggregate amount of up to $300.0 million. The Bilateral Facility expires on December 31, 2018. The Bilateral Facility Participants may draw down from the Bilateral Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to Bilateral Facility Participants. At December 31, 2017, RenaissanceRe had $197.3 million of letters of credit with effective dates on or before December 31, 2017 outstanding under the Bilateral Facility (2016 - $244.9 million), of which $65.0 million relates to the Company (2016 - $114.9 million). The letters of credit are secured by cash and investments of similar amounts.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS, cont'd.

Effective November 23, 2015, Renaissance Reinsurance entered into a letter of credit facility with Bank of Montreal ("BMO"), CEP and ING Bank N.V. ("ING") as lenders (the "Renaissance Reinsurance FAL Facility"), evidenced by a letter of credit reimbursement agreement (the "Reimbursement Agreement"), which provides for the issuance by the lenders of letters of credit to support business written by Syndicate 1458. Effective May 31, 2016, the Funds at Lloyd's letters of credit issued for the account of Renaissance Reinsurance were increased from $360.0 million and £85.0 million to $380.0 million and £90.0 million, respectively, and effective as of May 25, 2017, the stated amount of the $380.0 million letter of credit was reduced to $180.0 million and the £90.0 million letter of credit was cancelled. Renaissance Reinsurance may request that the Renaissance Reinsurance FAL Facility be amended to increase the stated amount of the letter of credit, or issue a new letter or credit denominated in British Pounds, in an aggregate amount for all such increases or issuances not to exceed $150.0 million or the equivalent thereof. At December 31, 2017, the face amount of the outstanding letter of credit issued by CEP under the Renaissance Reinsurance FAL Facility was $180.0 million (2016 - $380.0 million and £90.0 million).

Effective November 24, 2014, RenaissanceRe Specialty Risks and CEP entered into a letter of credit facility (the "Specialty Risks FAL Facility"), evidenced by a Master Agreement (the "Specialty Risks Master Agreement"), and a related Pledge Agreement (the "Specialty Risks Pledge Agreement"), which provided for the issuance and renewal by CEP for the account of RenaissanceRe Specialty Risks of letters of credit that are used to support business written by RenaissanceRe Specialty Risks and Syndicate 1458. Effective October 1, 2016, in connection with the merger of RenaissanceRe Specialty Risks and Platinum Bermuda into Renaissance Reinsurance, Renaissance Reinsurance assumed all of the obligations of RenaissanceRe Specialty Risks and Platinum Bermuda under the Specialty Risks FAL Facility. At all times during the term of the Specialty Risks FAL Facility, RenaissanceRe Specialty Risks has agreed to pledge to CEP certain qualifying securities with a value (determined as provided in the Specialty Risks Pledge Agreement) equal to the aggregate face amount of the then-outstanding letters of credit. The Specialty Risks Master Agreement and the Specialty Risks Pledge Agreement contain representations, warranties and covenants that are customary for facilities of this type. At December 31, 2017, letters of credit issued by CEP under the Specialty Risks FAL Facility were outstanding in the face amount of £10.0 million.

See "Note 8. Related Party Transactions and Major Customers" for additional information related to a letter of credit facility and mandatory capital contribution for Top Layer Re.

Investment Commitments

See "Note 3. Investments" for additional information related to the Company's senior secured bank loan fund commitments.

Integration Expenses

In connection with the acquisition of Platinum, the Company incurred integration-related expenses of $0.3 million during 2017 (2016 - $2.1 million), principally due to compensation-related costs associated with terminating employees of Platinum.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS, cont'd.

Litigation

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to claims litigation involving disputed interpretations of policy coverages. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, the Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company's financial condition, business or operations.

NOTE 13. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2017, through April 27, 2018, the date the consolidated financial statements were available to be issued.